CONSOLIDATED FINANCIAL STATEMENTS

WEEDMD INC.

December 31, 2020 and 2019
(Expressed in Canadian Dollars)

WeedMD Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of WeedMD Inc.

Opinion

We have audited the consolidated financial statements of WeedMD Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $89,607,134 during the year ended December 31, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above when it becomes available 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 the Management 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 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 International Financial Reporting Standards, 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.

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 Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 29, 2021
Toronto, Ontario

MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of WeedMD Inc. is responsible for preparing the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in these consolidated financial statements.

Management prepares the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the consolidated financial statements.

George Scorsis,
Chief Executive Officer
May 29 , 2021

WeedMD Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

As at December 31,	Note		2020		2019
Assets					
Current					
Cash and cash equivalent		$	22,321,903	$	8,183,744
Restricted cash			3,296,180		3,112,650
Trade and other receivables			2,252,820		3,346,425
Current portion of promissory note receivable	5		-		490,177
Inventory	6		30,665,489		31,286,901
Biological assets	6		1,955,697		7,665,876
Investments	5		232,500		438,000
Prepaid expenses and deposits			1,273,967		2,953,651
Commodity tax receivable			1,942,590		2,289,252
Assets held for sale	10		2,848,334		-
Total current assets			66,789,480		59,766,676
Promissory note receivable	5		-		473,740
Prepaid expense and deposits			-		347,259
Right-of-use assets	7		3,136,286		3,316,738
Property, plant and equipment	8		96,905,979		108,771,816
Intangible assets	9		4,497,612		20,998,911
Goodwill	4 & 9		-		16,123,601
Total assets		$	171,329,357	$	209,798,741
Liabilities					
Current					
Accounts payables and accrued liabilities		$	15,558,726	$	23,298,678
Current portion of lease liabilities	7		1,381,649		1,466,008
Current portion of loans and borrowings	12		3,986,677		1,870,414
Liabilities related to assets held for sale	10		802,285		-
Unearned revenue			-		2,512,967
Total current liabilities			21,729,337		29,148,067
Lease liabilities	7		1,190,741		2,186,487
Loans and borrowings	12		64,734,380		33,958,081
Accrued liabilities			-		125,801
Unsecured convertible debentures	11		9,584,869		8,321,120
Total liabilities		$	97,239,327	$	73,739,556
Shareholders' equity					
Common shares	13	$	163,229,737	$	137,646,156
Warrants reserve	14		10,597,563		10,597,563
Conversion feature	11		1,514,025		1,514,025
Contributed surplus	15		16,035,146		13,980,748
Deficit			(117,286,441)		(27,679,307)
Total shareholders' equity			74,090,030		136,059,185
Total liabilities and shareholders' equity		$	171,329,357	$	209,798,741

Going concern (Note 2)

Commitments (Note 23)

Subsequent events (Note 28)

See accompanying notes to the consolidated financial statements

"George Scorsis" (signed)
Director

"Bruce Croxon" (signed)
Director

WeedMD Inc.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in Canadian dollars)

For the years ended December 31,	Note		2020	2019
Revenue	21	$	**35,483,775**	23,081,359
Excise taxes			**(6,049,785)**	(2,261,179)
Revenue, net			**29,433,990**	20,820,180
Cost of goods sold			**51,425,275**	16,771,341
Gross (loss) profit before changes in fair value			**(21,991,285)**	4,048,839
Realized fair value amounts included in inventory sold			**18,863,571**	9,742,965
Unrealized gain on changes in fair value of biological assets	6		**(16,649,277)**	(20,566,094)
Gross (loss) profit			**(24,205,579)**	14,871,968
Depreciation and amortization			**2,153,358**	279,560
Selling, general and administrative	17		**27,642,424**	18,193,028
Finance costs	18		**5,909,457**	1,249,822
Share based compensation	15		**2,637,979**	4,762,758
Loss before other income (expenses)			**(62,548,797)**	(9,613,200)
Unrealized loss on investment			**(33,579)**	(867,167)
Realized loss on investment			**(32,709)**	-
Interest income			**65,760**	222,156
Other income	26		**3,980,274**	(144,150)
Impairment on assets held for sale	10		**(453,951)**	-
Impairment of property, plant and equipment	9		**(6,200,000)**	-
Impairment of goodwill	9		**(16,123,601)**	-
Impairment of intangible	9		**(12,376,399)**	-
Impairment of right-of-use-assets	9		**(100,000)**	-
Government grant	27		**4,215,868**	10,000
Loss and comprehensive loss			**(89,607,134)**	(10,392,361)
Basic and diluted loss per share	19		**(0.43)**	(0.09)

See accompanying notes to consolidated financial statements

WeedMD Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in Canadian dollars)

	Note	Number of Shares	Share Capital	Warrants	Conversion Feature	Contributed Surplus	Deficit	Total
			$	$	$	$	$	$
Balance, January 1, 2019		111,270,564	79,692,641	8,073,109	-	6,613,513	(17,286,946)	77,092,317
Units issued upon property purchase	13(a)	2,500,000	4,251,692	597,892	-	-	-	4,849,584
Shares issued on option exercise	15(a)	434,551	406,232	-	-	(145,479)	-	260,753
Shares issued on warrants exercise	14(a)	232,500	387,078	(108,090)	-		-	278,988
Share based compensation	15	-	-	-	-	4,762,758	-	4,762,758
Convertible Debentures	11(a)	-	-	587,293	-	-	-	587,293
Warrants issued on Unsecured Convertible		-	-	-	-	-	-	-
Debentures	11(a)	-	-	1,685,087	-	-	-	1,685,087
Warrant issue costs	11(a)	-	-	(237,728)	-	-	-	(237,728)
Conversion feature	11(a)	-	-	-	1,814,709	-	-	1,814,709
Conversion feature issue costs	11(a)	-	-	-	(256,015)	-	-	(256,015)
Conversion of debentures	11(a)	218,750	266,115	-	(44,669)	-	-	221,446
Shares issued on acquisition	4	71,833,194	52,642,398	-	-	-	-	52,642,398
Options issued on acquisition	4	-	-	-	-	2,109,911	-	2,109,911
Shares to be issued for services	15(i)	-	-	-	-	583,581	-	583,581
Deferred stock units issued	15(h)	-	-	-	-	15,730	-	15,730
Restricted stock units issued	15(g)	-	-	-	-	40,734	-	40,734
Loss and comprehensive loss	28	-	-	-	-	-	(10,392,361)	(10,392,361)
Balance, December 31, 2019		**186,489,559**	**137,646,156**	**10,597,563**	**1,514,025**	**13,980,748**	**(27,679,307)**	**136,059,185**
Balance, January 1, 2020		**186,489,559**	**137,646,156**	**10,597,563**	**1,514,025**	**13,980,748**	**(27,679,307)**	**136,059,185**
Share based compensation	15	-	-	-	-	1,474,757	-	1,474,757
Common shares issued upon private placement	13 (b)	23,079,763	25,000,000	-	-	-	-	25,000,000
Transfer on issuance of shares	13 & 15(i)	692,393	583,581	-	-	(583,581)	-	-
Deferred share units issued	15	-	-	-	-	1,163,222	-	1,163,222
Loss and comprehensive loss		-	-	-	-	-	(89,607,134)	(89,607,134)
Balance, December 31, 2020		**210,261,715**	**163,229,737**	**10,597,563**	**1,514,025**	**16,035,146**	**(117,286,441)**	**74,090,030**

See accompanying notes to the consolidated financial statements

WeedMD Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	Note		2020		2019
Cashflows provided by (used in):					
Operating					
Net loss		$	(89,607,134)	$	(10,392,361)
Adjustments for:					
Amortization			2,153,358		279,560
Impairment			35,253,951		-
Share based compensation			2,637,979		4,762,758
Deferred and restricted shares issued for service			-		56,463
Shares to be issued for services			-		583,581
Finance costs			5,909,458		1,230,159
Loss on disposal of property, plant and equipment			-		25,730
Loss on modification of lease liability			-		83,434
Bad debt expense			963,917		1,951,888
Fair value changes in biological assets included in inventory sold			18,863,571		9,742,965
Unrealized gain on changes in fair value of biological assets and inventory			(16,649,277)		(20,566,094)
Realized loss on investments			32,709		-
Unrealized loss on investments			33,579		867,167
			(40,407,889)		(11,374,750)
Change in non-cash working capital	20		4,869,183		4,214,144
		$	(35,538,706)	$	(7,160,606)
Investing					
Advances on promissory note			-		(2,237,255)
Purchase of property, plant and equipment			(1,182,352)		(55,291,375)
Purchase of intangible assets			(357,772)		(1,201,336)
Cash acquired on acquisition			-		9,249,560
Disposal of investments			139,212		520,584
		$	(1,400,912)	$	(48,959,822)
Financing					
Proceeds from loan financing, net of transaction costs	12		32,435,772		35,731,389
Proceeds from exercise of warrants			-		278,988
Proceeds from exercise of stock options			-		260,733
Proceeds from convertible debentures, net of issue costs			-		11,852,059
Proceeds from issuance of share capital	13		25,000,000		-
Payment of lease liabilities	7		(2,144,266)		(116,874)
Deposits paid on right of use assets			-		(161,792)
Repayment of loans and borrowings	12		(1,028,750)		-
Interest paid	12		(3,001,449)		(1,751,322)
		$	51,261,307	$	46,093,181
Increase (decrease) in cash			14,321,689		(10,027,247)
Cash, beginning of year			11,296,394		21,323,641
Cash, end of year		$	25,618,083	$	11,296,394
Cash and cash equivalents			22,321,903		8,183,744
Restricted cash			3,296,180		3,112,650
		$	25,618,083	$	11,296,394

See accompanying notes to the consolidated financial statements

1. Nature of Operations

WeedMD Inc. is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer and distributor of cannabis products for both the medical and adult-use markets. The Company owns and operates three facilities: A 26,000 square feet (“sq. ft.”) indoor facility in Aylmer, Ontario (“Aylmer Facility”) which specializes in cannabis extraction and processing, Starseed Medicinal Inc. (“Starseed”), a wholly owned subsidiary of WeedMD Inc. operating out of the Company’s 14,850 sq. ft. indoor facility in Bowmanville, Ontario which specializes in cannabis processing and packaging and a 158-acre property with up to 550,000 sq. ft. of state-of-the-art greenhouses and up to 100 acres of outdoor facility located in Strathroy, Ontario. As at December 31, 2020, the Company has 310,850 sq. ft. of indoor (warehouse and hybrid greenhouse) licensed production space and 27 acres of outdoor licensed production space across its sites. WeedMD has a multi-channeled distribution strategy that includes selling directly to medical patients, strategic relationships across the seniors’ market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies.

The consolidated financial statements of WeedMD Inc. as at December 31, 2020, are comprised of WeedMD Inc. and its wholly-owned subsidiaries: WeedMD Capital Corp., WeedMD Rx Inc. (“WeedMD Rx”) along with its wholly-owned subsidiaries WeedMD Rx Ltd., WMD Ventures Inc., 2686912 Ontario Limited and 2686913 Ontario Inc., and Starseed Holdings Inc. along with its wholly-owned subsidiaries Starseed Medicinal Inc. and North Star Wellness Inc. (collectively, “WeedMD” or the “Company”). WeedMD Rx Ltd., WeedMD Capital Corp and WMD Ventures Inc. are currently dormant.

WeedMD Inc., is a publicly listed company on the TSX Venture Exchange (“TSXV”) that trades under the ticker symbol “WMD”. WeedMD Inc. is also listed on the OTCQX under the ticker symbol “WDDMF” and on the Frankfurt Stock Exchange under the ticker symbol “4WE”. The registered and head office of the Company is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

WeedMD Rx was incorporated on March 26, 2013, under the Canada Business Corporations Act as 8472106 Canada Inc. On January 7, 2014, the Company filed its articles of amendment, changed its name to WeedMD Rx Inc. and commenced operations. On April 22, 2016, WeedMD obtained its first licence to produce cannabis under the federal Access to Cannabis for Medical Purposes Regulations (“ACMPR”) for its Aylmer facility. On April 28, 2017, WeedMD satisfied Health Canada that its growing processes resulted in finished product that met the strict quality control standards and the Good Production Practices (“GPP”) set out in the ACMPR. At this time the Company’s licence was renewed and amended to add the activity of sale of dried cannabis and the sale of live cannabis plants.

On April 13, 2017, the Company completed a transaction by way of a three-cornered amalgamation (the “Amalgamation”) among WeedMD Rx, Aumento and a wholly owned subsidiary of Aumento.

On June 16, 2017 WeedMD received an amendment to its licence allowing for the production of cannabis oil. Subsequent to this event, the Company successfully produced, packaged and tested several batches of oil. On October 5, 2017, Health Canada once again amended the Company’s licence to allow for the sale of cannabis oil and was subsequently granted a licence to sell cannabis oil on December 1, 2017.

On June 8, 2018, WeedMD received its first licence to begin cultivation in 44,000 sq. ft. at the Strathroy site. On December 23, 2018, this licence was amended to include another 66,000 sq. ft., bringing the total licensed operational capacity to 136,000 sq. ft. between both locations. On April 12, 2019, the Company secured a standard processing licence for the Hybrid Greenhouse. On August 2, 2019, the Strathroy licence was further amended to increase the licensed production area to 215,000 sq. ft. On October 16, 2019, WeedMD secured a Health Canada licence for its 50,000 sq. ft. purpose built cannabis processing facility on the Strathroy property.

Effective October 17, 2018, and subsequently amended on May 31, 2019 to include the outdoor production area, the Company is licensed to produce and sell cannabis under the Cannabis Act, with licences effective to October 20, 2023, June 8, 2021 and October 31, 2022 for the Company's three facilities; Aylmer, Strathroy, and Bowmanville, respectively.

On December 20, 2019, through the acquisition of Starseed Holdings, WeedMD acquired 10,000 sq. ft. of indoor licensed production area at the Bowmanville facility. The license is for standard cultivation (indoor), standard processing, and sale of cannabis products for medical purposes.

2. Basis of preparation

a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors for issue on May 29, 2021.

b) Basis of presentation

The consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments and biological assets, which are measured at fair value and inventory which is recorded at the lower of cost and net realizable value, as explained in the accounting policies set out in Note 3 (e), (f) and (q). Net assets classified as Assets held for sale are measured at the lower of carrying value and fair value less costs to sell.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the consolidated financial statements.

c) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

d) Accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination that acquisitions meet the definition of a business combination under IFRS 3 and identification of intangible assets acquired, the determination of when property, plant and equipment are available for use as well as their useful lives, the capitalization of construction costs, valuation and recoverability of deferred taxes, the determination of whether performance obligations have been met for revenue recognition, including bill and hold arrangements, impairment of financial and non-financial assets and assessment of assets held for sale.

The Company is subject to a number of risks and uncertainties associated with the going concern assumption and exercises judgment to assess the uncertainties relating to the determination of the Company's ability to continue as a going concern.

The most significant estimates and assumptions include those related to the inputs used in accounting for share-based payment transactions, the valuation of warrants, and the conversion feature included in convertible debt, including volatility, the fair value of financial instruments, the discount rate used to determine the present value of the debt component of convertible debt, the impairment tests including weighted average cost of capital, terminal growth rate, projected cast flows, assets classified as held for sale including estimated sale price and cost to sell, and the valuation of net assets acquired in the Acquisition (Note 4). In calculating the value of the biological assets and the net realizable value of inventory (Note 6), management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value. The Company also exercises judgment in determining the incremental borrowing rate when the interest rate is not implicit in the lease. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

e) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. In Canada, the production and sale of cannabis is recognized as an essential service.

During the year ended December 31, 2020, the pandemic has a material impact on the Company's operations, and the Company has recorded an impairment on assets.

During the second, third, and fourth quarters of 2020, the Company experienced a decline in sales relative to the first quarter of 2020, which, in part, can be attributed to the economic uncertainty caused by the COVID-19 pandemic. While there have been no material impacts to the Company's operations, COVID-19 has resulted in changes to the way the Company operates, for example, the number of employees allowed in a grow room. Consequently, the Company has taken steps to minimize any potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, temporary staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

During the year ended December 31, 2020, the Company participated in the Canada Emergency Wage Subsidy program relating to COVID-19 Pandemic Crisis. The subsidy was approved by the Government of Canada and payments were received during the year. Please refer to Note 26 regarding the amounts recognized as other income.

Due to the rapid developments and uncertainty surrounding COVID-19, the challenges continue within the cannabis and other industries, and therefore it is not possible to predict the impact that COVID-19 will have on certain businesses, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, an additional impairment of long-lived assets including intangibles. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

f) Going concern

These consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. As of December 31, 2020, the Company had working capital of $45,060,143 (December 31, 2019 – working capital of $30,618,609) and an accumulated deficit of $117,286,441 (December 31, 2019 - $27,679,307). The Company used cash in operating activities of $35,538,706 (year ended December 31, 2019 - $7,160,606), resulting primarily from the net loss of $89,607,134 (year ended December 31, 2019 - $10,392,361) offset by items not affecting cash such as depreciation, amortization, stock-based compensation and write-downs. The Company has insufficient cash to fund its planned capital investments and operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from financing and operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

3. Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in unrestricted trust accounts, and on hand, and short-term money market instruments, which are readily convertible into a known amount of cash.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated amortization. The Company provides for amortization using the following methods at rates designed to amortize the cost of the plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Building	20 years	Straight-line
Equipment	20%	Declining balance
Fence and signage	10%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements including Greenhouse	20 years	Straight-line
Security equipment	20%	Declining balance

The estimated residual value and useful lives of assets are reviewed by management annually at each reporting date and adjusted if necessary.

Borrowing costs and construction costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized.
Assets are not depreciated until they become available for use, which is when they are in the location and condition necessary to be capable of operating in the manner intended by management.

c) Intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The annual amortization rates and methods are as follows:

Software	5 years	Straight-line
Health Canada Licenses	Useful life of Facility	Straight-line
Customer relationships	7 years	Straight-line
Brands and Trademarks	10 years	Straight-line

The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

d) Impairment of long-lived assets

Long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. The Company tests for impairment whenever indications of impairment exist by calculating an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its 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 the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and 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 the consolidated statement of loss and comprehensive loss for the period.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash generating unit (“CGU”). A CGU is the smallest group of assets for which there are separate identifiable cash flows. When an impairment loss is identified pertaining to the CGU, the impairment loss shall be allocated to first reduce the carrying amount of any goodwill allocated to the CGU, and then to other assets of the CGU pro-rata on the basis of the varrying amount of each asset in the CGU. In allocating impairment loss, the carrying amount of each asset should not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

Goodwill is assessed for indicators of impairment at each reporting date and is tested annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

With the exception of Goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount up to the point that the amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

The Company recognized an impairment loss as at September 30, 2020 (refer to Note 9). No further impairment was identified as at December 31, 2020.

e) Biological assets

The Company measures biological assets consisting of cannabis plants not yet harvested at fair value less costs to sell up to the point of harvest. Seeds included in inventory are recorded at cost which was determined to be nil. While the Company's biological assets are within the scope of IAS 41 *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories.* Production costs related to the transformation of biological assets to the point of harvest, which include direct costs such as growing materials as well as indirect costs such as utilities and supplies used in the growing process, are capitalized. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred. Biological assets are measured at their fair value less costs to sell on the Statements of Financial Position.

Agricultural produce consisting of cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of inventory after harvest. Gains or losses arising from changes in fair value less costs to sell, excluding capitalized production costs, are included in "unrealized loss (gain) on changes in fair value of biological assets" on the Statements of Loss and Comprehensive Loss.

When inventory is sold, costs capitalized to biological assets and inventory are expensed through "Cost of goods sold" and the fair value adjustment to biological assets included in inventory sold is expensed through "Realized fair value amounts included in inventory sold" on the Statements of Loss and Comprehensive Loss.

f) Inventory

Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at the time of harvest, which becomes deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The direct costs capitalized to inventory subsequent to harvest include materials, and indirect costs capitalized include labour and depreciation expense on equipment involved in packaging, labelling and inspection, as well as overhead costs such as rent to the extent it is associated with the post-harvest production, quality control and storage space. In the case of oil inventory, direct costs capitalized to inventory also include costs associated with the extraction process. Inventory purchased from other licensed producers is recognized at the price paid on purchase of the inventory, plus any subsequent costs capitalized if further processed or packaged. Inventory is measured at the lower of cost and net realizable value on the Statements of Financial Position. 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 average cost basis.

g) Revenue recognition

Revenue is recognized when control of the goods has transferred to the purchaser and the collectability is reasonably assured. For sales to medical customers and licensed producers, control is transferred when goods are shipped or prior to shipment when it is demonstrated the customer obtains control of the product. For provincial customers control is transferred when goods have been delivered. The point at which control transfers is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue. Excise taxes are netted against gross revenue on the Consolidated Statements of Loss and Comprehensive Loss.

Revenue is recognized, for bill-and-hold arrangements, before delivery but only upon transfer of ownership and control of the goods to the customer. Control of the goods is transferred to the customer when the substance of the bill-and-hold arrangement is substantive, the Company cannot sell the goods to another customer, the goods can be identified separately, and are ready for physical transfer to the customer.

Unearned revenue is recognized when cash is received from customers before all revenue recognition criteria have been met.

h) Share-based compensation

Where equity-settled share payments are awarded to management, employees and consultants, the fair value of the equity instruments at the date of grant is charged to the Consolidated Statements of Loss and Comprehensive Loss. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of shares that eventually vest. Non-vesting conditions are factored into the fair value of the common shares ("Shares") and/or options granted. The cumulative expense is not adjusted where a non-vesting condition is not satisfied. Where the terms and conditions are modified before they vest, any increase in the fair value of the Shares, measured immediately before and after the modification, is also charged to the Consolidated Statements of Loss and Comprehensive Loss.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received unless that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted. Amounts related to the issuance of Shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

i) Foreign currency translation

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the Consolidated Statements of Loss and Comprehensive Loss.

j) Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of Shares outstanding. Diluted loss per share is calculated in a similar manner, except that the weighted average number of Shares outstanding is increased to include potentially issuable Shares from the assumed exercise of Share purchase options and warrants, if dilutive. The diluted loss per share calculation excludes any potential conversion of options, warrants, and convertible debt that would increase earnings per share or decrease loss per share.

k) Compound financial instruments

Compound financial instruments issued by the Company comprise units that consist of unsecured convertible debentures and share purchase warrants. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, which consists of the conversion feature related to the convertible debentures and the share purchase warrants, is recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The equity component is allocated to the conversion feature and the share purchase warrants based on their relative fair values. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion, the liability component and conversion feature are reclassified to share capital.

In situations where the Company issues warrants, the fair value of warrants as calculated as of the date of issue using the Black-Scholes pricing model, or Monte Carlo method for warrants with accelerated vesting terns, is included in the Company's warrant reserve, as reported on the Consolidated Statements of Changes in Shareholder's Equity.

In situations where the Company issues units, the proceeds are allocated among equity components using relative fair value method in which the proceeds are allocated to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another.

l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the amounts agreed upon by the parties.

m) Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

n) Warrants

In situations where the Company issues warrants, the fair value of warrants, as calculated as of the date of issue using the Black-Scholes pricing model, or Monte Carlo method for warrants with accelerated vesting terms, is included in the Company's warrants reserve, as reported on the Consolidated Statements of Changes in Shareholders' Equity.

o) Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

p) Income taxes

Income tax on the Consolidated Statements of Loss and Comprehensive Loss for the periods presented is comprised of current and deferred tax. Income tax is recognized in the Consolidated Statements of Loss and Comprehensive 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 the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable income; nor differences relating to investments 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 end of each financial reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance.

q) Financial instruments

Under IFRS 9, in the case of a financial asset not at fair value through profit and loss (“FVTPL”), financial assets are initially measured at fair value plus transaction costs. Financial assets are subsequently measured at:

i) FVTPL;
ii) amortized cost;
iii) equity investments designated at FVOCI; or
iv) debt measured at fair value through other comprehensive income (“FVOCI”)

The classification is based on whether the contractual cash flow characteristics represent “solely payment of principal and interest” (the “SPPI test”) as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The Company has elected to classify investments in equity instruments of Block Strain Technology, Snipp Interactive, Jdaily Inc and 3 Sixty Corporation at FVTPL on transition or initial recognition. These equity instruments are included in Investments on the Consolidated Statement of Financial Position.

Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test.

The assessment of the Company’s business models for managing the financial assets was made as of the date of initial application of January 1, 2018 or on initial recognition. The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets.

All financial liabilities held by the Company under IFRS 9, are initially measured at fair value and subsequently measured at amortized cost.

r) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

s) Impairment of financial assets

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the date of Statement of Financial Position. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Consolidated Statement of Loss and Comprehensive Loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the Consolidated Statement of Loss and Comprehensive Loss for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

t) Segments

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Throughout the years ended December 31, 2020 and December 31, 2019, the Company operated in one segment, the production and sale of cannabis in Canada.

u) Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. 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 the consideration transferred to obtain control over 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.

v) Government grant

The Company recognises government grants when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants are recognised in the statement of income as other income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

w) Debt Modification

A substantial debt modification or a debt exchange with substantially different terms is accounted for as an extinguishment of the original liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Please see Note 12: Loans and Borrowings, in the notes to the Financial Statements, for details regarding the modification of debt.

x) Transactions costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit and Loss ("FVTPL"), are added or deducted from the fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities classified as FVTPL are recognized immediately in the statement of operations.

y) Leases

IFRS 16 was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. The Company also used the practical expedient to not recognize right-of-use assets and lease liabilities for leases, that have a remaining lease term of twelve months or less at date of adoption, as well as for leases of low value. The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for the previous period has not been restated.

The Company recognizes a Right-of-Use asset and a 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. The cost of the right-of-use asset consists of the lease liability, any lease payments made, less any lease incentives and any direct costs incurred by the lessee. The lease liability includes the net present value of the following lease payments: i) fixed payments less any lease incentive receivables; ii) variable lease payments that are based on an index or rate; iii) expected payments by the lessee under residual value guarantees; iv) exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and v) payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease. 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. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by the lease payment made.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 5.95%.

z) Assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment, ROU assets and license which is part of the intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. A disposal group qualifies as assets held for sale if it is a component of an entity that is classified as held for sale, and is part of a single coordinated plan to dispose of a separate production facility. Results of the assets held for sale are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from assets held for sale in the statement of profit or loss. Additional disclosures are provided in Note 10.

aa) Adoption of New Accounting Pronouncements Effective January 1, 2020

IFRS 3 – Definition of a Business. On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. This amendment has been adopted and there is no significant impact on the Company.

New accounting pronouncements

IAS 1: Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

In January 1, 2020, the IASB issued amendments to paragraph 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to detemine if a right to defer settlement of a liability exists. The amendments also clarify the situation that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoptions permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

IFRS 3: Amendment to IFRS 3, Business Combination

On May 4, 2020, the IASB issued amendments to IFRS 3 Business Combinations that added an explicit statement that an acquirer does not recongnize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company did not have a business combination in the year and management is currently assessing the impact of this amendment.

IAS 16: Amendment to IAS 16, Property, Plant and Equipment

On May 14, 2020, the IASB published an amendment to IAS 16 Property, Plant and Equipment. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

Amendment of IAS 41, Agriculture

In May 2020, the IASB published annual improvements to IFRS Standards 2018-2020 cycle, containing the following amendments to IFRS. These amendments are effective annual periods beginning on or after January 1, 2022. IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The Company has not yet begun the process of assessing the impact that the new and amendment standards will have on its consolidated financial statement or whether to early adopt any of the new requirements.

4. Acquisition

On December 20, 2019, the Company completed the acquisition of Starseed Holdings Inc. (the “Acquisition”), whereby the Company acquired all of the issued and outstanding securities in the capital of Starseed Holdings Inc. (“Starseed”).

Pursuant to the Acquisition, each Starseed shareholder received 3.0675 shares in the capital of the Company for each Starseed common share held, resulting in the issuance of an aggregate of 71,833,194 shares of the Company to shareholders of Starseed. Such shares have a fair value of $52,642,398 based on the share price of the shares on the TSX Venture Exchange on December 20, 2019. 48,853,648 Shares are subject to trading restrictions with 20% of the shares being released on each of June 20, 2020, September 20, 2020, December 20, 2020, March 20, 2021, and June 20, 2021. These restricted shares are subject to a discount for a lack of marketability which was calculated using a Finnerly put model with an expected volatility of 60.88% and a risk free rate ranging from 1.66% to 1.69%. As part of the Acquisition, stock options of Starseed were replaced with stock options of the Company with adjustments to their exercise or conversion terms to reflect the exchange ratio for the Starseed common shares under the Acquisition, resulting in the issuance of: (i) stock options exercisable to purchase up to 5,674,875 Shares at an exercise price of $0.98 per share (Note 15(e); and (ii) stock options exercisable to purchase up to 898,011 Shares at an exercise price of $3.26 per share (Note 15(f)). The options have a value of $2,109,911.

Following the completion of the Acquisition (on a post-acquisition basis), the Company had a total of 186,489,559 shares outstanding, as well as: (i) common share purchase warrants exercisable to purchase up to 19,845,130 Shares at exercise prices ranging from $1.56 to $2.90 per share; (ii) stock options exercisable to purchase up to 12,216,008 shares at exercise prices ranging from $0.60 - $3.26 per share; (iii) 470,890 compensation options exercisable into units at an exercise price of $2.15 per unit; and (iv) 983,624 broker compensation warrants exercisable into Shares at exercise prices ranging from $1.60 – $1.80 per share.

As a result of the Acquisition, 114,656,365 shares were held by previous shareholders of WeedMD Inc and 71,833,194 shares were held by shareholders of Starseed. This resulted in WeedMD Inc. shareholders owning 61.5% of the Company.

The main factors driving the Acquisition were the slower than expected ramp-up of the Canadian legal cannabis market, particularly in the adult-use segment, and the scarcity of capital for Canadian cannabis companies. The Acquisition provides WeedMD with access to Starseed's unique and high-margin medical channel that is built around the sale of high-quality cannabis products to captive customer groups with paid benefits coverage for medical cannabis.

WeedMD Inc. was identified as the acquirer for accounting purposes, and Starseed as the subsidiary for accounting purposes. As WeedMD Inc. is the acquirer, its assets, liabilities and operations since incorporation are consolidated, and since Starseed is the subsidiary, its operations have only been consolidated since the date of the Acquisition.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method and has assigned the following values:

	Fair value
Cash and cash equivalents	9,249,560
Trade and other receivables	5,611,567
Commodity tax receivable	709,361
Prepaid expenses and deposits	1,986,337
Inventory	3,357,586
Property, plant and equipment	3,383,872
Right of use assets	1,175,344
Licences	15,735,600
Brands	2,169,803
Customer Relationship	1,623,278
Investments	232,500
Goodwill	16,123,601
Total assets	**61,358,409**
Accounts payable and accrued liabilities	5,189,785
Current lease liabilities	698,795
Long term lease liabilities	717,520
Total liabilities	**6,606,100**
Net assets acquired	**54,752,309**
Shares issued on Acquisition	52,642,398
Options issued on Acquisition	2,109,911
Total consideration	**54,752,309**

Goodwill is comprised of the value of expected synergies, revenue growth, and future market development resulting from combining the Company's existing business with that of the acquiree.

The Company recorded nominal revenue and losses in the consolidated statement of comprehensive income in 2019 from the acquired operations as a result of the Acquisition. If the Acquisition had occurred as at January 1, 2019, revenue for the year ended December 31, 2019 would have been $7,283,593 and loss would have been $28,960,649.

As disclosed in Note 9, the entire goodwill was impaired during the year 2020.

5. Investments

(a) On March 14, 2018, a subsidiary of the Company purchased 1,666,667 common shares of Scorpion Resources Inc., renamed to Blockstrain Technology Corp. and subsequently renamed to TruTrace Technologies Inc. ("TruTrace"), for a total subscription price of $500,000. TruTrace delivers a secure and immutable blockchain platform to establish global certainty for cannabis strains and their ownership. The investment was disposed of for proceeds of $31,505 during the year resulting in an realized loss of $45,070 and unrealized loss of $29,055 (unrealized loss for year ended December 31, 2019: $91,667) being recorded on the Consolidated Statement of Loss and Comprehensive Loss.

(b) On March 16, 2018, a subsidiary of the Company purchased 2,500,000 common shares of Snipp Interactive Inc. for a total subscription price of $250,000. This investment has been classified as level 1 in the fair value hierarchy. During the year ended December 31, 2020, the Company disposed of 2,500,000 common shares for gross proceeds of $24,810, resulting in a realized loss of $25,190 in 2020.

(c) As a result of the Acquisition (Note 4 above) the Company acquired 2,325,000 common shares of JDaily Inc. For the year ended December 31, 2020, the Company recorded the investment at FVTPL resulting in an unrealized gain of $nil (December 31, 2019: $nil) being recorded on the Consolidated Statements of Loss and Comprehensive Loss. As at December 31, 2020, the Company valued the shares at $232,500 (December 31, 2019: $232,500). This investment has been classified as level 2 in the fair value hierarchy.

(d) On July 3, 2018, the Company was granted 860,000 common shares of 3 Sixty Secure Corporation, renamed to 3 Sixty Risk Solutions Ltd. at a fair value of $137,259. This investment has been classified as level 1 in the fair value hierarchy. During the year ended December 31, 2019, the Company moved the investment from level 2 to level 1, due to there being quoted prices in active markets for the shares effective January 10, 2019. During December 31, 2020, the Company disposed of 860,000 common shares for gross proceeds of $70,047 resulting in a realized gain of $31,770 in 2020.

(e) On January 10, 2019, the Company entered into an agreement with Pita Pit Canada and a private company, to form Pioneer Cannabis Corp. ("Pioneer"), a cannabis retail services provider and franchise operation. The Company holds 9.9% (cost of nil) with the option to purchase an additional 40.2% if permitted by applicable laws. On April 17, 2019 Pioneer announced that it had signed an agreement to open the first Pioneer store in Ontario. At December 31, 2020, $Nil (December 31, 2019: $963,916) was included in Promissory Notes Receivable owing from Pioneer Cannabis Corp.

Of this total receivable amount, $Nil (December 31, 2019: $473,740) has been reflected in the Consolidated Statement of Financial Position as a long-term receivable and $Nil (December 31, 2019: $490,177) as a current receivable. During 2019, the Company negotiated a prepayment plan and discounted the expected monthly cashflows by a rate of 24% to arrive at the receivable balance of $963,917 as December 31, 2019. The Company did not make any collections during 2020 and a provision of $963,917 was made as at December 31, 2020.

6. Inventory and Biological Assets

Inventory

Inventory is comprised of the following and is valued at the lower of cost and net realizable value:

		December 31, 2020	Weight	December 31, 2019	Weight
Dried Cannabis	$	18,758,723	20,114,668 g	18,032,160	12,583,561 g
Harvested work in progress		5,345,980	9,766,930 g	910,087	562,055 g
Extract					
Resin		98,488	232,690 g	8,321,073	253,461 g
Crude oil		693,835	38,710 g	569,672	55,160 g
Finished oil		4,098,705	1,571,521 g	2,524,711	1,585,781 g
Non-cannabis inventory		1,669,758		929,198	
	$	**30,665,489**		31,286,901	

Biological assets

The Company's biological assets consist of cannabis plants.

The changes in carrying value of the Company's biological assets are as follows:

Carrying amount, December 31, 2018	**$**	**2,150,076**
Changes in fair value less cost to sell due to biological transformation		20,566,094
Biological assets sold		(17,324)
Production costs capitalized		10,373,548
Transferred to inventory upon harvest		(25,406,518)
Carrying amount, December 31, 2019		**7,665,876**
Changes in the fair value less costs to sell due to biological transformation		16,649,277
Biological assets sold		-
Production costs capitalized		13,826,251
Transferred to inventory upon harvest		(36,185,707)
Carrying amount, December 31, 2020	**$**	**1,955,697**

All of the plants are to be harvested as agricultural produce, a grow. Indoor grow plants are up to sixteen weeks from harvest (December 31, 2019: up to fifteen weeks) and the life cycle is estimated to be one hundred and forty four days (December 31, 2019: ninety-seven to one hundred seventy-one days). The Company did not hold plants to be sold as live plants at December 31, 2020 and December 31, 2019.

Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels.

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, unharvested plants are adjusted to fair value less costs to complete and sell based on the estimated yield for harvests in progress. At the point of harvest, biological assets are adjusted to fair value less costs to complete and sell based on the actual yield in grams. Costs incurred during the biological transformation process are capitalized to biological assets when the costs are incurred, fair value adjustments are recorded to reflect the difference between the capitalized costs and fair value less costs to complete and sell. Cannabis which has been harvested is transferred to inventory at the full biological asset carrying value, comprised of capitalized costs and fair value adjustments, for each harvest.

To determine fair value the Company considers the following:

- The product of the expected yield in grams per plant and the expected selling price per gram;
- The expected selling price less selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory; and

Effective September 30, 2020, the Company implemented a change in accounting estimate pertaining to the valuation of biological assets. The fair value of biological assets was previously estimated by applying a discount rate based on the number of days that the Company expects it will take to sell the yield from the biological assets. Effective September 30, 2020, the Company changed the estimated fair value of biological assets to exclude the effect of discount rates. As a result of this change in estimate, the value of total inventory harvested from October 1, 2020 to December 31, 2020, and the value of biological assets as at December 31, 2020, were $1,587,823 and $431,832 higher, respectively, than they would have been if the fair value on date of harvest was estimated using a discount rate.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Expected yield by plant adjusted for expected wastage – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each cannabis plant;
- Percentage of costs incurred to date compared to the total expected costs to be incurred over the life of the plant are used to estimate the fair value of an in-process plant at each stage;
- Expected weighted average selling price per gram of harvested cannabis – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices;
- Expected number of days remaining over the life of the plant.

The Company estimates harvest yields for the plants at various stages of growth. As of December 31, 2020, it is expected that the Company's biological assets that are to be harvested from its greenhouse facility will yield approximately 4,268,534 grams (December 31, 2019: 4,481,165 grams) with a value of $1,955,697 (December 31, 2019: $7,665,876), based on the current stage of growth. The weighted average selling price used in the valuation is $1.26 per gram (December 31, 2019: $5.02 per gram) and is based on a normalized historical average selling price, adjusted based on expected future sales mix, can vary based on different grades of cannabis. The Company estimates percentage of costs incurred based on the stage of growth. Plants on hand at December 31, 2020, have incurred an average of 46% of costs to harvest (December 31, 2019: 37%).

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The following table quantifies each significant unobservable input, and also provides the impact of a reasonable increase/decrease that each input would have on the fair value of the Company's greenhouse biological assets.

	December 31, 2020 Valuation inputs	December 31, 2019 Valuation inputs	Percentage change used in sensitivity analysis	Change resulting from reasonable variance as at December 31, 2020	Change resulting from reasonable variance as at December 31, 2019
Increase or decrease in selling price	$0.00 to $2.38	$1.00 - $7.24	10%	$524,001	$1,816,451
Increase or decrease in yield by plant	92 grams	86 grams	15%	$293,355	$1,152,764
Increase in average life cycle	116 days	110 days	10%	$160,302	$172,532
Decrease in average life cycle	116 days	110 days	10%	($136,368)	($149,563)
Increase in percentage of costs to harvest incurred to date	46%	37%	10%	$145,543	$187,059
Decrease in percentage of costs to harvest incurred to date	46%	37%	10%	($150,005)	($187,059)

7. Right-of-Use Assets and Lease Liabilities

The following is a breakdown of the carrying amount of the Right-of-Use assets as at December 31, 2020:
The weighted average rate was applied from 5.9% to 15.5% for the new leases.

	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Starseed Office Space/ Bowmanville	Equipment Spectrum	Total
Cost							
As at, January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	504,605	-	1,762,359	7,968	1,870,154	-	4,145,086
As at, December 31, 2019	504,605	-	1,762,359	7,968	1,870,154	-	4,145,086
Additions	-	944,521	-	-	-	637,364	1,581,885
Assets held for sale (Note 10)	-	-	-	-	(1,689,100)		(1,689,100)
As at December 31, 2020	504,605	944,521	1,762,359	7,968	181,054	637,364	4,037,871
Depreciation							
As at, January 1, 2019	-	-	-	-	-	-	-
Depreciation	95,949	-	29,373	5,625	697,401	-	828,348
As at, December 31, 2019	95,949	-	29,373	5,625	697,401	-	828,348
Depreciation	100,260	85,940	86,359	2,343	498,496	318,682	1,092,080
Assets held for sale (Note 10)	-	-	-	-	(1,097,062)	-	(1,097,062)
As at December 31, 2020	196,209	85,940	115,732	7,968	98,835	318,682	823,366
Impairment							
As at, December 31, 2019	-	-	-	-	-	-	-
Impairment (Note 9)	9,039	23,931	45,249	-	21,781	-	100,000
Assets held for sale (Note 10)	-	-	-	-	(21,781)	-	(21,781)
As at December 31, 2020	9,039	23,931	45,249	-	-	-	78,219
Net book value							
As at December 31, 2019	408,656	-	1,732,986	2,343	1,172,753	-	3,316,738
As at December 31, 2020	$ 299,357	$ 834,650	$ 1,601,378	$ -	$ 82,219	$ 318,682	$ 3,136,286

The Company has transferred assets held for sale related to Starseed Medicinal. Refer to Note 10.

The following is a breakdown of the carrying amount of the Lease liabilities as at December 31, 2020:

	Office Space 232 Central Ave.	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Equipment Spectrum	Starseed Office Space/ Bowmanville	Total
Opening lease liability, January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	322,139	468,341	-	1,653,177	7,969	-	-	2,451,626
Acquisition	-	-	-	-	-	-	1,408,206	1,408,206
Interest	15,973	22,015	-	56,413	151	-	-	94,552
Payments	(40,250)	(70,654)	-	-	(5,970)	-	-	(116,874)
Modification	(297,862)	-	-	-	-	-	-	(297,862)
Termination liability	112,847	-	-	-	-	-	-	112,847
Ending lease liability, December 31, 2019	$ 112,847	$ 419,702	$ -	$ 1,709,590	$ 2,150	-	$ 1,408,206	$ 3,652,495
Additions	-	-	944,521	-	-	637,364	-	1,581,885
Interest	-	21,851	48,824	95,048	11	48,561	70,266	284,561
Payments	(15,000)	(115,668)	(104,747)	(977,368)	(2,146)	(354,448)	(574,889)	(2,144,266)
Assets held for sale	-	-	-	-	-		(802,285)	(802,285)
Ending lease liability, December 31, 2020	**$ 97,847**	**$ 325,885**	**$ 888,598**	**$ 827,270**	**$ 15**	**331,477**	**$ 101,298**	**$ 2,572,390**
Short Term Portion	$ 15,000	$ 99,399	$ 66,905	$ 827,270	$ 15	$ 331,477	$ 41,583	$ 1,381,649
Long Term Portion	$ 82,847	$ 226,486	$ 821,693	$ -	$ -	$ -	$ 59,715	$ 1,190,741

The lease commitment schedule for all future lease payments is outlined in the table below:

Within 1 year	$ 1,723,338
Within 2 years	625,620
Within 3 years	271,867
Within 4 years	149,019
Beyond 4 years	674,000
	$ 3,443,844

8. Property, Plant and Equipment

Cost	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale (Note 10)	Balance at December 31, 2020
Security equipment	$ 3,297,634	$ 57,941	$ -	$ -	$ -	$ -	3,355,575
Equipment	16,213,312	376,210	(754,807)	-	-	(1,512,220)	14,322,495
Furniture & fixtures	395,766	99,835	-	-	-	(62,781)	432,820
Fence & signage	663,648	-	-	-	-	-	663,648
Land	3,808,002	-	-	-	-	-	3,808,002
Building	86,063,658	1,657,641	-	-	-	-	87,721,299
Leasehold improvements and greenhouse	1,837,322	3,507	-	-	-	(1,743,329)	97,500
	$ 112,279,342	$ 2,195,134	$ (754,807)	$ -	$ -	$ (3,318,330)	110,401,339

Accumulated Amortization	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale (Note 10)	Balance at December 31, 2020
Security equipment	$ (780,862)	$ (466,708)	$ -	$ -	$ -	$ -	(1,247,570)
Equipment	(1,575,100)	(2,575,425)	55,567	-	-	234,258	(3,860,700)
Furniture & fixtures	(98,456)	(59,109)	-	-	-	8,531	(149,034)
Fence & Signage	(48,625)	(58,655)	-	-	-	-	(107,280)
Building	(1,003,033)	(3,673,840)	-	-	-	-	(4,676,873)
Leasehold improvements and greenhouse	(1,450)	(69,134)	-	-	-	65,368	(5,216)
	$ (3,507,526)	$ (6,902,871)	$ 55,567	$ -	$ -	$ 308,157	(10,046,673)

Accumulated Impairment (Note 9)	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale (Note 10)	Balance at December 31, 2020
Security equipment	-	(92,615)	-	-	-	$ -	(92,615)
Equipment	-	(1,433,217)	-	-	-	1,185,949	(247,268)
Furniture & fixtures	-	(63,591)	-	-	-	49,614	(13,977)
Fence & signage	-	(23,188)	-	-	-	-	(23,188)
Land	-		-	-	-	-	-
Building	-	(2,964,126)	-	-	-	-	(2,964,126)
Leasehold improvements and greenhouse	-	(1,623,263)	-	-	-	1,515,750	(107,513)
	$ -	$ (6,200,000)	$ -	$ -	$ -	$ 2,751,313	(3,448,687)

Net Book Value	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale (Note 10)	Balance at December 31, 2020
Security equipment	2,516,772	(501,382)	-	-	-	-	2,015,390
Equipment	14,638,212	(3,632,432)	(699,240)	-	-	(92,013)	10,214,527
Furniture & fixtures	297,310	(22,865)	-	-	-	(4,636)	269,809
Fence & signage	615,023	(81,843)	-	-	-	-	533,180
Land	3,808,002	-	-	-	-	-	3,808,002
Building	85,060,625	(4,980,325)	-	-	-	-	80,080,300
Leasehold improvements and greenhouse	1,835,872	(1,688,890)	-	-	-	(162,211)	(15,229)
	108,771,816	(10,907,737)	(699,240)	-	-	(258,860)	96,905,979

Cost		Balance at December 31, 2018		Additions		Transfer		Acquisition		Disposal		Balance at December 31, 2019
Security equipment	$	1,825,961	$	1,491,572	$	-	$	-	$	(19,899)	$	3,297,634
Equipment		2,477,185		10,759,841		1,443,976		1,532,310		-		16,213,312
Furniture & fixtures		167,367		163,034		-		65,365		-		395,766
Fence & signage		17,033		408,536		238,079		-		-		663,648
Land		140,000		1,219,002		2,449,000		-		-		3,808,002
Building		2,227,907		46,230,657		37,608,913		-		(3,819)		86,063,658
Leasehold improvements and greenhouse		35,034,986		7,019,000		(42,001,354)		1,784,690		-		1,837,322
	$	41,890,439	$	67,291,642	$	(261,386)	$	3,382,365	$	(23,718)	$	112,279,342

Accumulated Amortization		Balance at December 31, 2018		Additions		Transfer		Acquisition		Disposal		Balance at December 31, 2019
Security equipment	$	(328,638)	$	(450,234)	$	-	$	-	$	(1,990)	$	(780,862)
Equipment		(335,430)		(1,239,670)		-		-		-		(1,575,100)
Furniture & fixtures		(53,623)		(44,833)		-		-		-		(98,456)
Fence & signage		(2,401)		(46,224)		-		-		-		(48,625)
Building		(111,133)		(891,878)		-		-		(22)		(1,003,033)
Leasehold improvements and greenhouse		(70,608)		(101,703)		170,861		-		-		(1,450)
	$	(901,833)	$	(2,774,542)	$	170,861	$	-	$	(2,012)	$	(3,507,526)
Net book value	$	40,988,606	$	64,517,100	$	(90,525)	$	3,382,365	$	(25,730)	$	108,771,816

Total amortization for the year ended December 31, 2020 was $10,067,051 (year ended December 31, 2019: $3,074,719), of which $5,122,889 (year ended December 31, 2019: $957,079) has been capitalized in inventory, $2,790,804 has been capitalized to biological assets (year ended December 31, 2019: $1,838,080). Of the amount of amortization expensed of $2,153,358 (December 31, 2019: $279,560), $1,520,286 (December 31, 2019: $103,483) relates to amortization of intangible assets (Note 9), $nil (December 31, 2019: $176,077) relates to amortization of property, plant and equipment and $633,072 relates to right-of-use assets. During the year, the Company has recorded an impairment of $6,200,000 on property, plant and equipment. Refer to Note 9

As at December 31, 2020, properties and improvements with a carrying value of $3,808,001 (December 31, 2019: $52,173,429) were not yet available for use. As such, the cost of these assets has been capitalized but not yet amortized.

During the year, the Company has transferred some assets related to Starseed Medicinal to assets held for sale. Refer Note to 10.

9. Intangible Assets

Cost	Balance at December 31, 2019	Additions	Acquisition	Net assets held for sale (Note 9)	Balance at December 31, 2020
Software	$ 1,555,018	$ 357,772	$ -	$ (163,156)	$ 1,749,634
Brands and trademarks	2,188,498	-	-	-	2,188,498
Customer relationships	1,623,278	-	-	-	1,623,278
Licences	15,735,600	-	-	(15,735,600)	-
	$ 21,102,394	$ 357,772	$ -	$ (15,898,756)	5,561,410

Accumulated Amortization	Balance at December 31, 2019	Additions	Acquisition	Net assets held for sale (Note 9)	Balance at December 31, 2020
Software	$ (51,404)	$ (376,758)	$ -	$ 8,937	$ (419,225)
Brands and trademarks	-	(222,719)	-	-	(222,719)
Customer relationships	-	(232,827)	-	-	(232,827)
Licences	(52,079)	(1,180,170)	-	1,232,249	-
	$ (103,483)	$ (2,012,474)	$ -	$ 1,241,186	$ (874,771)

Accumulated Impairment	Balance at December 31, 2019	Additions	Acquisition	Net assets held for sale (Note 9)	Balance at December 31, 2020
Software	$ -	$ (18,435)	$ -	$ 1,070	$ (17,365)
Brands and trademarks	-	(20,981)	-	-	(20,981)
Customer relationships	-	(150,681)	-	-	(150,681)
Licences	-	(12,186,302)	-	12,186,302	-
	$ -	$ (12,376,399)	$ -	$ 12,187,372	$ (189,027)

Net book value	Balance at December 31, 2019	Additions	Acquisition	Net assets held for sale (Note 9)	Balance at December 31, 2020
Software	$ 1,503,614	$ (37,421)	$ -	$ (153,149)	$ 1,313,044
Brands and trademarks	2,188,498	(243,700)	-	-	1,944,798
Customer relationships	1,623,278	(383,508)	-	-	1,239,770
Licences	15,683,521	(13,366,472)	-	(2,317,049)	-
	$ 20,998,911	$ (14,031,101)	$ -	$ (2,470,198)	$ 4,497,612

Cost		Balance at December 31, 2018		Additions		Acquisition		Balance at December 31, 2019
Software	$	372,377	$	1,182,641	$	-	$	1,555,018
Brands and trademarks		-		18,695		2,169,803		2,188,498
Customer relationships		-		-		1,623,278		1,623,278
Licences		-		-		15,735,600		15,735,600
	$	372,377	$	1,201,336	$	19,528,681	$	21,102,394

Accumulated Amortization		Balance at December 31, 2018		Additions		Acquisition		Balance at December 31, 2019
Software	$	-	$	(51,404)	$	-	$	(51,404)
Brands and trademarks		-		-		-		-
Customer relationships		-		-		-		-
Licences		-		(52,079)		-		(52,079)
	$	-	$	(103,483)	$	-	$	(103,483)
Net book value	$	372,377	$	1,097,853	$	19,528,681	$	20,998,911

Impairment

At the end of each quarterly reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Goodwill was initially recognized on acquisition of Starseed Holdings Inc. in December, 2019 and is monitored at company-wide CGU level. The Company noted indicators of impairment as at September 30, 2020, including market capitalization and ongoing business transformation plans and, as a result, carried out an assessment of the impairment of its goodwill and other assets. In testing for impairment, goodwill and other assets acquired in a business combination were allocated to the cash-generating units to which they related. The Company has determined that there is only one CGU at the Company level. As a result of impairment testing performed at September 30, 2020, the Company determined an impairment loss of $34,800,000, representing the difference of the amount determined through Value in Use and the carrying value of the assets. No additional impairment or reversal of impairment were identified as at December 31, 2020.

The impairment loss has been allocated as follows:

- Goodwill - $16,123,601;
- Intangible assets - $12,376,399;
- Property, plant and equipment - $6,200,000; and
- Right of use assets -$100,000

The significant assumptions applied in the determination of the value in use amount as at September 30, 2020, are as explained as follows:

➢ Cash flows: Estimated cash flows were projected based on estimated operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The forecasts are extended to a total of five years (and a terminal year thereafter) and were approved by the management;

- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;

- Pre-tax discount rate: The pre-tax discount rate is reflective of the CGUs Weighted Average Cost of Capital (“WACC”). The WACC was estimated based on the risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a direct comparison approach, an unsystematic risk premium, and cost of debt based on corporate bond yields; and

In addition, the key assumptions used in calculating the value in use are as follows:

- Terminal value growth rate – 3%;
- Budgeted revenue growth rate – 26%; and
- Weighted average cost of capital – 16.5%

10. Assets held for sale

On January 19, 2021, the Company entered into a letter of intent (LOI) with a third-party buyer to transfer the shares (Proposed Transaction) of Starseed Medicinal Inc. (Starseed) a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company. An executed share purchase agreement was signed on March 15, 2021 to sell 100% of the outstanding shares of Starseed on a cash-free and debt-free basis for a purchase price of $2,500,000. Starseed is a holder of a license to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Facility"). The right-of-use assets and related license, as well as all property, plant and equipment of Starseed will be included in the sale of Starseed. Certain key contracts and customer relationships have been excluded from the share purchase agreement, and will be transferred, along with the operations and ongoing business of Starseed, to another wholly own subsidiary. The Company vacated from and ceased all meaningful operations at the Facility during the first quarter of 2021

The initial decision to initiate a sale process for the Facility happened in November 2020 when management signed a non-disclosure agreement with the first broker engaged by management on October 30, 2020 and formal discussions initiated with a second broker on November 3, 2020.

On November 20, 2020, a memorandum was prepared by management to outline the transaction structure possibilities and later more formality was added to the process by delivering to all interested parties a process letter on November 30, 2020. Assets at the Facility are classified as held for sale as management considered the net assets to be included in the sale to meet the criteria to be classified as held for sale at that date for the following reasons:

- Assets at the Facility are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- The Company approved the plan to sell in November 2020.

The transfer of the assets held at the Facility are expected to be completed within a year from the reporting date. At December 31, 2020, the net assets of Starseed included in the share purchase ageement were classified as a disposal group held of sale, and measured at the lower of carrying value and fair value less costs to sell. The fair value less costs to sell was determined to be $2,046,049, which includes the $2,500,000 sale price, net of $453,951 expected costs to sell. The costs to sell include legal fees, advisory fees and costs to the landlord of the Facility.

Assets	Note	$
Right-of-use assets	7	573,227
License - Intangible assets	9	2,470,198
Property, plant and equipment	8	258,860
Assets held for sale		3,302,285
Less: Cost to sell		(453,951)
		2,848,334
Liabilities		
Lease liabilities	7	(802,285)
Net assets held for sale		2,046,049

11. Unsecured Convertible Debentures

		Debentures		Warrants		Conversion Feature		Total
Balance, December 31, 2018	$	-	$	-	$	-	$	-
Issuance - September 25, 2019		8,258,713		1,447,359		1,558,694		11,264,766
Accretion of debentures		283,853		-		-		283,853
Conversion of debentures		(221,446)		-		(44,669)		(266,115)
Balance, December 31, 2019	$	8,321,120	$	1,447,359	$	1,514,025	$	11,282,504
Accretion of debentures		1,263,749		-		-		1,263,749
Balance, December 31, 2020	$	9,584,869	$	1,447,359	$	1,514,025	$	12,546,253

a) *2019 convertible debenture*

On September 25, 2019, the Company closed a bought-deal short-form prospectus offering of 13,115 convertible unsecured debentures units (the "2019 Unsecured Convertible Debentures") at a price per 2019 Unsecured Convertible Debenture of $1,000 for gross proceeds of $13,115,000 (the "Offering") with a syndicate of underwriters. The 2019 Unsecured Convertible Debentures bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The 2019 Unsecured Convertible Debentures have a maturity date of September 25, 2022 (the "Maturity Date"). The 2019 Unsecured Convertible Debentures are convertible at the option of the holder into Shares of the Company at any time prior to the earlier of (i) close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the 2019 Unsecured Convertible Debentures upon a change in control at a conversion price of $1.60 per Share (the "Conversion Price").

The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $3.20 for the consecutive 20 trading days preceding the notice.

Upon a Change of Control of the Company, holders of the 2019 Unsecured Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

In connection with the Company's 2019 Unsecured Convertible Debenture, the Company issued 8,196,875 warrants to the holders of the 2019 Unsecured Convertible Debentures. Each warrant is exercisable into one Share at the Conversion Price ($1.80) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $3,977,461 with reference to the Monte Carlo option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.53%; (iv) unit price of $1.33; (v) forfeiture rate of nil; (vi) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The Monte Carlo option pricing model was deemed applicable to these warrants and the conversion feature as they have accelerated vesting terms based on the volume weighted average trading price of the outstanding common shares on the TSX Venture Exchange. The Black Scholes option pricing model does not address the accelerated vesting terms, and potential change in the time to the warrant's and conversion feature's expiry.

The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the 2019 Unsecured Convertible Debentures assuming a market interest rate of 20.92%, which was the estimated rate for the 2019 Unsecured Convertible Debentures without the equity component of the conversion feature. The effective interest rate of the 2019 Unsecured Convertible Debentures after reflecting issuance costs was 26.67%. The residual of the principal less the present value of the liability component was allocated to the conversion option and the warrants based on their relative fair value, resulting in an allocation of $1,814,709 to the conversion option and $1,685,087 to the warrants.

The fair value of the conversion feature has been estimated as $4,283,419 using the Monte Carlo pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free interest rate of 1.53%; (iv) share price of $1.33; forfeiture rate of nil; and (v) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

The Company also issued to the Underwriters 983,624 compensation warrants with a fair value of $587,293. 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.60 per share for a period of up to 36 months following the close of the Offering and 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.80 per share for a period of up to 36 months following the close of the Offering. The Company paid $1,262,942 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability, warrants and conversion feature components in proportion to their initial carrying amounts.

During the year ended December 31, 2019, 350 of the Company's 2019 Unsecured Convertible Debentures were converted into 218,750 common shares at the option of the holder. There were no debentures converted during the year ended December 31, 2020.

12. Loans & Borrowings

On March 29, 2019, the Company entered into combined secured credit agreements totalling $39.1 million (collectively, "Credit Facilities"). The Credit Facilities are comprised of the following:

(i) Facility 1: $3,000,000 committed Revolving Credit Facility (the "Revolver");
(ii) Facility 2: $33,150,000 committed term loan;
(iii) Facility 3: $3,000,000 committed term loan.

The Credit Facilities mature March 29, 2022 ("Maturity Date") and bear an interest rate on a tier rate based on total funded debt to EBITDA. The Interest rate will range from approximately 1% to 2% above Canadian prime rate. Total borrowing costs for the Credit Facilities were $0.4 million. Under the terms of the Credit Facilities, the Company is also subject to certain customary financial and non-financial covenants and restrictions.

In addition, the Credit Facilities are secured by a first priority lien on substantially all of the Company's personal and real property and assets. In addition, Facility 2 and 3 require $3.0 million of the proceeds to be held as a debt service reserve and will be released in eighteen months upon satisfactory review or when the Company's twelve-month trailing EBIDTA less cash taxes and unfunded capital expenditures exceed $10 million.

Facility 1 requires interest only payments with the balance due on the Maturity Date. The outstanding balance at any point shall not exceed the Borrowing Base. As at December 31, 2020, a total of $3,290,620 (December 31, 2019: $Nil) was drawn from the Revolver which was outstanding as at December 31, 2020.

Facility 2 requires interest only payments until December 31, 2020 or such later date agreed upon ("Conversion Date"), at which point the principal will become payable and will amortize over ten years with the remaining due upon the Maturity Date. As at December 31, 2020, the Company has drawn $33,150,000 (December 31,2019: $33,150,000) from Facility 2.

Facility 3 requires interest only payments until the Conversion Date, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date. As at December 31, 2020, the Company has drawn $3,000,000 (December 31, 2019: $3,000,000) from Facility 3.

On September 23, 2020, the Company had entered into a credit facility with the LiUNA Pension Fund of Central and Eastern Canada ("LPF"). Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan.

	Facility 1	Facility 2	Facility 3	Term loan	Transaction costs	Total
Proceeds	$ -	$ 33,150,000	$ 3,000,000	$ -	$ (418,611)	$ 35,731,389
Interest	-	1,502,285	126,466	-	-	1,628,751
Accretion	-	-	-	-	97,106	97,106
Interest payments	-	(1,334,764)	(111,306)	-	-	(1,446,070)
Interst payable	-	(167,521)	(15,160)	-	-	(182,681)
Balance, December 31, 2019	$ -	$ 33,150,000	$ 3,000,000	$ -	$ (321,505)	$ 35,828,495
Proceeds	3,290,620	-	-	30,000,000	(854,848)	32,435,772
Interest	73,709	1,684,284	173,294	1,125,000	-	3,056,287
Modification	-	113,349	-	-	-	113,349
Repayment		(828,750)	(200,000)	-	-	(1,028,750)
Accretion	-	-	-	-	247,191	247,191
Interest payments	(73,709)	(1,684,284)	(173,294)	-	-	(1,931,287)
Interest payable	-	-	-	-	-	-
Balance, December 31, 2020	**$ 3,290,620**	**$ 32,434,599**	**$ 2,800,000**	**$ 31,125,000**	**$ (929,162)**	**$ 68,721,057**
Current portion of loans and borrowings						3,986,677
Long term portion of loans and borrowings						64,734,380

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the years ended December 31, 2020 and 2019, the Company was compliant with the applicable covenants.

The Company is also required to maintain $100,000 as security for the Company's corporate credit cards. Both the credit card security and the debt service reserve are recorded as restricted cash.

On June 30, 2020, the company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the Conversion Date was amended from June 30, 2020 to June 30, 2021, resulting in a deferral of certain covenants by 12 months, and quarterly principal repayments have been rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company maintain liquidity coverage of not less than $2,000,000 commencing July 1, 2020. In addition, the Company has agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

Due to the modification of interest and principal repayment, the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognized in profit or loss. The adjusted carrying amount is then amortized over the remaining term of the (modified) liability using the original effective interest rate.

13. Share Capital

	Note	Number of shares		Amount
Balance as at December 31, 2018		111,270,564	$	79,692,641
Conversion of debentures	11	218,750		266,115
Shares issued for stock options exercised	15(a)	434,551		406,232
Shares issued for property purchase	13(a)	2,500,000		4,251,692
Shares issued for warrants exercised	14(a)	232,500		387,078
Shares issued on acquisition	4	71,833,194		52,642,398
Balance as at December 31, 2019		186,489,559	$	137,646,156
Common shares issued upon private placement	13(b)	23,079,763		25,000,000
Transfer on issuance of shares	15(i)	692,393		583,581
Balance as at December 31, 2020		210,261,715	$	163,229,737

a) On March 29, 2019, the Company exercised its option to purchase the 98-acre Strathroy property. The balance due upon the exercise of the option to purchase was $22.6 million, of which $17.6 million was paid in cash and $5 million was satisfied by the issuance of 2.5 million units ("Units") in the capital of WeedMD. Each Unit was comprised of one WeedMD common share at a price of $1.98 and one-quarter (1/4) of a warrant (for 625,000 total warrants), with each whole warrant exercisable into a WeedMD common share at an exercise price of $2.50 per share for five years. The trading of these units were subject to certain time restrictions for a period of 4 months following the date of the transaction. The Company estimated the fair value of the units issued by taking into account the trading restrictions, and estimated the value as $4,849,584 of which the shares and warrants were valued at $4,251,692 and $597,892. (see Note 13(a)) respectively.

b) On February 4, 2020, the Company announced that its shareholders voted in favour of the resolution approving the private placement and exercise of subscription receipts with the LiUNA Pension of Central and Eastern Canada for gross proceeds of $25 million, which was completed as part of WeedMD's acquisition of Starseed Holdings Inc. With the approval, the subscription receipts automatically convert into 23,079,763 WeedMD common shares and resulted in the creation of a new control person as defined under the applicable policies of the TSX Venture Exchange.

14. Warrants

	Note	Number of Warrants		Warrants reserve	Exercise price
Balance as at December 31, 2018		11,255,755	$	8,073,109	
Warrants issued on property purchase	13(a)	625,000		597,892	$2.50
Warrants issued (September 25, 2019)	11	8,196,875		1,685,087	$1.80
Warrants issue costs (Septemner 25, 2019)	11	-		(237,728)	
Broker warrants issued (September 25, 2019)	14(b)	491,812		303,481	$1.60
Broker warrants issued (September 25, 2019)	14(c)	491,812		283,812	$1.80
Broker compensation warrants exercised	14(a)	(232,500)		(108,090)	
Balance as at December 31, 2019		20,828,754	$	10,597,563	
less: Warrants expired	14(d)	(8,023,256)		-	
Balance as at December 31, 2020		12,805,498	$	10,597,563	

a) For the year ended December 31, 2019, 232,500 broker compensation warrants were exercised for proceeds of $279,000. The Company recognized the fair value of the warrants of $108,090 in the value of the Shares issued.

b) On September 25, 2019, in connection with the Company's Unsecured Convertible Debenture, the Company issued to the Underwriters 491,812 compensation warrants (Note 9(b)). Each compensation warrant is exercisable into one Share at the Conversion Price ($1.60) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $303,481 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.52%; (iv) unit price of $1.33; (v) forfeiture rate of 0; (vi) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

c) On September 25, 2019, in connection with the Company's Unsecured Convertible Debenture, the Company issued to the Underwriters 491,812 compensation warrants (Note 9(b)). Each compensation warrant is exercisable into one Share at the Conversion Price ($1.80) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $283,812 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.52%; (iv) unit price of $1.33; (v) forfeiture rate of 0; (vi) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

d) The warrants issued on January 11, 2018 with a total of 8,023,256 was expired on January 11, 2020.

Warrant pricing models require the input of subjective assumptions, and changes in the input assumptions can materially affect the fair value estimation. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on the zero-coupon government of Canada bonds with a remaining term equal to the expected life of the warrants. The Company used the same assumptions to calculate options (Note 15).

15. Contributed Surplus

The Company has established a stock option plan for its directors, officers, employees and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

As at December 31, 2020, the Company's outstanding stock options consists of the following:

	Note	Number of options		Contributed surplus	Exercise price
Balance as at December 31, 2018		**8,023,503**	**$**	**6,613,513**	
Stock options granted	15(b)	2,868,000		1,998,632	$1.53
Stock options granted	15(c)	300,000		232,196	$2.00
Stock options granted	15(d)	505,000		198,155	$1.52
Stock options granted on acquisition	15(e)	5,674,875		1,983,147	$0.98
Stock options granted on acquisition	15(f)	898,011		126,764	$3.26
Stock options excercised	15(a)	(434,551)		(145,479)	
Share based compensation		-		2,333,776	
Stock options cancelled		(802,312)		-	
Stock options forfeited		(625,000)		-	
Stock options expired		(62,500)		-	
Restricted stock units issued	15(g)	-		40,733	
Deferred stock units issued	15(h)	-		15,730	
Shares to be issued for services	15(i)	-		583,581	
Balance as at December 31, 2019		**16,345,026**	**$**	**13,980,748**	
Stock options cancelled		(420,834)		-	
Stock options forfeited		(3,742,512)		-	
Stock options expired		(511,515)		-	
Transfer on issuance of shares	15(i)	-		(583,581)	
Share based compensation		-		943,243	
Stock options granted	15(j)	2,469,500		531,514	
Deferred stock units issued	15(k)(l)	-		1,163,222	
Balance as at December 31, 2020		**14,139,665**	**$**	**16,035,146**	

As at December 31, 2020, 14,139,665 (December 31, 2019: 16,345,026) Shares have been reserved for stock options as follows:

Exercise price	Number of options outstanding	Number of options exercisable	Number of options excercisable	Remaining life (years)	Weighted average remaining life (years)		Weighted average exercise price
0.60	912,000	912,000	-	0.28	0.02	$	0.05
2.36	1,208,000	1,208,000	-	2.03	0.17	$	0.24
1.80	400,000	400,000	-	2.38	0.07	$	0.06
1.74	100,000	100,000	-	2.46	0.02	$	0.01
2.07	1,150,000	837,500	-	2.68	0.22	$	0.15
1.95	200,000	180,000	-	2.78	0.04	$	0.03
1.53	715,625	558,833	-	3.02	0.15	$	0.07
2.00	300,000	300,000	-	1.29	0.03	$	0.05
1.52	275,000	135,000	-	3.52	0.07	$	0.02
0.98	5,674,875	5,674,877	-	1.84	0.74	$	0.48
3.26	734,665	733,903		2.83	0.15	$	0.21
0.40	2,469,500	625,125	-	4.54	0.79	$	0.02
	14,139,665	11,665,238	-				$1.39

a) During the year ended December 31, 2019, 434,551 stock options were exercised for net proceeds of $260,733. Shares issued upon exercise of options had a weighted average fair value of $1.86 at the time of exercise. There were no options exercised during the year ended December 31, 2020.

b) On January 9, 2019, the Company granted 2,868,000 options to management, employees, directors and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $1.53, until January 10, 2024. 640,000 of the options vest over the calendar quarters of 2019, 600,000 of the options vest over 24 months, 1,490,000 of the options vest over 36 months, 100,000 of the options vest upon completion of specified milestones to be determined by the Board of Directors and 38,000 of the options vest immediately. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 85%; (iii) risk-free interest rate of 1.91%; (iv) share price of

$1.53; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $2,959,634. Total share-based compensation for the year ended December 31, 2019 is $1,998,632.

c) On May 7, 2019, the Company granted 300,000 options to consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $2.00, until April 15, 2022. The options vest over 12 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 80%; (iii) risk-free interest rate of 1.55%; (iv) share price of $1.74; (v) forfeiture rate of nil; and (vi) expected life of 35 months. The total fair value of the options is $254,053. Total share-based compensation for the nine months ended December 31, 2019 is $232,196.

d) On July 10, 2019, the Company granted 505,000 options to management and employees of the Company which were valued based on the value of the instruments. Each option is exercisable into one common share at an exercise price of $1.52, until July 9, 2024 and vest quarterly over 36 months.

The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76%; (iii) risk-free interest rate of 1.53%; (iv) share price of $1.52; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $477,457. Total share-based compensation for the year ended December 31, 2019 is $198,155.

e) On December 20, 2019, 5,674,875 replacement options were granted as part of the consideration for the acquisition of Starseed (Note 4). Each option is exercisable into one common share at an exercise price of $0.98, until November 3, 2022 and vest immediately. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 74%; (iii) risk-free interest rate of 1.63%; (iv) share price of $0.81; (v) forfeiture rate of nil; and (vi) expected life of 1,048 days. The total fair value of the options is $1,983,147.

f) On December 20, 2019, 898,011 replacement options were granted as part of the consideration for the acquisition of Starseed (Note 4). Each option is exercisable into one common share at an exercise price of $3.26, until November 1, 2023. 673,508 of the options vested immediately and 224,503 vest on May 2, 2020. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 74%; (iii) risk-free interest rate of 1.63%; (iv) share price of $0.81; (v) forfeiture rate of nil; and (vi) expected life of 1,411 days. The total fair value of the options is $126,764.

g) On September 30, 2019 the Company granted 100,000 restricted share units ("RSUs") to George Scorsis, Chairman of the Board of Directors as part of a consulting agreement. RSUs are exercisable into one common share. As at December 31, 2019, the RSUs were not yet issued. The grant date fair value of the RSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the RSUs to be $40,734.

h) On December 31, 2019 the Company granted 18,314 deferred share units ("DSUs") to Michael Pesner, a director. DSUs are granted at the end of each quarter and are calculated by dividing a quarter of the director's remuneration by the closing price of the Company's shares on the grant date. The DSUs will be settled upon termination of the director on a date chosen by the director within the period starting the business day following the termination date and ending the last business day o the month of December of the year following the termination date. The DSUs will be settled at the discretion of the Company on the settlement date in shares, cash or a combination of both. Management estimated the total fair value of the DSUs to be $15,730.

i) During the year ended December 31, 2019, the Company received services from a vendor in connection with the Acquisition in exchange for 692,393 common shares of the Company. The shares to be issued were valued at $583,581, based on the value of services received. As at December 31, 2019, these shares had not yet been issued. On February 4, 2020, 692,393 shares were issued to the vendor in connection with this transaction.

j) On July 17, 2020, the Company granted 2,469,500 options to management, employees, directors and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $0.40, until July 16, 2025. 832,167 of the options vest over four months, 832,167 of the options vest over eight month, 832,166 of the options vest over 12 months, The fair value of the Options has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 106.6%; (iii) risk-free interest rate of 0.35%; (iv) share price of $0.41; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $781,000. Total share-based compensation for the year ended December 31, 2020 is $1,474,757 (December 31, 2019: $4,762,758).

k) On July 20, 2020, the Company authorized the grant of an aggregate of 2,688,314 deferred share units ("DSUs") to certain directors and officers of the Company. Of the DSUs granted, 1,441,647 will vest immediately, 623,334 vested on December 8, 2020, and 623,333 will vest on June 8, 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date.

   Management estimates the total fair value of the DSUs to be $1,048,442. Total share-based compensation for the year ended December 31, 2020 is $928,774.

l) On August 5, 2020, the Company authorized the grant of an aggregate of 356,434 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first and second quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $128,316. Total share-based compensation for the year ended December 31, 2020 is $128,316.

m) On October 22, 2020, the Company authorized the grant of an aggregate of 158,026 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $41,087. Total share-based compensation for the year ended December 31, 2020 is $41,087.

n) On December 31, 2020, the Company authorized the grant of an aggregate of 265,491 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the fourth quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $65,045. Total share-based compensation for the year ended December 31, 2020 is $65,045.

16. Income Taxes

Income Tax Rate Reconciliation

As at December 31,		2020		2019
Net income (loss) before income taxes	$	(89,607,134)	$	(10,392,361)
Combined Federal and Provincial statutory income tax rate		26.50%		26.50%
Expected recovery at statutary rate		(23,745,891)		(2,753,976)
Impairment of goodwill		4,272,754		-
Non-deductible expenses and other permanent differences		1,168,591		1,799,285
Change in deferred tax assets not recognized		18,304,546		954,691
Other		-		-
Expected deferred income tax expense (recovery)	$	-	$	-

Deferred Taxes

As at December 31,		2020		2019
Reserves and loss carry-forwards	$	29,925,137	$	18,650,063
Unrealized biological asset costs		(3,203,455)		(3,597,095)
Share issue costs		171,660		383,563
Property, plant and equipment		5,439,786		(2,229,854)
Others		(15,403)		159,338
Deferred tax asset not recognized		(32,317,725)		(13,366,015)
	$	-	$	-

Loss Carry Forwards

As at December 31,		2020		2019
2033	$	462,204	$	462,204
2034		311,646		359,966
2035		4,296,698		4,329,477
2036		4,949,712		6,080,190
2037		15,559,551		18,568,854
2038		25,897,619		25,410,044
2039		12,767,420		14,743,860
2040		47,941,171		-
	$	112,186,021	$	69,954,595

17. Selling, General and Administrative Expenses

For the year ended December 31,		2020	2019
Salaries and benefits	$	12,494,636	5,107,193
Rent & occupancy		240,835	771,911
Office & Administrative		6,027,928	2,125,865
Professional fees		2,900,198	1,097,783
Consulting fee		2,196,832	1,800,751
Travel & accomodations		209,767	741,973
Selling, marketing and promotion		1,773,889	4,648,147
Research and development		834,422	54,760
Impairment of receivables		963,917	1,844,645
Total	$	27,642,424	18,193,028

18. Finance Costs

For the year ended December 31,		2020	2019
Accretion expense	$	1,489,958	381,259
Interest expense		4,416,724	860,747
Foreign exchange loss		2,775	7,816
	$	5,909,457	1,249,822

19. Loss per Share

For the year ended December 31,		2020		2019
Basic and diluted loss per share:				
Loss attributable to holders of shares	$	(89,607,134)	$	(10,392,361)
Weighted average number of shares outstanding		208,047,322		116,091,008
		(0.43)		(0.09)

For periods where WeedMD records a loss, the company calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive. Consequently, for the year ended December 31, 2020, the company calculated loss per share using 208,047,322 (December 31,2019: 116,091,008) common shares.

20. Change in Non-cash Operating Working Capital

For the year ended December 31,		2020		2019
Trade and other receivables	$	1,093,605	$	(1,312,451)
Prepaid expenses and deposits		2,026,943		786,457
Inventory and biological assets		11,978,406		(13,992,778)
Commodity tax receivable		346,662		4,132,429
Accounts payable and accrued liabilities		(8,063,466)		12,087,520
Unearned revenue		(2,512,967)		2,512,967
Net Changes in Non-Cash Working Capital	$	4,869,183	$	4,214,144

21. Revenue

For the year ended December 31,		2020		2019
Direct to patient				
Dried cannabis	$	8,755,400	$	1,466,785
Cannabis plants and seeds		-		25,415
Cannabis extracts		4,625,385		606,314
Others		269,835		19,971
	$	13,650,620	$	2,118,485
Wholesale				
Dried cannabis	$	20,933,030	$	20,175,549
Cannabis plants and seeds		-		70,000
Cannabis extracts		900,125		709,145
Others		-		8,180
	$	21,833,155	$	20,962,874
Total Revenue	**$**	35,483,775	**$**	23,081,359

Total unearned revenue for the year ended December 31, 2020 is $Nil (December 31, 2019: $2,512,967).

For the year ended December 31, 2020, 48% (December 31, 2019: 71%) of total revenue is from 3 customers (December 31, 2019: 2 customers) each representing more than 10% of the Company's revenue. As at December 31, 2020, the Company recognized a contract liability of $514,656 pertaining to customer returns (2019 - Nil).

22. Related Party Transactions

The Company's key management includes the CEO, CFO and all directors. Transactions with related parties include salaries and service fees.

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing, unsecured and have no fixed repayment terms, other than the credit facility within LiUNA Pension Fund of Central and Eastern Canada ("LPF")

On September 23, 2020, the Company had entered into a credit facility with the LPF – a major shareholder of the Company. Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan. The interest charged on loan was $1,125,000.

The balances outstanding are as follows:

As at December 31,		2020		2019
Share based Compensation	$	835,899	$	1,636,960
Salaries		1,157,640		533,740
Bonus		110,000		-
Other Compensation		906,891		-
Fees		425,000		933,740
	$	3,435,430	$	3,104,440

For the year ended December 31, 2020 and 2019, total remuneration/service fees paid to the key management is as follows:

As at December 31,		2020		2019
Share based Compensation	$	835,899	$	1,636,960
Salaries		1,157,640		533,740
Bonus		110,000		-
Other Compensation		906,891		-
Fees		425,000		933,740
	$	3,435,430	$	3,104,440

During the year ended December 31, 2020, 3,468,265 stock options (year ended December 31, 2019: 1,008,625) were issued with fair value of $1,282,891 (year ended December 31, 2019: $1,038,884).

23. Commitments

The commitment schedule for all future committed payments excluding lease payments disclosed in Note 7 is outlined in the table below:

Within 1 year	$	12,689
Within 2 years		11,975
Within 3 years		9,833
Within 4 years		9,038
Greater than 4 years		2,479
	$	46,014

24. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of loans and borrowings approximate carrying values as cash flows are discounted using a market rate of interest.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

	Level 1	Level 2	Level 3	Total
Unsecured convertible debentures	$ -	$ 9,584,869	$	$ 9,584,869
Share purchase warrants	10,597,563	-	-	10,597,563
Investments in equity instruments	-	232,500	-	232,500
Loans and borrowings	68,721,057	-	-	68,721,057
	$ 79,318,620	**$ 9,817,369**	**$ -**	**$ 89,135,989**

(b) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to price risk with respect to marketable securities and bonds. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on its trade and other receivables which has a balance of $2,252,820 (December 31, 2019: $3,346,425) and on the promissory note receivable which is owing from Pioneer Cannabis, an investee of the Company, and has a balance of $Nil (December 31, 2019: $963,917) of which $Nil is current (December 31, 2019: $490,177)

As at December 31, 2020, 61% (December 31, 2019: 45%) of the Company's trade and other receivables balance, excluding the amounts owing from Pioneer Cannabis, is owing from 2 customers (December 31, 2019: 2 customers), each representing more than 10% of trade and other receivables, excluding amounts owing from Pioneer Cannabis.

Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables are from government bodies and participants in the cannabis industry and are received within a short period of time. As at December 31, 2020 the Company has $963,917 of impaired receivables (December 31, 2019: $1,951,999). Management expects credit risk to be minimal.

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at the time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due.

The Company has total current liabilities of $21,729,337 (December 31, 2019: $29,148,067) with cash and cash equivalents on hand of $22,321,903 (December 31, 2019: $8,183,744). In the opinion of management, the liquidity risk exposure to the Company is moderate. The Company will manage the risk exposure through increased future sales, accessing the Revolving Credit Facility, and if necessary raise additional capital through debt and/or equity.

The contractual maturities of all liabilities and lease obligations by year is as follows:

	2021	2022	2023	2024	2025
Lease liabilities	$ 1,723,338	$ 625,620	$ 271,867	$ 149,019	$ 674,000
Loans and borrowings	10,979,401	67,791,669	-	-	-
Convertible debt	1,070,162	13,567,261	-	-	-
Other commitments	12,689	11,975	9,833	9,038	2,479
Accounts payable and accrued liabilities	15,558,726	-	-	-	-
Total	**$ 29,344,316**	**$ 81,996,525**	**$ 281,700**	**$ 158,057**	**$ 676,479**

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of management, the cash flow risk exposure to the Company is low.

25. Capital Management

The Company includes equity, comprised of shares, warrant reserve, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

(i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and

(ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

26. Other Income

Other income of $3,980,274 represents inventory received pertaining to a prepaid supply agreement that was previously written off.

27. Government Grant

The Company received $4,215,868 wage subsidy during the year ended December 31, 2020, from Government of Canada pursuant to Canada Emergency Wage Subsidy program relating to Covid-19 Pandemic Crisis.

28. Subsequent Events

a) On January 7, 2021, the Company exited the Bowmanville facility and reallocated all medical packaging, labelling and distribution activities from its Bowmanville, Ontario site to its Aylmer, Ontario facility.

b) On January 19, 2021, the Company entered into a letter of intent (LOI) with a third-party buyer to transfer the shares (Proposed Transaction) of Starseed Medicinal Inc. (Starseed) a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company. An executed share purchase agreement was signed on March 15, 2021 to sell 100% of the outstanding shares of Starseed on a cash-free and debt-free basis for a purchase price of $2,500,000. Starseed is a holder of a license to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Facility"). The right-of-use assets and related license, as well as all property, plant and equipment of Starseed will be included in the sale of Starseed. Certain key contracts and customer relationships have been excluded from the share purchase agreement, and will be transferred, along with the operations and ongoing business of Starseed, to another wholly owned subsidiary. The Company vacated from and ceased all meaningful operations at the Facility during the first quarter of 2021.

c) On February 10, 2021, one consultant exercised an option for 425,000 shares.

d) On March 2, 2021, the Company announced a $17.5 million bought deal financing as the Company entered into an amended and restated underwriting agreement dated March 2, 2021, with Eight Capital and Canaccord Genuity Corp., as joint bookrunners and co-lead underwriters, and INFOR Financial Inc. (together with the Co-Lead Underwriters, to amend the terms of the Offering to issue to the Underwriters 31,250,000 units of the Company at a price per unit of $0.48 for gross proceeds of $15,000,000. Each unit will be comprised of one common share of the Company and one-half of one Common Share purchase warrant (each whole warrant, “Warrant”). Each Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of $0.60, for a period of 24 months following the closing of the Offering.

e) On March 12, 2021, the Company closed its previously announced bought deal short-form prospectus offering of 35,937,500 units at a price of $0.48 per unit for aggregate gross proceeds of $17,250,000, including full exercise of the over-allotment. The Units were offered and sold by way of a short-form prospectus filed with the securities commissions in each of the provinces of Canada, other than Quebec and Newfoundland.

f) On March 30, 2021 TSX Venture Exchange (the "TSXV") has accepted for listing 19,046,875 common share purchase warrants of the Company (the "Warrants") issued in connection with the Company's previously announced bought deal short-form prospectus offering of units. The TSXV has advised that these Warrants will be listed for trading on the TSXV under the symbol "WMD.WT.A" effective at market open on March 30, 2021.Each Warrant entitles the holder thereof to purchase one common share of the Company (a "Common Share") at an exercise price of $0.60 per Common Share until March 12, 2023.

If after March 12, 2022 the daily volume weighted average trading price of the Common Shares on the TSXV is equal to or greater than $0.96 per Common Share for the preceding 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the Warrants to a date that is 30 trading days following the date of the Company issues a press release disclosing such acceleration.

g) On May 17, 2021 the Company announced that it has entered into an exclusive licensing and supply agreement with Ontario craft cannabis producer CannTx Life Sciences Inc. to release celebrated cultivars “Rockstar Tuna” and “Royal Goddess” (re-labelled “Crown”) for its Starseed Medicinal patients. The ‘Limited Edition’ release of these high-THC whole flower products will be available starting in late May 2021.