

**WEEKEND UNLIMITED INDUSTRIES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2020**  
(Expressed in United States Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Weekend Unlimited Industries Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Weekend Unlimited Industries Inc. (the "Company"), which comprise the consolidated balance sheets as at September 30, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

We conducted our audits 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates the Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 to cease operations, or has no realistic alternative but to do so.

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

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

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

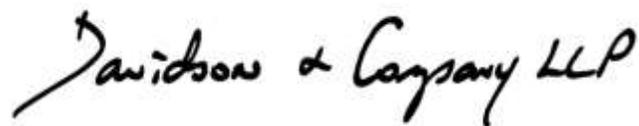
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dylan Connelly.

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 28, 2021

**WEEKEND UNLIMITED INDUSTRIES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in United States Dollars)

AS AT	Note	September 30, 2020	September 30, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 638,982	\$ 822,945
Inventory	4	53,232	119,119
Receivables		6,469	31,971
Loans receivable	6	230,129	483,163
Prepaid expenses and deposits		5,428	39,868
Assets held for disposition	13	-	425,781
		934,240	1,922,847
<b>Non-Current</b>			
Loans receivable - non-current	6	-	707,652
Property and equipment	7	148,066	167,404
Right of use asset	7	57,863	-
Deposit for land purchase	12	-	226,530
Assets held for disposition - non-current	13	-	190,000
<b>Total assets</b>		<b>\$ 1,140,169</b>	<b>\$ 3,214,433</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 6,010	\$ 306,957
Lease liability	7	18,982	-
		24,992	306,957
<b>Non-Current</b>			
Lease liability	7	42,709	-
<b>Total Liabilities</b>		<b>67,701</b>	<b>306,957</b>
<b>Equity</b>			
Share capital	14	44,072,332	44,723,002
Reserves	14	7,278,107	6,914,467
Deficit		(50,172,722)	(48,681,062)
Total equity attributable to shareholders of the Company		1,177,717	2,956,407
Non-controlling interest		(105,249)	(48,931)
Total equity		1,072,468	2,907,476
<b>Total liabilities and equity</b>		<b>\$ 1,140,169</b>	<b>\$ 3,214,433</b>

**Nature and continuance of operations** (Note 1)

Approved on behalf of the Board of Directors and authorized for issuance on January 28, 2021:

“Signed”  
\_\_\_\_\_  
Charlie Lamb, Director

“Signed”  
\_\_\_\_\_  
Brian Keane, Director

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

**WEEKEND UNLIMITED INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Expressed in United States Dollars)

	<i>Note</i>	September 30 2020	September 30 2019
<b>Revenue</b>		\$ 133,379	\$ 7,144
<b>Cost of goods sold</b>		89,644	3,543
Gross margin		43,735	3,601
<b>Expenses</b>			
General and administrative	18	1,212,441	5,068,455
Professional fees		344,481	556,723
Share-based compensation	14	329,800	1,168,841
Northern Lights Organics milestone payment	12	26,341	144,951
Depreciation	7	27,007	116,033
Foreign exchange		-	1,325
<b>Total expenses</b>		1,940,070	7,056,328
Loss before other items		(1,896,335)	(7,052,727)
Impairment - loan receivable	6	(315,298)	(825,510)
Impairment - property and equipment		(581,125)	(367,507)
Impairment - Intangible assets	8,9,10	-	(22,477,295)
Listing expense	11	-	(12,420,976)
Gain on settlement of debt	14	113,334	-
Impairment - inventory		(89,129)	-
Interest and other		(1,554)	81,318
Loss from continuing operations		(2,770,107)	(43,062,697)
Net loss from discontinued operations	13	(669,417)	(1,040,127)
<b>Net loss for the year</b>		\$ (3,439,524)	\$ (44,102,824)
Other comprehensive loss			
Translation adjustment		(19,073)	(82,677)
<b>Comprehensive loss for the year</b>		\$ (3,458,597)	\$ (44,185,501)
Comprehensive loss attributable to:			
Net loss - shareholders of the Company		(3,383,206)	(44,053,893)
Net loss - non-controlling interest		(56,318)	(48,931)
Translation adjustment		(19,073)	(82,677)
		\$ (3,458,597)	\$ (44,185,501)
<b>Loss per share</b>			
Basic and diluted - continuing operations		\$ (0.31)	\$ (6.10)
Basic and diluted - discontinued operations		\$ (0.08)	\$ (0.15)
Total		\$ (0.39)	\$ (6.25)
<b>Weighted average number of common shares</b>			
Basic and diluted		8,846,840	7,054,777

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

**WEEKEND UNLIMITED INDUSTRIES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in United States Dollars)

	Number of common shares	Share Capital	Reserves	Translation adjustment reserve	Non-controlling interest	Deficit	Total equity
<b>Balance, September 30, 2018</b>	2,878,990	\$ 13,681,654	\$ 704,952	\$ (99,363)	\$ (12,067)	\$ (6,738,301)	\$ 7,536,875
Common shares and warrants issued to Open Source for RTO	1,121,192	8,628,696	4,488,809	-	-	-	13,117,505
Common shares issued for cash	1,368,282	5,738,604	-	-	-	-	5,738,604
Common shares issued upon exercise of warrants	714,485	2,261,688	(10,500)	-	-	-	2,251,188
Acquisition of S&K Industries, LLC	283,156	1,800,000	-	-	-	-	1,800,000
Acquisition of Verve Beverage Company	1,200,000	6,268,657	-	-	-	-	6,268,657
Acquisition of R&D Pharma	1,600,000	8,762,640	-	-	-	-	8,762,640
Exchangeable preferred shares for acquisition of R&D Pharma	-	-	572,795	-	-	-	572,795
Shares issued under NLO agreement	20,000	144,951	-	-	-	-	144,951
Shares issued for compensation	15,000	108,713	-	-	-	-	108,713
Shares issued for services	40,000	171,810	-	-	-	-	171,810
Cancellation of shares - JB Stone Inc. disposition	(100,000)	(531,580)	-	-	12,067	531,580	12,067
Cancellation of shares - Verve Beverage Company disposition	(320,000)	(1,579,552)	-	-	-	1,579,552	-
Share issuance costs - cash	-	(561,669)	-	-	-	-	(561,669)
Finders' warrants	-	(171,610)	171,610	-	-	-	-
Share-based compensation	-	-	1,168,841	-	-	-	1,168,841
Translation adjustment	-	-	-	(82,677)	-	-	(82,677)
Net loss for the year	-	-	-	-	(48,931)	(44,053,893)	(44,102,824)
<b>Balance, September 30, 2019</b>	8,821,105	\$ 44,723,002	\$ 7,096,507	\$ (182,040)	\$ (48,931)	\$ (48,681,062)	\$ 2,907,476
Common shares issued for cash	1,772,800	\$ 831,661	-	-	-	-	831,661
Common shares issued for settlement of debt	79,251	37,263	-	-	-	-	37,263
Common shares issued for services	1,047,629	442,381	-	-	-	-	442,381
Common shares issued upon exercise of warrants	9,000	17,030	-	-	-	-	17,030
Shares issued under NLO agreement	20,000	26,341	-	-	-	-	26,341
Cancellation of shares - R&D Pharma Corp.	(155,002)	(604,433)	-	-	-	604,433	-
Cancellation of common shares issued for service	(334,862)	(1,287,113)	-	-	-	1,287,113	-
Share issuance costs - cash	-	(60,887)	-	-	-	-	(60,887)
Finders' warrants	-	(52,913)	52,913	-	-	-	-
Share-based compensation	-	-	329,800	-	-	-	329,800
Translation adjustment	-	-	-	(19,073)	-	-	(19,073)
Net loss for the year	-	-	-	-	(56,318)	(3,383,206)	(3,439,524)
<b>Balance, September 30, 2020</b>	11,259,921	\$ 44,072,332	\$ 7,479,220	\$ (201,113)	\$ (105,249)	\$ (50,172,722)	\$ 1,072,468

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

**WEEKEND UNLIMITED INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States Dollars)

	September 30 2020	September 30 2019
<b>Operating activities</b>		
Net loss for the year	\$ (3,439,524)	\$ (44,102,824)
Adjusted for:		
Depreciation	27,007	153,037
Share-based compensation	329,800	1,168,841
Gain on debt settlement	113,334	-
Northern Lights Organics milestone payment	26,341	144,951
Shares issued for services	442,381	280,523
Impairment - loans receivable	315,298	825,510
Impairment - equipment	581,123	367,507
Impairment - inventory	89,129	-
Impairment - intangible assets	-	22,477,295
Gain on disposition of JB Stone Inc.	-	70,324
Impairment of assets held for sale	144,127	-
Listing expense	-	12,420,976
Changes in non-cash working capital:		
Receivables	25,112	(13,127)
Prepaid expenses	34,440	52,222
Accounts payable and accrued liabilities	(284,856)	164,292
Inventory	(21,144)	(119,119)
Cash flows from discontinued operations	(1,708)	(56,443)
Cash flows from operating activities	(1,619,140)	(6,166,035)
<b>Investing activities</b>		
Acquisition of S&K Industries, LLC, net	-	(1,050,000)
Acquisition of Verve Beverage Co., net	-	91,224
Acquisition of R&D Pharma Corp.	-	(1,285,379)
Transaction costs	-	(262,423)
Proceeds from Open Source Health Inc.	-	143,564
Property and equipment	(250,715)	(296,788)
Disposition of available for sale assets	282,766	-
Deposit for land purchase	-	(229,230)
Loans receivable - repaid	862,580	250,000
Loans receivable	(130,129)	(1,515,200)
Cash flows from investing activities	764,502	(4,154,232)
<b>Financing activities</b>		
Common shares issued for cash	831,661	5,738,604
Common shares issued upon exercise of warrants and options	17,030	2,251,188
Share issuance costs	(60,887)	(561,669)
Lease repayments	(19,840)	-
Cash flows from financing activities	767,964	7,428,123
Effect of exchange rate changes on cash	(97,289)	(81,514)
<b>Decrease in cash</b>	<b>(183,963)</b>	<b>(2,973,658)</b>
<b>Cash, beginning of year</b>	<b>822,945</b>	<b>3,796,603</b>
<b>Cash, end of year</b>	<b>\$ 638,982</b>	<b>\$ 822,945</b>

No cash was paid for interest or income taxes for the periods presented.  
Supplemental cash flow disclosure (Note 20).

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Weekend Unlimited Industries Inc. (the “Company”, Formerly Weekend Unlimited Inc.) was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on September 21, 2017. In October 2018 the Company completed a transaction with Open Source Health Inc. (“Open Source” or “OSH”) whereby OSH acquired all of the issued and outstanding shares of the Company on a one-for-one basis. The Company is considered to have acquired OSH for accounting purposes with the agreement being accounted for as a reverse takeover (“RTO”) of OSH by Weekend Unlimited Industries Inc. shareholders (Note 11). The combined entity continued into Alberta and continued operating under the name Weekend Unlimited Inc. On January 20, 2020 the Company continued into British Columbia and changed its name from Weekend Unlimited Inc. to Weekend Unlimited Industries Inc. The Company’s registered and records office address is 1066 West Hastings Street, Vancouver BC V6E 3X1.

The Company is a provider of branded packaging in the regulated cannabis industry. The Company’s focus is on building and facilitating the growth of a diversified portfolio of branded consumer products.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. The inability to achieve these objectives may cast significant doubt about the Company’s ability to continue as a going concern.

On January 21, 2020 the Company completed a consolidation of its common shares (“share consolidation”) on the basis of one post-consolidation common share for every ten pre-consolidation common shares held (10-to-1). On September 30, 2020 the Company completed a consolidation of its common shares (“share consolidation”) on the basis of one post-consolidation common share for every ten pre-consolidation common shares held (5-to-1). All references contained in these consolidated financial statements to issued and outstanding common shares, warrants, per share amounts, and exercise prices, have been retroactively restated to reflect the effect of the share consolidations.

The Company is subject to regulation under the federal and provincial laws of Canada and certain civic and state laws in the United States of America. Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the “CSA”) in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s operations and financial performance.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company’s operations. The extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated.

**2. BASIS OF PRESENTATION**

**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 interpretations of the IFRS Interpretations Committee (“IFRIC”).

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Presentation and functional currency**

The consolidated financial statements of the Company are presented in United States dollars. The functional currency of the Company is the Canadian dollar. The functional currency of the Company’s wholly owned subsidiaries is detailed below.

**Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The list below sets out the principal subsidiaries of the Company. These subsidiaries engage in intercompany transactions, all of which are eliminated upon the preparation of these consolidated financial statements:

<b>Name of subsidiary</b>	<b>Abbreviation</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>	<b>Principal Activity</b>
Weekend Unlimited Holdings Inc.	Weekend Holdings	USA	100%	CAD	Holding Company
Weekend Unlimited Washington, LLC	Weekend Washington	USA	100%	CAD	Branding services
Wknd Shop, LLC (Formerly S&K Industries LLC)	Wknd Shop	USA	100%	CAD	Hemp products
Elevation Growers Ltd. (Formerly Cannabis Brands Inc.)	EG	CAN	100%	CAD	Holding Company
Northern Lights Organics Inc.	NLO	CAN	70%	CAD	Hemp Cultivation

**3. USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Impairment of long-lived assets**

Long-lived assets, including property and equipment, and intangible assets, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

**Business combinations**

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Management determines whether assets acquired and liabilities assumed constitute a business. In examining processes and potential outputs, management considers the ability of the acquired and existing processes to adequately be capable of producing the potential outputs; where the processes are insufficient and/or incomplete to produce potential outputs, the Company considers the acquisition to be an asset acquisition.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of the equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

**3. USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS (Continued)**

**Determination of asset fair values and allocation of purchase consideration**

Significant asset acquisitions and business combinations require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of property and equipment, as well as the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to future production potential, and future market prices of products, and the ability to effectively distribute products. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. Provisional purchase price allocations are subject to review by management upon integration of the acquired businesses and will be adjusted as necessary were circumstances indicate it is appropriate to do so.

**Share-based payments**

The Company utilizes the Black-Scholes option pricing model (“Black-Scholes”) to estimate the fair value of warrants and stock options granted to directors, officers, employees, consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is the volatility. The Company estimated volatility based on historic share prices of companies operating in the regulated cannabis industry. Historical volatility is not necessarily indicative of future volatility. The expected life of stock options or warrants is determined based on the estimate that they would be exercised evenly over their term. There was no recent history of stock option exercises available to consider in the estimate of expected life at the time of grant.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**Foreign currencies**

*Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, “*The Effects of Changes in Foreign Exchange Rates*” (“IAS 21”). The functional currency of the Company and its subsidiaries is included within Note 2.

*Translation of foreign transactions and balances into the functional currency*

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Foreign currencies (Continued)**

*Translation of the functional currency into the presentation currency*

The results of operations which have a different presentation currency than the Company are translated to US dollars at appropriate average rates of exchange during the period. The assets and liabilities of these operations are translated to US dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of these operations to US dollars at period end are recognized in accumulated other comprehensive income as a translation adjustment.

**Share-based payments**

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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.

**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 recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 consolidated statement of financial position 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Financial instruments**

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Impairment

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

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

Financial liabilities

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

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

Inventories of finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventory consists of infused products, accessories, and product packaging. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value. During the year the Company expensed \$89,644 of inventory to cost of goods sold (2019 - \$3,543).

**Impairment of non-financial assets**

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and other non-current assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the following methods and rates:

<b>Category</b>	<b>Method</b>	<b>Rate</b>
Building	Declining balance	5%
Equipment	Declining balance	20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue**

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of infused and branded products and branded packaging for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

**Share capital**

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

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

Exchangeable preferred shares issued in connection with the R&D acquisition (Note 10) have been accounted for as share purchase warrants.

**Non-controlling interest**

Non-controlling interest in the Company's less than wholly owned subsidiaries is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Intangible Assets**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, comprising licenses, trademarks, technology, and product formulations that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful lives and is recognized in profit or loss. Goodwill is not amortized. The amortization of product formulations begins when the Company starts to generate revenue from the asset.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Leases**

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Upon adoption of IFRS 16 the Company recorded a right of use asset of \$81,531 and a lease liability of a corresponding amount. The right of use asset was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of 15%.

**5. RECENT ACCOUNTING PRONOUNCEMENTS**

**Recent accounting policies**

Effective October 1, 2019, the Company adopted the following accounting standards:

a) Leases (“IFRS 16”)

*Leases* (“IFRS 16”) was issued by the IASB and will replace *Leases* (“IAS 17”). IFRS 16 requires most leases to be reported on a company’s balance sheet as assets and liabilities. See Note 4 for the impact of IFRS 16 on initial adoption.

b) Uncertainty over Income Tax Treatments (“IFRIC 23”)

*Uncertainty over Income Tax Treatments* (“IFRIC 23”) was issued by IASB on June 7, 2017 to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. IFRIC 23 is effective January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

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**6. LOANS RECEIVABLE**

A summary of the Company's loans receivable is as follows:

	Washington State Cultivator	Ruby Mae's LLC	World High Life Plc	MDFD Holdings LLC	Real estate entity	S&K Industries, LLC	R&D Pharma Corp.	Verve Beverage Company	High Desert Group	Oklahoma	Northern Lights Supply Inc.	Total
<b>Balance, September 30, 2018</b>	500,000	-	-	-	250,000	750,000	1,158,750	750,000	-	-	-	3,408,750
Loans granted	-	-	-	-	-	-	1,285,379	-	750,000	200,000	549,750	2,785,129
Loans repaid	-	-	-	-	(250,000)	-	-	-	-	-	-	(250,000)
Transaction closed	-	-	-	-	-	(750,000)	(2,415,171)	(750,000)	-	-	-	(3,915,171)
Impairment	-	-	-	-	-	-	-	-	(750,000)	-	(75,510)	(825,510)
Foreign exchange variance	-	-	-	-	-	-	(28,958)	-	-	-	16,575	(12,383)
<b>Balance, September 30, 2019</b>	\$ 500,000	\$ 25,000	\$ 105,129	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 490,815	\$ 1,190,815
Loans granted	-	25,000	105,129	100,000	-	-	-	-	-	-	-	230,129
Loans repaid	(278,565)	-	-	-	-	-	-	-	-	(200,000)	(384,015)	(862,580)
Impairment	(221,435)	-	-	-	-	-	-	-	-	-	(93,863)	(315,298)
Foreign exchange variance	-	-	-	-	-	-	-	-	-	-	(12,937)	(12,937)
<b>Balance, September 30, 2020</b>	\$ -	\$ 25,000	\$ 105,129	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,129
<b>2020:</b>												
Current	-	25,000	105,129	100,000	-	-	-	-	-	-	-	230,129
Non-current	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	\$ -	\$ 25,000	\$ 105,129	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,129
<b>2019:</b>												
Current	-	-	-	-	-	-	-	-	-	200,000	283,163	483,163
Non-current	500,000	-	-	-	-	-	-	-	-	-	207,652	707,652
<b>Total</b>	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 490,815	\$ 1,190,815

Washington State Cultivator

During the year ended September 30, 2018 the Company advanced funds totaling \$500,000 to a Washington State Cannabis Cultivator and Processor, an unrelated third party. The advanced funds are unsecured, accrue interest at 5% and have a maturity date of October 2023. In October 2018 the Company formalized the advance by entering a promissory note for a principal sum of up to \$600,000.

The principal balance shall accrue interest at an annual rate of 5% per year. The note is to be repaid in the form of sixty equal monthly payments commencing from the date funds are released from escrow. In the event of late payment, the borrower shall have 30 days to cure any late payment after which time interest of 15% per annum will accrue until such late payments are cured and all accrued interest has been paid. The Company received an immediate payment of \$278,565 upon entering a settlement agreement with the lender and impaired the remaining loan balance of \$221,435.

Ruby Mae's LLC

During the year ended September 30, 2019, the Company received a non-interest bearing secured note in the amount of \$25,000 from Ruby Mae's LLC. The maturity date of the note was February 28, 2020. The maturity date was extended to March 30, 2021.

World High Life Plc

In February 2020, the Company advanced World High Life Plc ("WHL") an unsecured demand loan of \$105,129 (CAD \$140,000) bearing interest of 5%. The loan matured November 1, 2020. WHL is considered a related party due to a common CFO and directors of each Company. On November 1, 2020 the Company amended the maturity date to May 1, 2021.

**6. LOANS RECEIVABLE (Continued)**

MDFD Holdings LLC

In relation to the sale of equipment and inventory at the Company's former facility in Wenatchee Washington the Company received a promissory note of \$100,000 (Note 13). Under the note monthly payments to the Company are to commence January 3, 2021 of \$6,666 per month until the balance is repaid. The note bears interest of 5%.

S&K Industries, LLC

In October 2018, the Company received a 5% senior secured convertible promissory note from S&K Industries, LLC. ("S&K") of \$750,000. Interest is payable quarterly in cash beginning on January 1, 2019 and the note matures on September 20, 2019. The note was secured by all the assets of S&K. During the year ended September 30, 2019 the Company acquired a 100% interest in S&K (Note 8). The loan was allocated to the consideration towards the purchase of S&K.

R&D Pharma Corp.

In accordance with a binding letter agreement entered in July 2018 between the Company and R&D Pharma Corp. ("R&D") the Company advanced \$2,415,171 under an unsecured non-interest bearing loan. During the year ended September 30, 2019 the Company acquired 100% of R&D (Note 10). The loan was allocated to the consideration towards the purchase of R&D.

Verve Beverage Company

In September 2018, the Company received a 10% senior secured promissory note from Verve Beverage Company. ("VBC") of \$750,000. Interest is payable quarterly in cash beginning on January 1, 2019 and matures on February 1, 2019. The note is secured by all the assets of VBC. During the year ended September 30, 2019 the Company acquired 100% of Verve Beverage Company (Note 9).

High Desert Group Inc.

In December 2018, the Company received a secured promissory note from High Desert Group Inc. ("HDG") of \$750,000 pursuant to the terms of the acquisition of S&K Industries LLC. HDG had a common officer and director with the Company at the time of the transaction. Interest of 6% will be charged for the duration of the note. The note matures on December 13, 2019 and is secured by all the assets of HDG. During the year ended September 30, 2019 circumstances arose suggesting the promissory note was impaired. Attempts by the Company to negotiate a settlement agreement were unsuccessful. As such the Company recorded an impairment charge of \$750,000 during the year ended September 30, 2019.

Oklahoma

In February 2019, the Company received non-interest bearing senior secured promissory note from PPK Investment Group, LLC ("PPK") of \$200,000. The note is secured by all the assets of PPK. The note matured September 30, 2019. During the year ended September 30, 2020 the amount was collected in full.

**6. LOANS RECEIVABLE (Continued)**

*Northern Lights Supply Inc.*

In November 2018, the Company entered into a secured 6% loan facility for up to CAD \$1,200,000, of which the Company has initially advanced CAD \$500,000. The borrower is an Alberta based cannabis retailer.. During the year ended September 30, 2019 the Company advanced an additional CAD \$250,000.

During the period ended December 31, 2019 the Company entered an amending agreement with Northern Lights Supply Inc. for early repayment of its loan, whereby the parties agreed to reduce the loan balance to CAD \$650,000, following interest payments received of \$33,750, and amended the repayment terms as follows:

- a payment of CAD \$ 275,000 upon execution of the amending agreement
- 6 semi-annual payments of CAD \$50,000 over three years
- One final payment of CAD \$75,000
- Elimination of the conversion option

The Company recognized an impairment charge of \$75,510 in relation to the reduced loan balance as at September 30, 2019.

During the year ended September 30, 2020 the Company agreed to accept a final CAD \$200,000 immediately as full settlement of the outstanding balance. Accordingly, the Company recorded an impairment of \$93,863.

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**7. PROPERTY AND EQUIPMENT**

	Land	Building	Equipment	Total
<b>Cost</b>				
Balance September 30, 2018	\$ 256,892	\$ 243,108	\$ 556,437	\$ 1,056,437
Additions	-	139,736	157,052	296,788
Impairment	-	-	(500,000)	(500,000)
Transfer to assets held for sale	(256,892)	(382,844)	-	(639,736)
Foreign exchange	-	-	(851)	(851)
Balance September 30, 2019	\$ -	\$ -	\$ 212,638	\$ 212,638
Additions	456,439	-	20,806	477,245
Transfer to assets held for sale	-	-	(183,928)	(183,928)
Impairment	(309,573)	-	(48,191)	(357,764)
Foreign exchange	1,200	-	(1,325)	(125)
Balance, September 30, 2020	\$ 148,066	\$ -	\$ -	\$ 148,066
<b>Accumulated depreciation</b>				
Balance September 30, 2018	\$ -	\$ 5,064	\$ 43,372	\$ 48,436
Additions	-	18,889	134,148	153,037
Impairment	-	-	(132,493)	(132,493)
Transfer to assets held for sale	-	(23,955)	-	(23,955)
Foreign exchange	-	2	207	209
Balance September 30, 2019	\$ -	\$ -	\$ 45,234	\$ 45,234
Additions	-	-	3,339	3,339
Transfer to assets held for sale	-	-	(38,917)	(38,917)
Impairment	-	-	(9,656)	(9,656)
Balance, September 30, 2020	\$ -	\$ -	\$ -	\$ -
<b>Net book value</b>				
September 30, 2019	\$ -	\$ -	\$ 167,404	\$ 167,404
September 30, 2020	\$ 148,066	\$ -	\$ -	\$ 148,066

The Company recorded an additional impairment expense of \$234,005 in relation to amounts transfer to held for sale in the prior year. Equipment transferred to assets held for sale was impaired by \$144,127 (Note 13).

A continuity of the right of use asset and lease liability is as follows:

Right of use asset recognized on adoption of IFRS 16	\$ 81,531
Depreciation of right of use asset	(23,668)
Balance - September 30, 2020	\$ 57,863
Lease liability recognized on adoption of IFRS 16	\$ 81,531
Lease payments	(29,911)
Interest	10,071
Balance - September 30, 2020	\$ 61,691
Current portion	\$ 18,982
Long term	42,709
Total	\$ 61,691

The Company recorded interest expense of \$10,071 in relation to the lease liability during the year. The lease expires in February 2023.

**8. ACQUISITION OF S&K INDUSTRIES, LLC.**

During the year ended September 30, 2019 the Company acquired a 100% interest in S&K for \$1,800,000 in cash (including \$750,000 loan advanced by the Company previously – Note 6), and the issuance of 283,156 common shares with a fair value of \$1,800,000. The acquisition aligned with the Company’s strategy to build a diversified offering of branded consumer products in the cannabis industry.

The Company has concluded that the transaction did not qualify as a business combination under IFRS 3, “Business Combinations”, as significant processes were not acquired. The acquisition was therefore accounted for as an asset acquisition. The purchase consideration has been allocated based on the Company’s assessment of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation is as follows:

<b>Consideration</b>	
Cash	\$ 1,800,000
283,156 common shares	1,800,000
Transaction costs - cash	76,071
	<u>3,676,071</u>
<b>Net assets of S&amp;K Industries LLC</b>	
Intangible assets	<u>\$ 3,676,071</u>

During the year ended September 30, 2019 the Company recognized an impairment of the full purchase price in relation to the acquisition of S&K as the intangible assets were not expected to be recoverable from their use in operations.

**9. ACQUISITION OF VERVE BEVERAGE COMPANY**

In January 2019 the Company acquired a 100% interest in Verve Beverage Company. (“VBC”) in exchange for 1,200,000 common shares of the Company with a fair value of \$6,268,657. The acquisition aligned with the Company’s strategy to build a diversified offering of branded consumer products in the cannabis industry.

The Company has concluded that the transaction did not qualify as a business combination under IFRS 3, “Business Combinations”, as significant processes were not acquired. The acquisition was therefore accounted for as an asset acquisition. The purchase consideration has been allocated based on the Company’s assessment of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation is as follows:

<b>Consideration</b>	
1,200,000 common shares	\$ 6,268,657
Cash advanced prior to close of acquisition	750,000
Transaction costs - cash	33,889
	<u>7,052,546</u>
<b>Net assets of Verve Beverage Company</b>	
Cash	91,224
Others assets	18,844
Intangible assets	6,942,478
<b>Total</b>	<u>\$ 7,052,546</u>

Subsequent to the close of the acquisition the Company entered an agreement to divest its 100% interest in Verve Beverage Company in exchange for the return of 1,600,000 common shares from one of the original vendors of Verve Beverage Company. During the year ended September 30, 2019 the Company recorded an impairment expense of \$7,052,546.

**10. ACQUISITION OF R&D PHARMA CORP.**

In February 2019 the Company acquired a 100% interest in R&D Pharma Corp. (“R&D”) in exchange for 1,600,000 common shares and 25,000,000 non-voting preferred shares of R&D which are redeemable for 0.02 warrants of the Company for no further consideration and are exercisable at a price of CAD \$17.50 for a period of two years. The total fair value of the consideration was \$9,335,435 and \$2,415,171 in cash advanced by the Company (Note 6). The preferred shares provide the holders no other ownership or voting rights of R&D or the Company. The value of the preferred shares was determined using the Black-Scholes valuation model with the following assumptions: expected life 2 years, volatility 75%, discount rate 2%, dividend yield 0%. The acquisition aligned with the Company’s strategy to build a diversified offering of branded consumer products in the cannabis industry.

The Company has concluded that the transaction did not qualify as a business combination under IFRS 3, “Business Combinations”, as significant processes were not acquired. The acquisition was therefore accounted for as an asset acquisition. The purchase consideration has been allocated based on the Company’s assessment of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation is as follows:

The Company recorded an impairment expense of \$11,858,746 in relation to the acquisition of R&D during the year ended September 30, 2019.

<b>Consideration</b>	
1,600,000 common shares at a fair value of CAD \$7.25 per share:	\$ 8,762,640
25,000,000 preferred shares of R&D at a fair value of CAD \$0.03 per share:	572,795
Cash advanced prior to close of acquisition	2,415,171
Transaction costs - cash	108,140
	11,858,746
<b>Net assets of R&amp;D Pharma Corp.</b>	
Intangible assets	11,858,746
<b>Total</b>	<b>\$ 11,858,746</b>

During the year ended September 30, 2020 the Company issued 465,976 warrants upon the conversion of the remaining non-voting preferred shares of R&D Pharma Corp.

**11. REVERSE TAKEOVER TRANSACTION**

Effective October 2018 the Company completed a transaction with Open Source Health Inc. (“OSH”) whereby OSH acquired all of the issued and outstanding shares of the Company on a one-for-one basis. The Company is considered to have acquired OSH for accounting purposes with the agreement being accounted for as a reverse takeover of OSH by Weekend Unlimited Inc. shareholders. The combined entity continued operating under the name Weekend Unlimited Inc.

The legal acquisition of Weekend by OSH is considered a reverse asset acquisition as OSH does not meet the definition of a business as its main attribute was its public listing. For accounting purposes, the consideration to acquire 100% of the outstanding shares of OSH by the Company was 1,121,192 common shares. Additional consideration related to 956,910 OSH warrants with a strike price of CAD \$5. The value of the warrants was determined using the Black-Scholes valuation model with the following assumptions: expected life 2 years, volatility 72%, discount rate 2%, dividend yield 0%.

The following are the fair values of the OSH assets acquired and liabilities assumed by the Company and consideration paid to OSH:

<b>Consideration</b>	
1,121,192 common shares at a fair value of CAD \$10 per share:	\$ 8,628,696
956,910 warrants at a fair value of CAD \$6 per share:	4,488,809
Transaction costs - cash	44,323
	<b>13,161,828</b>
<b>Net assets of Open Source Health Inc.</b>	
Cash	143,564
Other receivable - due from Weekend Unlimited Inc.	622,113
Accounts payable	(24,825)
<b>Total</b>	<b>740,852</b>
Listing expense	\$ 12,420,976

**12. ACQUISITION OF NORTHERN LIGHTS ORGANICS INC.**

During the year ended September 30, 2018, the Company signed an agreement to purchase all of the shares of Northern Lights Organics Ltd. (“NLO”) and was granted an option to acquire an organic farm in northern BC. As consideration for the shares of NLO the Company agreed to:

- Fund an ACMPR application;
- Upon closing, pay CAD \$25,000 in cash and issue 20,000 common shares of the Company. The shares were issued during the period ended December 31, 2018 and had a fair value of \$144,951 (Note 17);
- Upon receipt of a license to cultivate and sell hemp and/or cannabis, issue common shares with a value equal to CAD \$1,000,000;
- Upon harvest of the first outdoor hemp and/or cannabis crop, pay CAD \$25,000 in cash; and
- Upon completion of an expansion facility of at least 100,000 square feet, issue common shares with a value equal to CAD \$500,000.

**12. ACQUISITION OF NORTHERN LIGHTS ORGANICS INC. (Continued)**

If exercised, the option price to acquire the agricultural property was as follows:

- CAD \$1,150,000 if exercised during the period ending February 2019
- CAD \$1,250,000 if exercised during the period ending February 2020
- CAD \$1,350,000 if exercised during the period ending February 2021

During the year ended September 30, 2018 end the Company notified NLO that it would not pursue the purchase option in its current form.

During the year ended September 30, 2019 the Company entered a new the share purchase agreement with NLO which replaced and superseded any prior agreements between the parties. The terms of the new share purchase agreement are as follows:

- Divested 30% of the equity ownership to one of the original vendors
- Advanced CAD \$150,000 to NLO on closing of the modified share purchase agreement to be used towards development of the project
- Agreed to fund an additional CAD \$150,000 in July 2019 upon achievement of certain milestones
- Agreed to fund an additional CAD \$340,000 in February 2020 upon achievement of certain milestones
- Issue 40,000 common shares upon the achievement of certain milestones
- Issue CAD \$1,000,000 in common shares upon the achievement of certain milestones
- Agreed to purchase a 50% interest in the organic farm for CAD \$600,000 (Paid).

As at September 30, 2019 \$226,530 had been paid with the remaining amount paid during the year ended September 30, 2020 and recorded as land (Note 7). As at September 30, 2020 the Company determined that it was appropriate to impair the value of the land to the assessed value of \$148,066 as this was the most probable recoverable amount given the decline in prices of hemp biomass.

During the year ended September 30, 2020 the Company issued 20,000 common shares with a fair value of \$26,341 in relation to the above milestones.

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**13. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

The following table summarizes the results from discontinued operations for the year ended September 30, 2020:

	<b>Wknd Shop LLC</b>	<b>Northern Lights</b>	<b>Total</b>
Revenue	\$ 241,862	\$ -	\$ 241,862
Cost of good sold	(227,218)	-	(227,218)
Gross margin	14,644	-	14,644
Expenses			
General and administrative	339,691	44,421	384,112
Impairment - equipment	-	144,127	144,127
Consulting	114,420	-	114,420
Other items	25,829	15,573	41,402
<b>Loss from discontinued operations</b>	<b>\$ (465,296)</b>	<b>\$ (204,121)</b>	<b>\$ (669,417)</b>

The following table summarizes the results from discontinued operations for the year ended September 30, 2019:

	<b>JB Stone Inc.</b>	<b>R&amp;D Pharma Corp</b>	<b>Verve Beverage Company</b>	<b>Wknd Shop LLC</b>	<b>Northern Lights</b>	<b>Total</b>
<b>Expenses</b>						
General and administrative	\$ 40,361	\$ 45,397	\$ 107,950	\$ 16,762	\$ 46,936	\$ 257,406
Professional fees	-	-	-	12,500	1,870	14,370
Consulting	-	-	146,025	90,000	191,004	427,029
Depreciation	-	-	-	-	37,004	37,004
Loss on disposition	70,324	-	106,093	-	-	176,417
Interest and other	-	-	-	127,901	-	127,901
<b>Loss from discontinued operations</b>	<b>\$ (110,685)</b>	<b>\$ (45,397)</b>	<b>\$ (360,068)</b>	<b>\$ (247,163)</b>	<b>\$ (276,814)</b>	<b>\$ (1,040,127)</b>

During the year ended September 30, 2019 the Company entered a License Agreement with JB Stone Inc. in exchange for the cancellation of 500,000 shares of the Company and the return of the Company's 51% interest in JB Stone Inc. In relation to the disposition the Company recognized a loss from discontinued operations of \$110,685.

Subsequent to September 30, 2019 the Company entered a purchase agreement to dispose of the facility in Wenatchee Washington and recorded the recoverable amount of \$615,781 as assets held for sale, \$190,000 of which was expected to be collected beyond the following twelve months which was therefore recorded as long term. During the year ended September 30, 2020 the Company entered an amended agreement whereby the facility was sold for \$300,000. After transaction costs of \$17,234 net proceeds to the Company were \$282,766. The Company also entered a promissory note for the sale of certain equipment at the facility for \$100,000 (Note 6, 7).

During the year ended September 30, 2020 the Company classified Wknd Shop LLC and NLO as discontinued operations as management determined these business lines would no longer be pursued. Accordingly, \$247,163 and \$276,814 of related losses during the year ended September 30, 2019 have been reclassified to losses from discontinued operations.

**14. SHARE CAPITAL AND RESERVES**

**Authorized**

Unlimited common shares with no par value and unlimited preferred shares with no par value. As of September 30, 2020, there were 11,259,921 common shares outstanding (September 30, 2019 – 8,821,105).

**Escrow Shares**

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2021. As at September 30, 2020, a total of 177,503 common shares were subject to these escrow restrictions.

**Issued and Outstanding – Common Shares Fiscal 2020:**

During the year ended September 30, 2020 the Company issued common shares as follows:

- a) Issued 20,000 common shares upon the achievement of certain milestones under the Northern Lights Organics share purchase agreement with a fair value of \$26,341.
- b) Issued 9,000 common share upon the exercise of warrants at a price of CAD \$2.50 each for proceeds of \$17,030 (CAD - \$22,500).
- c) The Company completed a non-brokered private placement of \$831,661 (CAD \$1,108,001) by the issuance of 1,772,800 units at CAD \$0.625. Each unit consists of one common share and one common share purchase warrant entitling the holder to subscribe for one additional share at a price of CAD \$0.85 for a period of 2 years, subject to the Company's right to accelerate the expiry date upon 30 days' notice if its shares trade at CAD \$1.75 or more for a period of 10 days. In connection with the issuance of the units the Company issued 129,350 broker warrants on the same terms as the unit offering and incurred cash finder's fees of \$60,887. The Company recorded share issue costs of \$52,913 with respect to the broker warrants granted as finders' fees. The fair value of these broker warrants was CAD \$0.45 per warrant and was estimated using the Black-Scholes option pricing model.
- d) Issued 79,251 common shares to settle outstanding debts with a fair value of \$37,263. In relation to the issuance the Company recorded a gain on settlement of debt of \$113,334.
- e) Issued 737,629 common shares for services with a fair value of \$335,041.
- f) Issued 65,000 common shares for services with a fair value of \$24,917.
- g) Issued 245,000 common shares to members of management for services with a fair value of \$82,423.
- h) Cancelled 155,002 common shares in relation to the return of shares from certain vendors of R&D Pharma Corp. In relation to the cancellation the Company recorded a charge to deficit of \$604,433
- i) Cancelled 334,862 common shares in relation to the return of shares from certain vendors. In relation to the cancellation the Company recorded a charge to deficit of \$1,287,113.

**14. SHARE CAPITAL AND RESERVES (Continued)**

**Issued and Outstanding – Common Shares Fiscal 2019:**

During the year ended September 30, 2019 the Company issued common shares as follows:

- a) The Company completed a non-brokered private placement of \$4,162,885 (CAD \$5,409,154) by the issuance of 540,915 units at CAD \$10. Each unit consists of one common share and one common share purchase warrant entitling the holder to subscribe for one additional share at a price of CAD \$12.5 for a period of 2 years, subject to the Company's right to accelerate the expiry date upon 30 days' notice if its shares trade at CAD \$25 or more for a period of 10 days. In connection with the issuance of the units the Company issued 39,708 broker warrants on the same terms as the unit offering and incurred cash finder's fees and share issue costs of \$455,076. The Company recorded share issue costs of \$107,010 with respect to the broker warrants granted as finders' fees. The fair value of these broker warrants was CAD \$3.50 per warrant and was estimated using the Black-Scholes option pricing model.
- b) The Company issued 1,012,119 common shares in relation to the amalgamation with Open Source (Note 12).
- c) The Company issued 283,156 common shares to acquire a 100% interest in S&K Industries, LLC with a fair value of \$1,800,000 (Note 9).
- d) The Company issued 1,200,000 common shares to acquire a 100% interest in Verve Beverage Company with a fair value of \$6,268,657 (Note 10).
- e) The Company issued 1,600,000 common shares to acquire a 100% interest in R&D Pharma Corp. with a fair value of \$8,762,640 (Note 11).
- f) The Company issued 65,000 common shares for services with a fair value of CAD \$34,125.
- g) The Company issued 20,000 common shares to NLO with a fair value of \$144,951 which has been recorded as an expense.
- h) The Company issued 15,000 common shares for compensation with a fair value of \$108,713.
- i) Issued 40,000 common shares for services with a fair value of \$171,810.
- j) A total of 710,984 warrants and 3,500 stock options were exercised at prices between CAD \$2.50 – CAD \$10 for gross proceeds of \$2,261,688. In relation to the exercise of stock options \$10,500 was reallocated from reserves to share capital.
- k) Cancelled 100,000 common shares in relation to the disposition of JB Stone Inc. with a book value of \$531,580 which was recorded to deficit.

**14. SHARE CAPITAL AND RESERVES (Continued)**

**Issued and Outstanding – Common Shares Fiscal 2019 (Continued):**

- l) The Company completed a non-brokered private placement of \$1,575,719 (CAD \$2,068,415) by the issuance of 827,366 units at CAD \$2.50. Each unit consists of one common share and one common share purchase warrant entitling the holder to subscribe for one additional share at a price of CAD \$5.00 for a period of 2 years, subject to the Company's right to accelerate the expiry date upon 30 days' notice if its shares trade at CAD \$12.50 or more for a period of 10 days. In connection with the issuance of the units the Company issued 54,029 broker warrants on the same terms as the unit offering and incurred cash finder's fees and share issue costs of \$106,593. The Company recorded share issue costs of \$64,600 with respect to the broker warrants granted as finders' fees. The fair value of these broker warrants was CAD \$1.50 per warrant and was estimated using the Black-Scholes option pricing model.
  
- m) The Company entered an agreement to divest its 100% interest in Verve Beverage Company in exchange for the return of 320,000 common shares of the Company from one of the original vendors. In relation to the cancellation the Company recorded \$1,579,552 to deficit.

**14. SHARE CAPITAL AND RESERVES (Continued)**

**Warrants**

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$CAD)
<b>Balance at September 30, 2018</b>	2,354,898	\$ 9.00
Granted	2,584,968	9.00
Expired	(79,016)	64.15
Exercised	(710,985)	4.25
<b>Balance at September 30, 2019</b>	4,149,865	\$ 8.45
Granted	2,368,126	4.13
Expired	(890,968)	6.14
Exercised	(9,000)	2.50
<b>Balance at September 30, 2020</b>	5,618,023	\$ 7.00

The following table summarizes warrants outstanding at September 30, 2020:

Expiry date	Number of Warrants	Weighted Average Exercise Price (\$CAD)	Weighted Average Remaining Years
February 19, 2021	465,976	\$17.50	0.39
March 21, 2021	31,250	\$2.50	0.47
March 29, 2021	897,298	\$1.25	0.49
April 5, 2021	689,156	\$1.25	0.51
April 16, 2021	136,151	\$1.25	0.54
October 15, 2020	580,623	\$12.50	0.04
February 19, 2021	34,024	\$17.50	0.39
July 9, 2021	881,395	\$5.00	0.77
February 11, 2022	1,772,532	\$0.85	1.37
March 10, 2022	129,618	\$0.85	1.44
	5,618,023		0.78

During the year ended September 30, 2020, the Company recorded share issue costs of \$52,913 (2019 - \$171,610) with respect to 129,350 broker warrants granted as finders' fees. The weighted average fair value of these broker warrants was CAD \$0.54 per warrant and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

	September 30, 2020	September 30 2019
Risk-free interest rate	1.50%	2.25%
Expected life of options	4.25	4.25
Expected forfeitures	10%	10%
Annualized volatility	80%	75%
Dividend rate	0%	0%
Weighted average fair value per option (\$CAD)	\$0.07	\$0.70

**14. SHARE CAPITAL AND RESERVES (Continued)**

**Stock options**

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the exercise price permitted by the CSE, and all stock options granted under the plan will have a maximum term of seven years.

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price (\$CAD)
<b>Balance at September 30, 2018</b>	320,000	\$ 7.50
Granted	447,000	7.10
Exercised	(3,500)	7.50
Forfeited	(229,000)	7.50
<b>Balance at September 30, 2019</b>	534,500	\$ 7.15
Cancelled	(534,500)	7.15
Granted	986,000	0.625
<b>Balance at September 30, 2020</b>	986,000	\$ 0.625

The following table summarizes stock options outstanding and exercisable as at September 30, 2020:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price (\$CAD)	Weighted Average Remaining Years
March 25, 2025	986,000	986,000	\$0.625	4.48

Share-based compensation expense recognized during the year of \$329,800 (2019 - \$1,168,841) related to options granted and vested during the year. The Option Pricing Model used the following weighted average assumptions:

	September 30, 2020	September 30 2019
Risk-free interest rate	1.50%	2.25%
Expected life of options	4.25	4.25
Expected forfeitures	10%	10%
Annualized volatility	80%	75%
Dividend rate	0%	0%
Weighted average fair value per option (\$CAD)	\$0.07	\$0.70

Expected annualized volatility was determined using the historic volatility of established comparable publicly traded cannabis companies.

14. SHARE CAPITAL AND RESERVES (Continued)

R&D Pharma Corp. exchangeable preferred shares

A summary of non-voting exchangeable preferred share activity is as follows:

	Number of Preferred shares
<b>Balance at September 30, 2018</b>	-
Granted	25,000,000
Exchanged for warrants of the Company	(1,701,190)
<b>Balance at September 30, 2019</b>	23,298,810
Exchanged for warrants of the Company	(23,298,810)
<b>Balance at September 30, 2020</b>	-

Reserves

The following is a summary of the changes in reserves:

	Exchangable			Total
	Stock options	preferred shares	Warrants	
<b>Balance, September 30, 2018</b>	\$ 545,030	\$ -	\$ 159,922	\$ 704,952
Share-based payments	1,168,841	-	-	1,168,841
OSH warrants	-	-	4,488,809	4,488,809
R&D exchangeable preferred shares	-	572,795	-	572,795
Finders' warrants	-	-	171,610	171,610
Reclassified on exercise of stock options and warrants	(10,500)	-	-	(10,500)
<b>Balance, September 30, 2019</b>	\$ 1,703,371	\$ 572,795	\$ 4,820,341	\$ 7,096,507
Finders' warrants	-	-	52,913	52,913
Transfer	-	(572,795)	572,795	-
Share-based payments	329,800	-	-	329,800
<b>Balance, September 30, 2020</b>	\$ 2,033,171	\$ -	\$ 5,446,049	\$ 7,479,220

**15. RELATED PARTY TRANSACTIONS**

**Key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the period ended September 30, 2020 the Company entered into the following key management transactions:

<b>Key Management Remuneration:</b>	<b>September 30, 2020</b>	<b>September 30 2019</b>
Charlie Lamb - CEO, Director	\$ 84,782	-
Robert Payment - CFO	42,391	-
Chris Backus - Former CEO, Director	184,346	50,000
Michael Hopkinson - Former CFO	2,975	20,000
Brian Keane - Director	30,000	60,000
Michael Young - Director	5,000	-
Paul Chu - Former CEO, Director	-	103,965
Cody Corrubia - Former CEO, Director	-	170,000
David Parchomchuk - Former Director	18,593	-
Kevin Ernst - Former Director	7,500	50,000
<b>Total</b>	<b>\$ 375,587</b>	<b>\$ 453,965</b>

Share-based compensation of \$87,994 (2019 - \$327,035) was related to directors, officers, and former directors and officers.

Other related party transactions include:

- In December 2018 the Company received a secured promissory note from High Desert Group Inc. ("HDG") of \$750,000. At the date of the issuance of the HDG loan, the Company's then CEO (now former CEO), Paul Chu, was a common director and officer of HDG and the Company. The note matured on December 13, 2019 and is secured by all the assets of HDG. The loan proceeds were deemed uncollectible and accordingly the Company wrote the loan down to \$Nil as of September 30, 2019.
- In February 2020, the Company advanced World High Life Plc ("WHL") an unsecured demand loan of \$105,129 (CAD \$140,000) bearing interest of 5%. WHL is considered a related party due to a common CFO & director of each Company (Note 6).

## **16. FINANCIAL INSTRUMENTS**

### **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The recorded values of receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

### **Financial risk management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and loans receivables. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. Receivables consists of amounts due from the Government of Canada in which management believes the credit risk to be minimal. The Company does not have significant credit risk with respect to customers. The Company's remaining loans are considered to have a low risk of default. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

#### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020 the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at September 30, 2020, the Company had cash, loans receivable, accounts payable and accrued liabilities, denominated in Canadian dollars ("CAD"). A 10% fluctuation in the foreign exchange rate between the USD and Canadian dollar would have a \$30,000 impact on profit or loss for the year. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

**17. CAPITAL MANAGEMENT**

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

**18. GENERAL AND ADMINISTRATIVE EXPENSE**

<b>General and administrative</b>	<b>September 30, 2020</b>	<b>September 30 2019</b>
Advertising, marketing, and brand development	\$ 274,903	\$ 2,868,627
Investor relations	80,511	160,675
Office expenses and general administration	178,976	387,578
Management fees	375,587	453,965
Consulting	259,705	1,061,552
Travel and entertainment	42,759	136,058
<b>Total</b>	<b>\$ 1,212,441</b>	<b>\$ 5,068,455</b>

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**19. SEGMENTED INFORMATION**

The Company operates in two segments, referred to as Business to Business (“B2B”) and its administrative costs center, (“Corporate”). B2B is focused on the provision of services to cultivators, and processors in Washington State and Oklahoma. The corporate head office is located in Canada. Segmented info as at and for the year ended September 30, 2020 is as follows:

	<b>B2B (USA)</b>	<b>Corporate (Canada)</b>	<b>Total</b>
Revenue	\$ 133,379		\$ 133,379
Cost of goods sold	89,644	-	89,644
Gross margin	43,735	-	43,735
<b>Expenses</b>			
General and administrative	\$ 355,465	\$ 856,976	\$ 1,212,441
Professional fees	78,908	265,573	344,481
Share-based compensation	-	329,800	329,800
Northern Lights Organics milestone payment	-	26,341	26,341
Depreciation	3,339	23,668	27,007
Total expenses	437,712	1,502,358	1,940,070
Net Loss before other items	\$ (393,977)	\$ (1,502,358)	\$ (1,896,335)
Property and equipment	\$ -	\$ 148,066	\$ 148,066
Total assets	\$ 591,775	\$ 548,394	\$ 1,140,169
Total liabilities	\$ 4,202	\$ 63,499	\$ 67,701

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**19. SEGMENTED INFORMATION**

In the prior year the Company operated in four segments, referred to as Business to Business (“B2B”), Hemp Products, Hemp Cultivation, as well as its administrative costs center, (“Corporate”). B2B is focused on the provision of services to cultivators, and processors in Washington State, Hemp products is focused on the manufacture and distribution of hemp infused products, Hemp Cultivation is focused on developing agricultural opportunities in the Hemp industry. The corporate head office is located in Canada. Hemp Cultivation operations are located in Canada while the operations of B2B and Hemp Products are located in the United States. During the year ended September 30, 2020 Hemp Products and Hemp Cultivation were classified as discontinued operations (Note 13). Segmented info as at and for the year ended September 30, 2019 is as follows:

	<b>B2B (USA)</b>	<b>Corporate (Canada)</b>	<b>Total</b>
Revenue	\$ 7,144	\$ -	\$ 7,144
Cost of goods sold	3,543	-	3,543
Gross margin	3,601	-	3,601
Expenses			
General and administrative	\$ 291,541	\$ 4,776,914	\$ 5,068,455
Professional fees	87,783	468,940	556,723
Share-based compensation	-	1,168,841	1,168,841
Northern Lights Organics milestone payment	-	144,951	144,951
Depreciation	116,033	-	116,033
Foreign exchange	-	1,325	1,325
Total expenses	495,357	6,560,971	7,056,328
Net Loss before other items	\$ (498,958)	\$ (6,560,971)	\$ (7,052,727)

	<b>Hemp Products (USA)</b>	<b>Hemp Cultivation (Canada)</b>	<b>B2B (USA)</b>	<b>Corporate (Canada)</b>	<b>Total</b>
Property and equipment	\$ -	\$ 146,336	\$ 21,068	\$ -	\$ 167,404
Total assets	\$ 15,290	\$ 176,320	\$ 1,172,593	\$ 1,850,230	\$ 3,214,433
Total liabilities	\$ -	\$ -	\$ 33,128	\$ 273,829	\$ 306,957

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

<b>Supplemental cash flow information</b>	<b>September 30 2020</b>	<b>September 30 2019</b>
Shares issued to acquire S&K Industries, LLC. (Note 9)	\$ -	\$ 1,800,000
Shares issued to acquire Verve Beverage Co. (Note 10)	\$ -	\$ 6,268,657
Shares issued to acquire R&D Pharma Corp. (Note 11)	\$ -	\$ 8,762,640
Fair value of exchangeable preferred shares (Note 17)	\$ -	\$ 572,795
Promissory note received for asset sale (Note 6)	\$ 100,000	\$ -
Deposit for land paid in prior year (Note 12)	\$ 226,530	\$ -
Fair value of finders' warrants	\$ 52,913	\$ 171,610

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**21. INCOME TAXES**

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

	September 30 2020	September 30 2019
Loss before tax from continuing operations	\$ (2,770,107)	\$ (43,062,697)
Loss before tax from discontinued operations	(669,417)	(1,040,127)
<b>Loss for the year before income tax</b>	<b>(3,439,524)</b>	<b>(44,102,824)</b>
Expected income tax (recovery)	\$ (929,000)	\$ (11,908,000)
Change in statutory, foreign tax, foreign exchange rates and other	57,000	(1,067,000)
Permanent Difference	2,192,000	8,353,000
Share issue cost	(16,000)	(149,000)
Impact of sale of subsidiary, R&D Pharma Corp.	(3,136,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	2,472,000	(149,000)
Change in unrecognized deductible temporary differences	(640,000)	4,920,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada/British Columbia. The US federal income tax expense is due to the fact that Canadian and US losses are not able to be consolidated for tax disclosure & reporting purposes.

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

	September 30 2020	September 30 2019
Deferred Tax Assets (liabilities)		
Property and equipment / ROU Asset and Liability	\$ 1,000	\$ 67,000
Share issue costs	344,000	258,000
Allowable capital losses	2,010,000	3,183,000
Non-capital losses available for future period	2,837,000	2,324,000
	5,192,000	5,832,000
Unrecognized deferred tax assets	(5,192,000)	(5,832,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

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

	September 30 2020	Expiry Date Range	September 30 2019	Expiry Date Range
<b>Temporary Differences</b>				
Property and equipment / ROU Asset and Liability	\$ 4,000	Indefinite	\$ 311,000	Indefinite
Share issue costs	1,276,000	2040 to 2043	955,000	2040 to 2043
Allowable capital losses	7,750,000	2024 to Indefinite	13,359,000	2024 to Indefinite
Non-capital losses available for future period	10,685,000	2036 to Indefinite	47,548,000	2036 to Indefinite
Canada	9,883,000	2036 to 2040	42,382,617	2036 to 2039
USA	802,000	Indefinite	5,165,551	Indefinite

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