Consolidated Financial Statements of

# Mota Ventures Corp.
# (formerly Primary Energy Metals Inc.)

Period from April 12, 2019 to December 31, 2019
(Expressed in Canadian dollars)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mota Ventures Corp. (formerly Primary Energy Metals Inc.)

***Opinion***

We have audited the accompanying consolidated financial statements of Mota Ventures Corp. (formerly Primary Energy Metals Inc.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the period from April 12, 2019 to December 31, 2019, 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 December 31, 2019, and its financial performance and its cash flows for the period from April 12, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit 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 that during the period from April 12, 2019 to December 31, 2019, the Company incurred a net loss of $10,915,987, and at December 31, 2019, the Company has not achieved profitable operations. 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.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 29, 2020

# Mota Ventures Corp. (formerly Primary Energy Metals Inc.)
## Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

| | | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ | 2,687,976 |
| Amounts receivable | | 51,118 |
| Prepaid expenses and deposits | | 288,717 |
| Assets held for sale (Note 10) | | 20,000 |
| | | 3,047,811 |
| Intangible asset (Note 6) | | 414,544 |
| Right-of-use assets (Note 8) | | 224,359 |
| **Total assets** | $ | 3,686,714 |
| **Liabilities** | | |
| Current liabilities | | |
| Amounts payable and accrued liabilities (Note 9) | $ | 640,588 |
| Due to related parties (Note 9) | | 8,250 |
| Loan payable (Note 7) | | 25,000 |
| Lease (Note 8) | | 89,669 |
| | | 763,507 |
| Long term lease (Note 8) | | 145,583 |
| Total liabilities | | 909,090 |
| **Equity** | | |
| Share capital (Note 11) | | 11,422,504 |
| Commitment to issue shares (Note 16) | | 100,000 |
| Equity reserve (Note 11) | | 2,171,107 |
| Deficit | | (10,915,987) |
| Total equity | | 2,777,624 |
| **Total liabilities and equity** | $ | 3,686,714 |

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

Approved by the Board of Directors and authorized for issue on April 29, 2020:

Joel Shacker Director

Chad Clelland Director

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

# Mota Ventures Corp. (formerly Primary Energy Metals Inc.)

## Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | Period from April 12, 2019 to December 31, 2019 |
|---|---|
| **Expenses** | |
| Advisory and consulting | **$ 350,788** |
| Bank service charges | **1,786** |
| Depreciation (Note 6, 8) | **267,488** |
| Interest (Note 8) | **7,510** |
| Listing expense (Note 5) | **8,455,655** |
| Marketing, advertising and promotional | **320,611** |
| Office, rent and miscellaneous | **24,951** |
| Professional fees | **463,666** |
| Regulatory and transfer agent | **44,054** |
| Salaries and benefits | **74,607** |
| Share-based compensation (Note 11) | **783,403** |
| Travel | **66,398** |
| | **(10,860,917)** |
| Foreign exchange loss | **(55,070)** |
| | **(55,070)** |
| **Net loss and comprehensive loss** | **$ (10,915,987)** |
| Basic and diluted loss per share | **$ (0.30)** |
| Weighted average number of common shares outstanding - basic and diluted | **36,308,437** |

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

# Mota Ventures Corp. (formerly Primary Energy Metals Inc.)

Consolidated Statement of Equity

(Expressed in Canadian dollars)

| | Share capital | | Commitment | Equity | | |
|---|---|---|---|---|---|---|
| | Number | Amount | to issue shares | reserve | Deficit | Total |
| **Balance at April 12, 2019** | 100 | $ - | $ - | $ - | $ - | $ - |
| Shares issued for cash | 25,034,900 | 500,000 | - | - | - | 500,000 |
| Shares issued for acquisition of Ihuana S.A.S. | 7,999,000 | 159,980 | - | - | - | 159,980 |
| Shares issued to 1211782 B.C. Ltd. for acquisition of Ihuana S.A.S. | 6,963,500 | 139,270 | - | - | - | 139,270 |
| Reverse takeover transaction (Note 5) | 23,322,486 | 6,996,746 | - | 1,361,735 | - | 8,358,481 |
| Subscription receipt financing | 12,196,249 | 3,658,875 | - | - | - | 3,658,875 |
| Shares issued for finders' fee | 4,000,000 | 1,200,000 | - | - | - | 1,200,000 |
| Shares issued for advisory fee | 800,000 | 240,000 | - | - | - | 240,000 |
| Shares issued for consultant fee | 416,667 | 125,000 | - | - | - | 125,000 |
| Warrants issued for finders' fee | - | - | - | 25,969 | - | 25,969 |
| Share issue costs | - | (1,601,117) | - | - | - | (1,601,117) |
| Exercise of warrants | 25,000 | 3,750 | - | - | - | 3,750 |
| Share- based compensation | - | - | - | 783,403 | - | 783,403 |
| Commitment to issue shares (Note 16) | - | - | 100,000 | - | - | 100,000 |
| Net loss and comprehensive loss | - | - | - | - | (10,915,987) | (10,915,987) |
| **Balance at December 31, 2019** | 80,757,902 | $ 11,422,504 | $ 100,000 | $ 2,171,107 | $ (10,915,987) | $ 2,777,624 |

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

# Mota Ventures Corp. (formerly Primary Energy Metals Inc.)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

| | Period from April 12, 2019 to December 31, 2019, |
|---|---|
| **Operating activities** | |
| Net loss | **$ (10,915,987)** |
| Items not involving cash: | |
| Depreciation | **267,488** |
| Interest expense | **7,510** |
| Share based compensation | **783,403** |
| Listing expense - non-cash | **8,455,655** |
| Commitment to issue shares | **100,000** |
| Shares issued for marketing fee | **125,000** |
| Changes in non-cash working capital items: | |
| Amounts receivable | **237,048** |
| Prepaid expenses and deposits | **(252,174)** |
| Amounts payable and accrued liabilities | **(31,946)** |
| | **(1,224,003)** |
| **Investing activities** | |
| Acquisition payment to 1211782 B.C. | **(335,650)** |
| Intangible asset expenditures | **(2,457)** |
| Cash acquired from RTO | **264,250** |
| | **(73,857)** |
| **Financing activities** | |
| Proceeds from issuance of shares | **500,000** |
| Subscription receipt financing | **3,658,875** |
| Share issue costs | **(135,148)** |
| Proceeds from exercise of warrants | **3,750** |
| Lease payments | **(41,641)** |
| | **3,985,836** |
| Change in cash | **2,687,976** |
| Cash, beginning of period | **-** |
| **Cash, end of period** | **$ 2,687,976** |
| **Supplemental cash flow information:** | |
| Cash paid during the period for interest | $ - |
| Cash paid during the period for taxes | $ - |
| Shares issued for acquisition of Ihuana S.A.S. | $ 159,980 |
| Shares issued to 1211782 B.C. for acquisition of Ihuana S.A.S. | $ 139,270 |
| Shares issued for finders' fee | $ 1,200,000 |
| Share issue costs paid in shares | $ 240,000 |
| Warrants issued for finders' fee | $ 25,969 |
| Recognition of right-of-use asset and lease liability | $ 225,578 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Mota Ventures Corp. (formerly Primary Energy Metals Inc.) (the "Company"), and its subsidiaries are an integrated group of companies that seeks to become a vertically integrated global cannabidiol ("CBD") Company. Its existing operations in Colombia consist of a 2.5-hectare site that has optimal year-round growing conditions and access to all necessary infrastructure for CBD cultivation and extraction. The Company is establishing sales channels and a distribution network internationally through the acquisition of the First Class CBD and Sativida brands (Note 16). As at the date of this report, the Company is focused on its ecommerce operations through First Class CBD and Sativida. The Company is incorporated under the laws of British Columbia, Canada. The address of the Company's corporate office and its principal place of business is Suite 800 – 1199 W Hastings Street, Vancouver BC, Canada V6E 3T5.

On November 28, 2019, the Company completed the acquisition of all of the issued and outstanding shares of a private company, NNZ Consulting Corp. ("NNZ"), through a reverse takeover transaction (the "RTO Transaction"), resulting in the name change to Mota Ventures Corp. The net assets of the Company at the date of the RTO Transaction are deemed to have been acquired by NNZ (Note 5). Accordingly, these consolidated financial statements include the results of operations of the Company from November 28, 2019.

On June 12, 2019, NNZ completed its purchase of Ihuana S.A.S. ("Ihuana"), a Colombian company incorporated on January 25, 2017 (Note 4).

Through Ihuana, the Company holds a 100% interest in a non-psychoactive cannabis license issued by the Ministry of Justice of Colombia for the production of grain and seeds for sowing, the fabrication of derivatives and other industrial purposes.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2019, the Company had working capital of $2,284,304. During the period from April 12, 2019 to December 31, 2019, the Company incurred a net loss of $10,915,987, and at December 31, 2019, the Company has not achieved profitable operations, has accumulated losses of $10,915,987 since inception. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

These consolidated financial statements were approved and authorized for issuance on April 29, 2020.

## 2. BASIS OF PRESENTATION

### *(a) Statement of compliance*

These financial statements as at and for the period ended December 31, 2019, are 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").

### *(b) Basis of measurement*

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for cash measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## 2. BASIS OF PRESENTATION (Continued)

### *(c) Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

### *(d) Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the subsidiaries are as follows:

| | Incorporation | Percentage owned As at December 31, 2019 |
|---|---|---|
| NNZ Consulting Corp. | British Columbia, Canada | 100% |
| Ihuana S.A.S. | Bogota, Colombia | 100% |

Prior to the RTO Transaction (Note 5), the Company had three wholly-owned subsidiaries, being 1177527 B.C. Ltd. (British Columbia), Prost Vanadium Ltd. (British Columbia) and Primary Nirvana Inc. (Delaware). In connection with the completion of the RTO Transaction, the Company wound-up each of these subsidiaries.

### *(e) Critical accounting estimates and judgements*

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

*Determination of functional currency*

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the Company determined its functional currency, and the functional currency of its subsidiary. The Company makes judgements in defining the functional currency based on the economic substance of the transactions relevant to the entity.

## 2. BASIS OF PRESENTATION (Continued)

### *(e) Critical accounting estimates and judgements (Continued)*

*The assessment of the acquisition*

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset requires the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of relevant facts and circumstances, the Company concluded that the acquisitions disclosed in Note 4 and 5 were acquisitions of assets. The values assigned to common shares and the allocation of the purchase price to the net liabilities in the acquisition are based on numerous estimates and judgements of the relative fair values of net liabilities.

*Impairment of long-lived assets*

Long-lived assets, including intangible assets, are reviewed for impairment at each statement of financial position date 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.

*Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

*Intangible assets – license and license costs*

Intangible assets are recognized as such if it is probable that future economic benefits attributable to the asset will flow to the Company and their cost can be reasonably measured.

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses. These intangible assets are comprised of license costs and costs related to obtaining the license to cultivate non-psychoactive cannabis, which will be amortized in profit or loss on a straight-line basis over their estimated useful lives estimated to be five years from the date the license was issued to Ihuana (Note 6).

## 2. BASIS OF PRESENTATION (Continued)

### *(e) Critical accounting estimates and judgements (Continued)*

*Share-based payments*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### *(a) Leases*

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company applies judgment to determine the lease term for leases in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as it presents underlying assets of the same nature that it owns. The Company presents lease liabilities as lease on the statement of financial position.

Lease payments from leases with a term of less than 12 months or leases where the underlying asset is of low value are expensed in the statement of loss and comprehensive loss.

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

***(b) 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").

*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 financial position 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.

***(c) Cash***

Cash includes deposits held with banks that are available on demand.

***(d) Share capital***

Common shares are classified as 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 fair value at the date the shares are issued.

***(e) Loss per share***

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and warrants outstanding as at December 31, 2019, as disclosed in Note 11, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

***(f) Share-based payments***

The Company's share option plan allows Company employees, directors, officers, consultants and charitable organizations to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity reserve.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. 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 the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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

***(g) Unit valuation***

Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

***(h) Income taxes***

Income tax expense comprises deferred income tax expense and is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***(i) Financial instruments***

The following table shows the classification of financial instruments under IFRS 9:

| | |
|---|---|
| Cash | Fair value through profit or loss |
| Amounts payable and accrued liabilities | Amortized cost |
| Loan payable and due to related parties | Amortized cost |

***Financial assets***

***<u>Classification and measurement</u>***
The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

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

***(i) Financial instruments (Continued)***

*Financial assets at FVTPL*
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

*Financial assets at FVTOCI*
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

*Financial assets at amortized cost*
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

***Impairment of financial assets at amortized cost***
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

***Derecognition of financial assets***
Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

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

***(i) Financial instruments (Continued)***

***Financial liabilities***

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Amortized cost - This category consists of liabilities carried at amortized cost using the effective interest method. Amounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Refer to Note 14 for the required disclosures.

***(j) Intangible assets***

Intangible assets represent amounts paid for the license and costs to obtain the license for non-psychoactive cannabis as well as its derivatives.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized. At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

***(k) Impairment of non-financial assets***

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(Expressed in Canadian dollars)

## 4. ACQUISITION OF IHUANA

On June 12, 2019, pursuant to a share purchase agreement (the “Ihuana Agreement”) entered between Ihuana and NNZ, the Company issued 7,999,000 common shares at a price of $0.02 per share to acquire all of the outstanding shares of Ihuana.

On June 12, 2019, pursuant to a consulting agreement (the “Consulting Agreement”) entered with 1211782 B.C. (“1211782”), the Company issued 6,963,500 common shares at a price of $0.02 per share and paid $335,650 (US$ 250,000) in consideration for services rendered in assisting the purchase of Ihuana.

The transaction has been accounted for as acquisition of assets and assumed liabilities. The consideration of $634,900 paid by the Company has been allocated to the assets and liabilities acquired based on their relative fair value on the date of the acquisition.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

| | | |
|---|---|---|
| **Consideration paid:** | | |
| Fair value of shares issued | $ | 299,250 |
| Cash paid for transaction costs | | 335,650 |
| | | 634,900 |
| | | |
| **Net assets of Ihuana acquired:** | | |
| Intangible assets - license | | 634,923 |
| Amounts payable and accrued liabilities | | (23) |
| | $ | 634,900 |

## 5. REVERSE TAKEOVER TRANSACTION

In July 2019, Primary Energy Metals Inc. (“PRIM”) signed a letter of intent with NNZ, pursuant to which PRIM would acquire 100% of the shares of NNZ on a one-for-one basis via a reverse take-over (the “RTO Transaction”). NNZ is a privately-held company which, through its subsidiary Ihuana (Note 4), is licensed to cultivate non-psychoactive cannabis in Colombia for seed production, manufacturing of derivative products such as CBD and for industrial purposes (Note 6).

On November 28, 2019, the above RTO Transaction was completed. Under this transaction, PRIM changed its name to Mota Ventures Corp. and acquired 100% of the issued and outstanding shares of NNZ.

The legal acquisition of PRIM by NNZ constitutes as a reverse asset acquisition. In accordance with IFRS 3, Business Combinations, the substance of this transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since PRIM does not meet the definition of a business under IFRS 3. As a result, the RTO Transaction is accounted for in accordance with IFRS 2, Share-based Payments, as a reverse acquisition with NNZ being identified as the accounting acquirer (legal subsidiary) and PRIM being treated as the accounting acquiree (legal parent).

As consideration for 100% of the outstanding shares of PRIM, NNZ issued 23,322,486 shares, estimated at $0.30 per share, the value of the concurrent financing, on a one for one basis to the shareholders of PRIM. In addition, NNZ issued 7,626,165 warrants, in exchange for previously outstanding warrants of PRIM, and 240,000 options, in exchange for previously outstanding options of PRIM with an average fair value estimated at $0.18 and $0.09 per warrant and option, respectively, using the Black-Scholes model. The assumptions used in the Black-Scholes model included a risk free interest rate of 1.61%, an estimated life of 0.27 to 3.91 years, an expected volatility of 75%, and a dividend yield of 0%. The total consideration of $8,358,481 was allocated first to the fair value of the net liabilities acquired, with any excess to listing expense as follows:

(Expressed in Canadian dollars)

## 5. REVERSE TAKEOVER TRANSACTION (Continued)

| **Consideration** | | **Amount** |
|---|---|---|
| 23,322,486 shares at a value of $0.30 per share | $ | 6,996,746 |
| 7,626,165 warrants at a value of $0.18 per warrant | | 1,339,843 |
| 240,000 options at a value of $0.10 per option | | 21,892 |
| | $ | 8,358,481 |
| | | |
| **Net liabilities of PRIM as at date of acquisition November 28, 2019** | | |
| Cash | | 264,250 |
| Other current assets | | 344,709 |
| Right-of-use asset | | 43,456 |
| Total liabilities | | (749,589) |
| Net liabilities acquired | $ | (97,174) |
| | | |
| Listing expense | $ | 8,455,655 |

At the time of completion of the RTO Transaction, there were 80,732,902 shares issued and outstanding.

## 6. INTANGIBLE ASSETS

Intangible assets includes a license for the cultivation of non-psychoactive cannabis as well as its derivatives obtained for its wholly-owned Colombian subsidiary from the Republic of Colombia.

On June 12, 2019, the Company obtained the following license through the acquisition of Ihuana (Note 4):

- Cannabis Non-Psychoactive Cultivation License (Resolución 0275, April 2, 2018).

The license is valid for a period of five years from the date the license was issued to Ihuana and is renewable upon request within three months of expiration.

| | | License |
|---|---|---|
| **Cost** | | |
| Balance, April 12, 2019 | $ | - |
| Acquisition (Note 4) | | 634,923 |
| Additions | | 2,434 |
| Balance, December 31, 2019 | | 637,357 |
| | | |
| **Accumulated depreciation** | | |
| Balance, April 12, 2019 | | - |
| Amortization | | 222,813 |
| Balance, December 31, 2019 | | 222,813 |
| | | |
| **Net book value** | | |
| Balance, April 12, 2019 | $ | - |
| Balance, December 31, 2019 | $ | 414,544 |

(Expressed in Canadian dollars)

## 7. LOAN PAYABLE

As at December 31, 2019, $25,000 was due to an arm's length individual. The amount owed is non-interest bearing, unsecured, and payable upon demand.

## 8. LEASE PAYABLE

As at December 31, 2019, the lease payable consisted of office leases and a land lease with lease periods ending June 2020 and May 2024. The lease liability for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of the start date of the leases, which was estimated at 6.5%. The Company measured the right-of-use assets at an amount equal to the lease liability.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the leases, which have a remaining term of 0.5 year to June 2020 and 4.42 years to May 2024, as at December 31, 2019.

Information about right-of use assets for which the Company is a lessee is presented below:

*Right-of-use assets*

| | Land | Office | Total |
|---|---|---|---|
| Balance - April 12, 2019 | $ - | $ - | $ - |
| Additions | 205,574 | 20,004 | 225,578 |
| Additions - due to RTO | - | 43,456 | 43,456 |
| Depreciation | (20,189) | (24,486) | (44,675) |
| Balance - December 31, 2019 | $ 185,385 | $ 38,974 | $ 224,359 |

The following table summarizes the Company's lease commitment as at December 31, 2019:

*Lease Liability*

| | |
|---|---|
| Balance - April 12, 2019 | $ - |
| Additions | 225,578 |
| Additions - due to RTO | 43,805 |
| Lease payments | (41,641) |
| Finance expense | 7,510 |
| Balance - December 31, 2019 | $ 235,252 |

| | December 31, 2019 |
|---|---|
| Current lease liability included in lease | $ 89,669 |
| Non-current lease liability included in long-term lease | 145,583 |
| Total lease liability | $ 235,252 |

(Expressed in Canadian dollars)

## 8. LEASE PAYABLE (Continued)

Maturity analysis of undiscounted cash flows as at December 31, 2019:

| | | December 31, 2019 |
|---|---|---|
| Less than one year | $ | 95,040 |
| One to five years | | 160,720 |
| Total | $ | 255,760 |

The Company did not have any short-term leases or leases of low-value assets included in the statement of loss and comprehensive loss for the period ended December 31, 2019.

## 9. RELATED PARTY TRANSACTIONS AND BALANCES

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. All related party transactions are incurred in the normal course of business at their exchange value.

During the period ended December 31, 2019, the Company incurred the following related party transactions:

| | 2019 |
|---|---|
| | $ |
| ***Transactions:*** | |
| Share based compensation (Note 11(c)) | |
| Chad Clelland – Director | 251,628 |
| Joel Shacker – President and Director | 83,876 |
| Sam Mithani - Director | 16,775 |
| Nima Bahrami - Former Director - NNZ | 100,651 |
| Farbod Shahrokhi - Former Director - NNZ | 109,039 |
| Szascha Lim - Chief Financial Officer | 16,775 |
| | 578,744 |
| Consulting fees and salaries | |
| Director | 5,000 |
| President and Director | 70,000 |
| Former Director - NNZ | 100,000 |
| Former Director and Chief Executive Officer | 76,000 |
| Former Director and Chief Financial Officer | 19,200 |
| Former Director | 6,300 |
| | 276,500 |
| Rent and occupancy costs paid to a company controlled by a former director | 6,000 |

(Expressed in Canadian dollars)

## 9. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

As at December 31, 2019, the Company had the following related party balances:

| | 2019 |
|---|---|
| ***Balances:*** | |
| Due to related parties: a former director and Chief Executive Officer, or company controlled by him | 8,250 |
| Amounts payable and accrued liabilities: | |
| Chief Executive Officer and Director | 77,051 |
| Commitment to issue shares: Former Director - NNZ | 100,000 |

As at December 31, 2019, the Company owed $8,250 to a former director and former Chief Executive Officer of the Company and to a company controlled by this person. The loan was provided as working capital, and included in current liabilities. The amount owed is non-interest bearing, unsecured, and with no fixed repayment terms.

As at December 31, 2019, the Company owed $77,051 to the President of the Company for accrued salaries and travel expenses, which were included in amounts payable and accrued liabilities, and $100,000 to the former Director of NNZ for consulting fees, which were included in commitment to issue shares and settled in January 2020 (Note 16). The amount owed to the President of the Company is non-interest bearing, unsecured, and with no fixed repayment terms.

## 10. ASSETS HELD FOR SALE

Prior to the completion of the RTO Transaction, the Company's principal business activity was the acquisition, exploration and development of mineral properties, and the Company was in the exploration stage.

Prior to the completion of the RTO Transaction, the Company entered into a property purchase agreement whereby the Company agreed to sell a legacy property. As a result of the sale, the Company estimated the fair value of the property to be approximately $45,000, recorded as assets held for sale and classified as current on the consolidated statement of financial position. $25,000 was received on execution of this agreement. As at the RTO date and December 31, 2019, the balance of assets held for sale was $20,000.

## 11. SHARE CAPITAL

### *(a) Authorized share capital*

The Company is authorized to issue unlimited number of common shares without par value.

### *(b) Issued*

During the period ended December 31, 2019, 25,000 shares were issued from the exercise of 25,000 warrants at a price of $0.15.

During the period ended December 31, 2019, the Company issued 416,667 Units (the "Marketing Fee Units") to a contractor valued at $0.30 per Unit, as consideration for certain marketing and consulting services provided to the Company. Each Marketing Fee Unit consisted of one common share, and one common share purchase warrant, each warrant exercisable at $0.50 until November 29, 2021. The Company allocated $nil value to these warrants and recorded $125,000 as marketing expenses in the statement of loss and comprehensive loss.

## 11. SHARE CAPITAL (Continued)

### *(b) Issued (Continued)*

Pursuant to the RTO Transaction

On November 28, 2019, the Company issued 23,322,486 common shares in relation to the PRIM RTO (Note 5).

In November 2019, the Company completed a subscription receipt financing (the "Financing") of 12,196,249 units ("Units") at a price of $0.30 per Unit for gross proceeds of $3,658,875. Each Unit consisted of one common share, and one common share purchase warrant, with each warrant exercisable at $0.50 until November 29, 2021. The Company allocated $nil value to these warrants.

The Company paid cash finders' fees of $96,836 and other cash share issue costs of $38,312 in relation to the Financing. The Company issued 322,787 warrants ("Finders Warrants"), to certain parties who assisted the Company in introducing subscribers to the Financing. The Company allocated $25,969 to warrant reserve for these Finders Warrants. The Company fair valued the Finders Warrants utilizing the Black Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate – 1.61%; expected volatility – 75%; dividend yield – 0%; and forfeiture rate – 0%.

The Company issued 4,000,000 common shares at a price of $0.30 per share (the "Finders' Fee Shares") to certain arms'-length third-parties who assisted in introducing the Transaction to the Company, and 800,000 common shares at a price of $0.30 per share (the "Advisory Fee Shares") to a contractor, as consideration for certain corporate finance advisory services provided to the Company.

Prior to the RTO Transaction

During the period ended December 31, 2019, NNZ completed a financing for gross proceeds of $500,000 by issuing 25,034,900 common shares at a price of $0.02 per share. There were no share issue costs incurred relating to this financing during the period ended December 31, 2019.

During the period ended December 31, 2019, pursuant to the Ihuana Agreement, NNZ issued 7,999,000 common shares at a price of $0.02 per share to acquire all of the outstanding shares of Ihuana and issued 6,963,500 common shares at a price of $0.02 per share to 1211782 in consideration for services rendered in assisting the purchase of Ihuana (Note 4).

### *(c) Share options*

The Company has established a share option plan for directors, officers, employees, and consultants. Under the Company's share option plan, the exercise price, vesting requirement and term of each option are to be determined by the Board. The option exercise price is not to be lower than the market price of the common shares at the time the options are granted. The term of the options cannot exceed 10 years. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company.

On December 3, 2019, the Company granted an aggregate of 4,670,000 share options to its officers, directors and consultants. Each share option is exercisable for a period of five years at a price of $0.30 per common share. All share options were vested and exercisable upon grant. The fair value of the options granted was $783,403 or approximately $0.17 per option and was recorded as a reserve from share-based compensation. The fair value was based on an application of the Black-Scholes option pricing model using the following assumptions: Share price on grant date - $0.28; expected life 5 years; risk free interest rate – 1.47%; volatility – 75%; dividend yield – 0% and forfeiture – 0%.

(Expressed in Canadian dollars)

**11. SHARE CAPITAL (Continued)**

***(c) Share options (Continued)***

Following is a summary of changes in share options outstanding:

| | Number of options | Weighted average exercise price | |
|---|---|---|---|
| Balance, April 12, 2019 | - | $ | - |
| Stock options of PRIM upon RTO Transaction (Note 5) | 240,000 | | 0.88 |
| Granted - stock option grant | 4,670,000 | | 0.30 |
| Balance, December 31, 2019 | 4,910,000 | $ | 0.33 |

The following table summarizes information about share options outstanding and exercisable at December 31, 2019:

| Outstanding and exercisable | Exercise price | | Expiry date |
|---|---|---|---|
| 100,000[(1)] | $ | 0.85 | March 8, 2020 |
| 40,000[(1)] | | 1.00 | March 8, 2020 |
| 100,000 | | 0.85 | October 26, 2023 |
| 4,670,000 | | 0.30 | December 3, 2024 |
| 4,910,000 | | | |

[(1)]Subsequent to December 31, 2019, 140,000 share options expired.

***(d) Share purchase warrants***

Following is a summary of changes in share purchase warrants outstanding:

| | Warrants outstanding | Weighted average exercise price | |
|---|---|---|---|
| Balance, April 12, 2019 | - | $ | - |
| Warrants of PRIM upon RTO Transaction (Note 5) | 7,626,168 | | 0.16 |
| Issued (Note 11(b)) | 12,935,703 | | 0.50 |
| Exercised (Note 11(b)) | (25,000) | | (0.15) |
| Balance, December 31, 2019 | 20,536,871 | $ | 0.37 |

The following table summarizes information about share purchase and agent's warrants outstanding and exercisable at December 31, 2019:

| Outstanding and exercisable | Exercise price | | Expiry date |
|---|---|---|---|
| 46,000[(1)] | $ | 1.00 | March 7, 2020 |
| 7,555,168 | | 0.15 | June 11, 2021 |
| 12,935,703 | | 0.50 | November 28, 2021 |
| 20,536,871 | $ | 0.37 | |

[(1)]Subsequent to December 31, 2019, 46,000 warrants expired.

(Expressed in Canadian dollars)

## 11. SHARE CAPITAL (Continued)

### *(d) Share purchase warrants (Continued)*

Subsequent to December 31, 2019, 2,211,667 warrants were exercised at a price of $0.15, for total gross proceeds of $ 331,750.

### *(e) Shares held in escrow*

During the period ended December 31, 2019, in accordance with the policies of the Canadian Securities Exchange, and pursuant to the terms of the share purchase agreement related to the RTO Transaction, a total of 16,162,500 common shares, issued for the completion of the RTO Transaction, are subject to an escrow arrangement, from which they will be released in tranches over a thirty-six month period.

As at December 31, 2019, the Company has 14,717,251 common shares held in escrow. These escrow shares are subject to escrow trading restrictions pursuant to the Escrow agreement. 171,000 escrow shares will be released in 57,000 common share tranches every six months until March 7, 2021 and 14,546,251 escrow shares will be released in 2,424,377 common share tranches every six months until December 4, 2022.

### *(f) Reserves*

The Company's equity reserve is made up of share-based payments and Finders Warrants.

## 12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern (Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2019, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

## 13. SEGMENTED INFORMATION

As at December 31, 2019, the Company conducts its business as a single operating segment being cannabis operations in Colombia. The Company maintains a head office in Vancouver, British Columbia, Canada.

The following table summarizes the Company's long-lived assets by geographic segment as at December 31, 2019:

| | Canada | | Colombia | | Total | |
|---|---|---|---|---|---|---|
| Intangible assets | $ | - | $ | 414,544 | $ | 414,544 |
| Right-of-use assets | $ | 38,974 | $ | 185,385 | $ | 224,359 |
| Total | $ | 38,974 | $ | 599,929 | $ | 638,903 |

## 14. FINANCIAL INSTRUMENTS

### *Financial Risk Management and Fair Value Measurement*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments include cash, accounts payable, amounts due to related parties, and loan payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

## 14. FINANCIAL INSTRUMENTS (Continued)

***Financial Risk Management and Fair Value Measurement (Continued)***

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- 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 (i.e.: As prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of amounts payable and accrued liabilities, amounts due to related parties and loan payable approximate their respective fair values due to the short term nature of these instruments.

***Financial risk management objectives and policies***

The Company's financial instruments include cash, accounts payable, amounts due to related parties, and loan payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*(i) Currency risk*

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is subject to gains and losses from fluctuations in the U.S. dollar and Colombian peso against the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk.

As at December 31, 2019, the Company's cash is held in Canadian Dollars, and therefore not exposed to currency risk. The Company has negligible US Dollar balances as at December 31, 2019.

*(ii) Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

*(iii) Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. As at December 31, 2019, the Company has cash of $2,687,976, which is held at a Canadian chartered bank and the Company considers the credit risk to be minimal.

*(iv) Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and expansion activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's acquisitions and operations. The Company's amounts payable and accrued liabilities, amounts due to related parties and loan payable are all current and due within 90 days of the statement of financial position date. As at December 31, 2019 the Company had working capital of $2,284,304.

(Expressed in Canadian dollars)

## 15. INCOME TAXES

A reconciliation of the Company's expected income tax recovery to actual income tax recovery is as follows:

| | | 2019 |
|---|---|---|
| Loss for the period | $ | (10,915,987) |
| Expected income tax (recovery) | $ | (2,947,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | | 3,000 |
| Permanent differences | | 2,570,000 |
| Change in unrecognized deductible temporary differences | | 374,000 |
| **Total income tax expense (recovery)** | **$** | **-** |

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:

| | | 2019 | Expiry date range |
|---|---|---|---|
| **Temporary Differences** | | | |
| Exploration and evaluation assets | $ | 774,000 | No expiry date |
| Share issue costs | | 1,588,000 | No expiry date |
| Right-of-Use Asset and Lease Liability | | 8,000 | No expiry date |
| Non-capital losses available for future periods: | | 3,991,000 | 2029 to 2039 |
| Canada | | 3,843,000 | 2029 to 2039 |
| Columbia | | 148,000 | 2031 |

## 16. SUBSEQUENT EVENTS

***Financing***

On April 21, 2020, the Company completed an offering (the "Offering") of 9,944,000 units (each, a "Unit") on April 21, 2020 and 6,142,859 Units on April 1, 2020, by way of non-brokered private placement at a price of $0.28 per Unit for total gross proceeds of $4,504,320. Each Unit consists of one common share of the Company, and one common share purchase warrant (each, a "Warrant") exercisable to acquire an additional share at a price of $0.38 for a period of twenty-four months, expiring on April 21, 2022 and April 1, 2022 respectively.

In connection with completion of the Offering, the Company has paid $75,120 and issued 441,072 common shares and 268,287 Warrants to certain arms-length parties who assisted in facilitating the Offering. The Company has also issued 142,857 Warrants to an arms-length consultant, as partial consideration for services provided to the Company. The Company also paid $45,043 to a third-party for successfully administering the Offering.

***Debt settlement***

On April 1, 2020, the Company settled outstanding indebtedness of $283,500, owing to an arms-length creditor, in consideration for services previously provided to the Company (the "Debt Settlement"). Under the terms of the Debt Settlement, the Company issued 1,012,500 Units in settlement of the indebtedness. Each Unit consists of one common share of the Company, and one common share purchase warrant exercisable to acquire an additional share at a price of $0.38 for a period of twenty-four months from April 1, 2020.

## 16. SUBSEQUENT EVENTS (Continued)

***Folium acquisition***

On April 7, 2020, the Company acquired all of the outstanding share capital of 1244780 B.C. Ltd. (“1244780”) (the “Folium Acquisition”). The Folium Acquisition was completed pursuant to a share exchange agreement (the “Folium Purchase Agreement”), and entered into with an arms-length third party (the “Vendor”). The sole asset of the 1244780 consists of a 20% equity interest in Folium Life Sciences Inc. (“Folium”), which is in the process of developing a licensed indoor cannabis production facility located on Vancouver Island. In consideration for the Folium Acquisition, the Company issued 21,000,000 common shares.

In connection with completion of the Folium Acquisition, the Company issued 210,000 common shares to a consultant who assisted with the Folium Acquisition.

Folium is a Health Canada licensed cannabis cultivator with facilities located on Vancouver Island.

***Sativida transaction***

Sativida is an arms'-length producer and online retailer of CBD and branded CBD products in various jurisdictions in Europe, including Spain, Portugal, Austria, Germany, France and the United Kingdom.

Pursuant to the binding agreement with Sativida OU (Estonia) and Sativida OU’s subsidiary, VIDA BCN LABS S.L. (collectively with Sativida OU, “Sativida”) dated January 9, 2020 (the “Sativida Agreement”), the Company was granted the right to acquire Sativida in stages (the “Sativida Transaction”), at the discretion of the Company, as certain corporate and intellectual property registrations were completed.

On March 25, 2020, the Company acquired the intellectual property and trade names of Sativida in Spain, and will license both back to Sativida in exchange for a royalty associated with the gross revenues generated by Sativida. Pursuant to the Sativida Agreement, the Company also holds the right to acquire all of the outstanding share capital of Sativida at any time for no additional consideration.

Consideration for the Sativida Transaction is made up of an initial component of €2,000,001 (the “Initial Sativida Consideration”) and an earn-out component made up of three milestone payments based upon the revenue of Sativida (each, a “Milestone Payment”). The Initial Sativida Consideration was paid in 5,496,221 common shares of the Company (the “Sativida Consideration Shares”). Each Milestone Payment will be based on a 400% multiple of Sativida's revenue until the aggregate of the Initial Sativida Consideration and Milestone Payments reaches €4,000,000, at which point the multiple will be reduced to 100%. In no event will the combined Milestone Payments and the value of the Initial Sativida Consideration exceed €15,000,000. Payment of the Milestone Payments will be satisfied by the Company issuing its common shares (“Milestone Shares”) to Sativida. The total number of Milestone Shares issuable to Sativida will be determined by dividing the amount due by the volume weighted average closing price of the Company's common shares on the Canadian Securities Exchange in the ten trading days prior to the day that the Milestone Payment is due.

In connection with completion of the Sativida Transaction, the Company issued 549,622 common shares to certain arms'-length finders that assisted in introducing the Sativida Transaction to the Company. Additionally, the Company issued 109,924 common shares to a consultant who assisted in the administration of the Sativida Transaction.

The Company and Sativida are at arms'-length.

The Company is currently assessing its accounting treatment of the Sativida Transaction, including the evaluation and fair value measurement of consideration paid, assets acquired and liabilities assumed.

**16. SUBSEQUENT EVENTS (Continued)**

***BevCanna JV agreement***

On February 5, 2020, the Company entered into a joint venture agreement (the "JV Agreement"), with BevCanna Enterprises Inc. ("BevCanna"), pursuant to which the parties intend to partner in the development of a joint venture (the "Joint Venture") to distribute BevCanna branded products infused with hemp-derived CBD in the European market.

The Joint Venture holds exclusive rights to sell and market BevCanna house brand lines of hemp-derived CBD products in Europe and will operate for an initial five-year term.

Under the JV Agreement, the Company and BevCanna will share equal ownership in the Joint Venture and will be jointly responsible for developing and funding its operations. In addition to capital, BevCanna will contribute proprietary brands, product formulations, formulas for nanoencapsulated water-soluble powders, marketing and manufacturing expertise to the Joint Venture. The Company will provide manufacturing, marketing and distribution infrastructure in the European market.

Finalization of the Joint Venture remains subject to the establishment of a joint venture company by the parties, and the licensing and registration of intellectual property for use in Europe.

***Phenome licensing agreement***

On January 17, 2020, the Company entered into a licensing and royalty agreement (the "Phenome Licensing Agreement") with Phenome One Corporation ("Phenome"), a privately held full-service live genetic and seed preservation cannabis company. The Phenome Licensing Agreement provides the Company with the right to propagate, cultivate, harvest and process a selection of cultivars from Phenome's genetic library, and to sell products of any kind produced from the selected cultivars. The Company is also granted unlimited access to a proprietary nutrient IP and catalogue. Under the Phenome Licensing Agreement, the Company will: (a) issue 1,000,000 common shares of the Company to Phenome upon the Company's successful seed registration in Colombia; and (b) make royalty payments to Phenome each calendar quarter of five percent (5%) of gross sales of products produced from the Phenome genetics. In the event the Company is acquired by a third party or there is a material breach to the Phenome Licensing Agreement, the Company will issue 1,000,000 shares to Phenome.

***First Class CBD acquisition***

On January 17, 2020, the Company completed the acquisition (the "First Class Transaction") of the online distributor First Class CBD, pursuant to the terms of a business combination agreement (the "First Class Agreement") entered into with Unified Funding, LLC ("Unified"). Unified is an arms'-length party which operated First Class CBD through its wholly-owned subsidiary, First Class USA, LLC ("First Class").

<u>Transaction Details</u>

Consideration for the First Class Transaction consists of US$1,500,000 which was paid upon completion of the First Class Transaction, US$1,500,000 which is due and owing within six months, and the balance will be satisfied through the issuance of 47,125,000 common shares of the Company.

## 16. SUBSEQUENT EVENTS (Continued)

***First Class CBD acquisition (Continued)***

Transaction Details (Continued)

Unified will also be entitled to a one-time bonus payment (the "Bonus Payment") based on the revenue and profitability of First Class in the 2020 calendar year. The Bonus Payment will be: (i) US$5,000,000, in the event gross revenue exceeds US$42,000,000 with a profit margin of at least ten percent; (ii) US$10,000,000, in the event gross revenue exceeds US$52,000,000 with a profit margin of at least ten percent; or (iii) US$15,000,000, in the event gross revenue exceeds US$62,000,000. The Bonus Payment will be payable in common shares of the Company (the "Bonus Shares") based on an exchange rate of US$1.00 to C$1.30 and the greater of: (i) C$0.80; and (ii) the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the last trading day of 2020.

In connection with completion of the First Class Transaction, the Company issued 5,200,000 common shares certain arms'-length third-parties who assisted in introducing the parties to the Transaction and facilitating its completion. The Company also issued a further 520,000 common shares to a third-party for successfully administering the First Class Transaction.

The Company is currently assessing its accounting treatment of the First Class Transaction, including the evaluation and fair value measurement of consideration paid, assets acquired and liabilities assumed.

In April 2020, First Class USA, LLC changed its name to Natural Brands USA, LLC.

***Equity***

Subsequent to December 31, 2019, 2,211,667 common shares were issued from the exercise of 2,211,667 warrants at a price of $0.15, for total gross proceeds of $ 331,750.

Subsequent to December 31, 2019, the Company issued 250,000 shares to settle consulting fees of $100,000 owed to a former director of NNZ (Note 9) and issued 42,375 shares at a price of $0.32 per share to an arms'-length consultant for marketing and advertising services.

Subsequent to December 31, 2019, 140,000 share options and 46,000 warrants expired.

***COVID-19***

Subsequent to February 29, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreaks is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.