Naturally Splendid Enterprises Ltd.

Consolidated Financial Statements

March 31, 2021

(Expressed in Canadian Dollars)

Naturally Splendid Enterprises Ltd.

Dated May 31, 2021

Management's Comments on Unaudited Consolidated Interim Financial Statements

The accompanying unaudited consolidated interim financial statements of Naturally Splendid Enterprises Ltd. (the "Company") for the three months ended March 31, 2021 and 2020 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three-month period ended March 31, 2021.

Naturally Splendid Enterprises Ltd.
Consolidated Interim Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(Expressed in Canadian Dollars)

	March 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	$ 422,620	$ 202,334
Trade and other receivables (Note 4)	196,282	350,699
Inventories (Note 5)	870,407	873,274
Restricted cash (Note 6)	164,000	-
Advances, prepaids and deposit (Note 14)	58,805	72,397
	1,712,114	1,498,704
Long-term deposits	32,124	32,124
Restricted cash (Note 6)	34,500	34,500
Property and equipment (Note 7)	2,295,794	2,432,552
Technology license and other intangibles (Note 8)	48,333	55,583
Total	**$ 4,122,865**	**$ 4,053,463**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Liabilities		
Current		
Trade and other payables (Note 10, 11)	$ 2,576,084	$ 2,612,845
Government remittances	792,684	647,839
Loan from related party (Note 11)	55,000	55,000
Current portion of lease liabilities (Note 9)	391,457	427,681
Short-term loans (Note 10)	183,333	200,000
	3,998,558	3,943,365
Lease liabilities (Note 9)	1,057,612	1,057,612
Total liabilities	5,056,170	5,000,977
Shareholders' equity (deficiency)		
Share capital (Note 13)	28,889,003	28,131,158
Reserves (Note 13)	1,874,681	1,874,681
Deficit	(31,696,989)	(30,953,353)
Total shareholders' equity (deficiency)	(933,305)	(947,514)
Total	**$ 4,122,865**	**$ 4,053,463**

Approved on May 31, 2021 on behalf of the Board:

"Craig Goodwin"
Director

"George Ragogna"
Director

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

Naturally Splendid Enterprises Ltd.
Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue	$ 253,378	$ 720,255
Cost of sales	221,587	593,626
Gross profit	**31,791**	**126,629**
Selling and distribution expenses		
Bad debts and inventory write-down (Note 5)	28,650	86,054
Facility (Note 20)	88,354	485,112
Freight and delivery	8,364	4,148
Product promotion	14,798	29,107
	140,166	**604,421**
Administrative expenses		
Accounting and audit	19,500	19,500
Amortization and depreciation (Note 7, 8)	141,575	152,316
Bank charges and interest (Note 10)	77,287	52,903
Corporate promotion	20,371	99,667
Directors' fees (Note 11)	10,000	10,000
Interest on lease liabilities (Note 9)	35,629	38,094
Legal	9,830	11,265
Management and consulting fees (Note 11)	141,938	119,792
Office, rent and salaries (Note 20)	175,335	326,863
Transfer agent and filing fees	25,812	12,289
Travel	1,826	6,739
	659,103	**849,428**
Loss before other items	**(767,478)**	**(1,327,220)**
Other items		
Foreign exchange gain (loss)	7,225	(13,291)
Interest and other income	11,550	-
Gain on sale of equipment (Notes 7)	5,067	19,750
Net loss and comprehensive loss for the period	**$ (743,636)**	**$ (1,320,761)**
Basic and diluted loss per common share	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding	206,688,429	141,438,513

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

Naturally Splendid Enterprises Ltd.
Consolidated Interim Statements of Changes in Cash Flow
For the three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Operating activities		
Net loss for the year	$ (743,636)	$ (1,320,761)
Items not affecting cash:		
Amortization and depreciation	141,575	152,316
Interest on lease liabilities	35,629	38,094
Interest on short-term loan	6,249	9,072
Bad debts and inventory write-down	28,650	86,054
Gain on sale of equipment	(5,067)	(19,750)
	(536,600)	(1,054,975)
Changes in non-cash working capital:		
Trade and other receivables	147,696	162,912
Inventories	(19,062)	262,172
Advances, prepaids and deposits	13,592	56,101
Restricted cash	(164,000)	45,080
Trade and other payables	(43,013)	192,440
Government remittances	144,845	194,438
Cash used in operating activities	(456,539)	(141,832)
Investing activities		
Proceeds on disposal of equipment	7,500	19,750
Cash provided by investing activities	7,500	19,750
Financing activities		
Lease liabilities	(71,853)	(70,123)
Loan payable	(16,667)	-
Proceeds on issuances of loans	-	100,000
Proceeds from options and warrants exercised	757,845	-
Cash provided by financing activities	669,325	29,877
Net change in cash	220,286	(92,205)
Cash, beginning of period	202,334	113,566
Cash, end of period	$ 422,620	$ 21,361

Supplemental Cash Flow Information (Note 17)

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

Naturally Splendid Enterprises Ltd.
Consolidated Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Common shares	Share capital	Option reserves	Warrant reserves	Deficit	Total equity (deficiency)
Balance at December 31, 2019	**141,438,513**	**$ 25,533,987**	**$ 1,856,460**	**$ 631,115**	**$(27,303,468)**	**$ 718,094**
Options expired or forfeited	-	-	(817,967)	-	817,967	-
Net loss for the period	-	-	-	-	(1,320,761)	(1,320,761)
Balance at March 31, 2020	**141,438,513**	**$ 25,533,987**	**$ 1,038,493**	**$ 631,115**	**$(27,806,262)**	**$ (602,667)**
Private placement, net of costs	39,740,257	1,742,166	-	21,016	-	1,763,182
Shares issued for services	1,857,142	65,000	-	-	-	65,000
Shares for debt	19,131,095	680,005	-	-	-	680,005
Share-based payments	-	-	375,847	-	-	375,847
Options expired or forfeited	-	-	(147,440)	-	147,440	-
Warrants exercised	2,000,000	110,000	-	-	-	110,000
Warrants expired or cancelled	-	-	-	(44,350)	44,350	-
Net loss for the period	-	-	-	-	(3,338,881)	(3,338,881)
Balance at December 31, 2020	**204,167,007**	**$ 28,131,158**	**$ 1,266,900**	**$ 607,781**	**$(30,953,353)**	**$ (947,514)**
Warrants exercised	13,779,000	757,845	-	-	-	757,845
Net loss for the period	-	-	-	-	(743,636)	(743,636)
Balance at March 31, 2021	**217,946,007**	**$ 28,889,003**	**$ 1,266,900**	**$ 607,781**	**$(31,696,989)**	**$ (933,305)**

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

1. Nature of Operations and Going Concern

Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") was incorporated under the laws of the province of British Columbia on December 21, 2010.

The Company is in the natural food industry and sells food and ingredients to commercial processors and consumers by distribution through grocery stores, health and nutrition stores and online. Materials are sourced in bulk and repackaged at the Company's facility with its unique branding under the Company's name. Current products are hemp-based food items that are both conventional and organic, including whole grains and protein powders. Product sales are supported through a combination of direct and online sales and distribution channels.

The head office, principal address, and registered and records office is located at 108-19100 Airport Way Pitt Meadows, British Columbia, Canada V3Y 0E2.

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the three months ended March 31, 2021, the Company had a net loss and comprehensive loss of $743,636 (2020 - $1,320,761) and working capital deficit of $2,286,444 (December 31, 2020 - $2,444,661). The Company remains reliant on external sources of financing to fund operations and meet the Company's obligations.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or positive cash flow. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and raise additional capital. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. Such adjustments could be material.

Since March 2020, COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. The Company's production processes halted during government-imposed lockdowns, resulting in decline in sales. The full extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. There can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity, thereby severely limit the financing capital available.

During the three months ended March 31, 2021, the Canadian government continued to offer the Canada Emergency Wage Subsidy ("CEWS") to assist businesses that were impacted by COVID-19. The Company was eligible to receive the government assistance and received $144,291 (2020 - $nil) as at March 31, 2021.

2. Basis of Presentation

a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on the date noted on the consolidated statements of financial position.

b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in Note 12. These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency. These consolidated financial statements include the accounts of the following entities:

	Relationship	Percentage
Naturally Splendid Enterprises Ltd.	Parent	100%
Naturally Splendid Enterprises 2013 Ltd.	Subsidiary	100%
Naturally Splendid Extracts Ltd. ("Extracts")	Subsidiary	100%
Naturally Splendid USA Ltd.	Subsidiary	100%
Chi Hemp Industries Inc. ("Chi")	Subsidiary	100%
Prosnack Natural Foods Inc. ("Prosnack")	Subsidiary	100%
Naturally Splendid Hemp Processors Ltd. ("NSHP")	Subsidiary	100%

All the entities above are incorporated in Canada, with the exception of Naturally Splendid USA Ltd., which is incorporated in the United States of America. The consolidated financial statements include the operating results of subsidiaries from the date of acquisition. All intercompany balances and transactions are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

3. Significant Accounting Policies

a) Inventories

Inventories are stated at the lower of production cost and net realizable value. Production costs include direct and indirect labour, operating materials and supplies, transportation costs, and an appropriate portion of fixed and variable overhead expenses. Inventories are accounted for on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

3. Significant Accounting Policies (Continued)

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write-off the cost of property and equipment, less their estimated residual value, using the declining-balance or straight-line method at the following annual rates:

Computer equipment	55% declining-balance
Computer software	30% declining-balance
Furniture and equipment	20% declining-balance
Manufacturing facility	Straight-line over lease term of 8-10 years
Leasehold improvements	Straight-line over 5 years
Manufacturing equipment	20% declining-balance
Vehicle	Straight-line over 1 year

Manufacturing facility includes the Company's operating premise leases which were capitalized in accordance with IFRS 16 *Leases* ("IFRS 16") (Note 9). These leases are depreciated over the term of the lease agreements.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

c) Revenue recognition

The Company generates its revenue from sales to retailers, online web sales, bulk sales, and co-packing revenues. Revenues from sale of goods via retailers, online web sales, bulk sales and co-packing have a single performance obligation and are recognized at the point in time when control transfers and the obligation has been fulfilled, which is upon shipment of goods to the customer. The amount of revenue recognized is based on a contractual price and is recorded net of sales discounts, if any.

d) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued at the grant date and recognized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based expense is measured at the fair value of the equity instruments issued. For both employees and non-employees, the fair value of share-based expense is measured using the Black-Scholes option pricing model and is recognized in profit or loss, with a corresponding increase in reserves. When options expire unexercised or are cancelled, these amounts are reclassified into deficit.

3. Significant Accounting Policies (Continued)

e) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised, and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. Diluted loss per share is not presented if the effects are anti-dilutive.

f) Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants. Share issue costs are deducted against share proceeds.

g) Research and development

Research costs are expensed as incurred. Product development expenditures are expensed as incurred until such time that they meet certain specific criteria for deferral and amortization. Management assesses whether it has met such criteria at each reporting date. In making the assessment, management considers status of the product development, regulatory submissions, marketing and finance plans. The Company has not deferred any product development expenditures to date. Research and development expenses are included in product promotion costs under selling and distribution expenses.

h) Technology license and other intangibles

The Company's intangible assets include Exclusive License IP ("Licensed IP") acquired with the acquisition of POS BPC Manufacturing Corp., website, technology and non-compete clauses acquired with the acquisition of Chi; technology license agreements acquired from Full Spectrum Laboratories Limited ("FSL") (the "Technology License") (Note 8) and trademarks, customer lists and non-compete clauses related to the acquisition of Prosnack. Intangible assets acquired are recorded at cost less accumulated amortization and any impairment losses. Intangible assets are assessed for indicators of impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. In addition to impairment indicator assessments, indefinite life intangibles must be tested annually for impairment. Amortization for intangible assets with finite lives is calculated on a straight-line basis over the life of the asset less its residual value. The Company's amortization policy for intangible assets with finite lives is as follows:

Technology License – 15 years
Non-compete clauses – 2 years
Licensed IP – 10 years
Brands and trademarks – 5 years
Customer lists – 5 years

3. Significant Accounting Policies (Continued)

i) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (the ROU), the Company assesses whether the contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights, the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and whether the Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets and lease liabilities for leases relating to low-value assets. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

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

j) Government assistance

Government assistance, including government assistance under COVID-19 response programs, are recorded as a reduction to administrative salaries, fees and benefits as they are received and provided there is reasonable assurance that the assistance will not be repayable, otherwise they are recorded as a liability.

k) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

3. **Significant Accounting Policies** (Continued)

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Recoverability of receivables

Provisions are made against accounts that, in the estimation of management, may be uncollectible. The recoverability assessment of trade and other receivables is based on a range of factors, including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted annually. Determining the recoverability of an account involves estimation and judgment as to the likely financial condition of the customer and their ability to subsequently make payments. To the extent that future events impact the financial condition of the customers these provisions could vary significantly.

Valuation of inventory

Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates, management considers the shelf-life of inventory and profitability of recent sales.

Useful lives of property, equipment and intangibles

Depreciation and amortization of the Company's equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the equipment or intangible asset. Any revisions to useful life are accounted for prospectively.

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected volatility of the Company's share prices and expected forfeiture rates, changes in subjective input assumptions can materially affect the fair value estimate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

3. Significant Accounting Policies (Continued)

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its tax assets and liabilities and applies tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Determination of cash-generating units ("CGU")

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash flows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users and the way in which management monitors the Company's operations.

Impairment of property and equipment, technology license and other intangibles and goodwill

Judgment is required in determining whether property and equipment, technology license and other intangibles have indicators of impairment. Determining the amount of impairment of property and equipment, technology license and other intangibles and goodwill requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Leases
The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, the lease term and an appropriate discount rate. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create economic incentive to exercise renewal options.

Government assistance
The Company applies judgment in determining whether they are eligible for government assistance including when they have met the terms that the assistance would not be repayable.

3. Significant Accounting Policies (Continued)

l) Income taxes

Deferred tax is calculated on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

m) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Significant Accounting Policies (Continued)

n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

o) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in profit and loss.

p) Financial instruments

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

3. Significant Accounting Policies (Continued)

Financial assets measured at fair value through other comprehensive income (“FVTOCI”)

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income.

Financial assets measured at fair value through profit or loss (“FVTPL”)

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

(iii) Derecognition of financial liabilities

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

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Fair value hierarchy

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

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

4. Trade and Other Receivables

The Company's trade and other receivables arise from two main sources: trade receivables due from customers and Goods and Services Tax/Harmonized Sales Tax ("GST/HST") due from the government authorities. These are as follows:

	March 31, 2021	December 31, 2020
GST/HST receivable	$ 24,422	$ 61,983
Trade receivables	171,860	288,716
	$ 196,282	**$ 350,699**

Included in trade receivables is an allowance for uncollectible accounts as at March 31, 2021 of $29,367 (December 31, 2020 - $34,328).

(Expressed in Canadian Dollars)

5. Inventories

	March 31, 2021	December 31, 2020
Finished products for resale	$ 471,664	$ 427,924
Raw materials	148,671	185,933
Containers, labels and packing materials	250,072	259,417
	$ 870,407	**$ 873,274**

During the three months ended March 31, 2021, the Company recorded a write-down to inventory of $21,929 (December 31, 2020 - $220,466) relating to expired goods and estimated net realizable value of inventories being lower than cost.

6. Restricted Cash

The Company has deposited funds in interest-bearing term deposits with its principal banker as security against corporate credit cards.

As at March 31, 2021 and at December 31, 2020, the deposited funds earn an interest rate at 0.60% that mature on May 18, 2021 and July 8, 2021. Management expects to renew these deposits upon maturity.

As at March 31, 2021, the Company restricted $164,000 that was received from the Canadian government for the Canada Emergency Wage Subsidy ("CEWS") to assist businesses that were impacted by COVID-19. The Company restricted these funds to be only used for payroll. Subsequent to March 31, 2021, the Company has used $155,000 of the funds received from the CEWS for payroll.

(Expressed in Canadian Dollars)

7. Property and Equipment

The changes in the Company's property and equipment for the periods ended March 31, 2021, December 31, 2020 and 2019 are as follows:

	Computer equipment and software	Furniture and equipment	Manufacturing facility and leasehold improvements	Manufacturing equipment	Vehicle	Total
Cost						
December 31, 2019	**$ 105,047**	**$ 308,916**	**$ 1,988,661**	**$ 1,855,994**	**$ 9,576**	**$ 4,268,194**
Additions	-	-	-	19,299	-	19,299
Reclassification from asset held for sale	-	-	-	410,544	-	410,544
Disposition	-	-	-	(224,143)	-	(224,143)
December 31, 2020	**$ 105,047**	**$ 308,916**	**$ 1,988,661**	**$ 2,061,694**	**$ 9,576**	**$ 4,473,894**
Disposition	-	-	-	(19,777)	(9,576)	(29,353)
March 31, 2021	**$ 105,047**	**$ 308,916**	**$ 1,988,661**	**$ 2,041,917**	**$ -**	**4,444,541**
Depreciation						
December 31, 2019	**$ 97,841**	**$ 144,636**	**$ 346,436**	**$ 808,902**	**$ 9,576**	**$ 1,407,391**
Additions	4,073	29,764	304,296	269,662	-	607,795
Reclassification from asset held for sale	-	-	-	196,544	-	196,544
Disposition	-	-	-	(170,388)	-	(170,388)
December 31, 2020	**$ 101,914**	**$ 174,400**	**$ 650,732**	**$ 1,104,720**	**$ 9,576**	**$ 2,041,342**
Additions	458	5,953	76,074	51,840	-	134,325
Disposition	-	-	-	(17,344)	(9,576)	(26,920)
March 31, 2021	**$ 102,372**	**$ 180,353**	**$ 726,806**	**$ 1,139,216**	**$ -**	**$ 2,148,747**
Net Book Value						
December 31, 2019	**$ 7,206**	**$ 164,280**	**$ 1,642,225**	**$ 1,047,092**	**$ -**	**$ 2,860,803**
December 31, 2020	**$ 3,133**	**$ 134,516**	**$ 1,337,929**	**$ 956,974**	**$ -**	**$ 2,432,552**
March 31, 2021	**$ 2,675**	**$ 128,563**	**$ 1,261,855**	**$ 902,701**	**$ -**	**$ 2,295,794**

Included within manufacturing facility are the right-of-use assets recognized for the Company's operating premise leases. Included within manufacturing equipment are food packaging and production equipment under lease (Note 9).

Depreciation expense recognized for the operating premise lease for the three months ended March 31, 2021 was $44,605 (December 31, 2020 - $178,420). The net carrying value of the operating premise lease as at March 31, 2021 was $951,576 (December 31, 2020 - $996,181).

Depreciation expense recognized for food packaging and production equipment leases for the three months ended March 31, 2021 was $49,925 (December 31, 2020 - $136,149). The net carrying value of food packaging and production equipment leases as at March 31, 2021 was $185,225 (December 31, 2020 - $213,966).

(Expressed in Canadian Dollars)

7. Property and Equipment (Continued)

During the year ended December 31, 2019, management made the decision to sell the manufacturing equipment acquired through the acquisition of NSHP in fiscal 2018. Management estimated the recoverable value based on a fair value less cost of disposal approach to be $214,000. Accordingly, during the year ended December 31, 2019, the Company recognized an impairment expense of $407,088 to decrease the carrying value of the manufacturing equipment to its estimated recoverable value. The fair value measurement is categorized within Level 3 of the fair value hierarchy. The remaining value of this equipment of $214,000 was reclassified to asset held for sale. Of this amount, $21,184 relates to an asset under lease. The remaining lease liability of $22,845 is included in the current portion of lease liabilities on the consolidated statements of financial position as at December 31, 2019. During the year ended December 31, 2020, management made the decision to not proceed with the sale of the manufacturing equipment. The estimated value of the equipment of $214,000 was reclassified from asset held for sale to property and equipment in manufacturing equipment.

8. Technology License and Other Intangibles

The changes in the Company's technology license and other intangibles for the periods ended March 31, 2021, December 31, 2020 and 2019 are as follows:

	Technology License	Non-compete Clauses	Licensed IP	Brands & Trademarks	Customer Lists	Total
Cost						
December 31, 2019	**$ 1,486,425**	**$ 40,926**	**$ 200,000**	**$ 151,000**	**$ 256,000**	**$ 2,128,351**
Additions	-	-	-	6,000	-	6,000
December 31, 2020 and March 31, 2021	**$ 1,486,425**	**$ 40,926**	**$ 200,000**	**$ 151,000**	**$ 256,000**	**$ 2,134,351**
Amortization						
December 31, 2019	**$ 1,486,425**	**$ 40,926**	**$ 200,000**	**$ 60,417**	**$ 256,000**	**$ 2,043,768**
Additions	-	-	-	35,000	-	35,000
December 31, 2020	**$ 1,486,425**	**$ 40,926**	**$ 200,000**	**$ 95,417**	**$ 256,000**	**$ 2,078,768**
Additions	-	-	-	7,250	-	7,250
March 31, 2021	**$ 1,486,425**	**$ 40,926**	**$ 200,000**	**$ 102,667**	**$ 256,000**	**$ 2,086,018**
Net Book Value						
December 31, 2019	**$ -**	**$ -**	**$ -**	**$ 84,583**	**$ -**	**$ 84,583**
December 31, 2020	**$ -**	**$ -**	**$ -**	**$ 55,583**	**$ -**	**$ 55,583**
March 31, 2021	**$ -**	**$ -**	**$ -**	**$ 48,333**	**$ -**	**$ 48,333**

8. Technology License and Other Intangibles (Continued)

Technology License

During 2015, Naturally Splendid USA Ltd. acquired a license agreement (“License Agreement”). The License Agreement provides that the licensee has a worldwide license to manufacture, commercialize and sell products based on certain proprietary technology of FSL and has a non-exclusive license on certain analytical testing standard operating procedures (“SOPs”) and GC-MS terpene analysis SOPs.

Actual revenues from the use of the technology license being significantly lower than management’s original forecast together with management’s current focus on other sources of revenues, resulted in an indicator of impairment. Management estimated the recoverable value based on a value-in-use calculation using pre-tax cash flow projections based on management’s best estimates, and a pre-tax discount rate of 15%, to be $nil. Accordingly, during the year ended December 31, 2019, the Company recognized an impairment expense of $990,950 to decrease the carrying value of the technology license to its estimated recoverable value of $nil.

Non-compete Clauses

Non-compete Clauses consist of non-compete agreements the Company entered into with former owners of Chi and Prosnack.

Licensed IP

On the sale of a former subsidiary in 2018, the Company retained ownership and interests in the Licensed IP. Actual revenues from the use of the Licensed IP has been significantly lower than management’s original forecast, which resulted in an indicator of impairment. Management estimated the recoverable value based on a value-in-use calculation using pre-tax cash flow projections based on management’s best estimates, and a pre-tax discount rate of 15%, to be $nil. Accordingly, during the year ended December 31, 2019, the Company recognized an impairment expense of $100,000 to decrease the carrying value of the technology license to its estimated recoverable value of $nil.

Brands and Trademarks

Brands and Trademarks were acquired together with the acquisition of Prosnack in 2017.

During the year ended December 31, 2020, the Company acquired the Woods Wild Bar brand and bar recipe for consideration of $6,000 (2019 - $nil).

Customer Lists

During 2017, on the acquisition of Prosnack, the Company recognized an intangible assets for existing customer relationships which were determined to have a fair value of $256,000 at the date of acquisition. Actual revenues from the customer lists has been significantly lower than management’s original forecast, which resulted in an indicator of impairment. Management estimated the recoverable value based on a value-in-use calculation using pre-tax cash flow projections based on management’s best estimates, and a pre-tax discount rate of 15%, to be $nil. Accordingly, during the year ended December 31, 2019, the Company recognized an impairment expense of $149,333 to decrease the carrying value of customer lists to its estimated recoverable value of $nil.

(Expressed in Canadian Dollars)

9. Leases

The following is the continuity of lease liabilities as at and for the periods ended March 31, 2021, December 31, 2020 and 2019:

		Equipment Leases		Operating Premise Leases		Total
Balance, December 31, 2019	$	**369,502**	**$**	**1,242,787**	**$**	**1,612,289**
Lease payments		(17,067)		(267,757)		(284,824)
Interest on lease liabilities		15,398		142,430		157,828
Balance, December 31, 2020	**$**	**367,833**	**$**	**1,117,460**	**$**	**1,485,293**
Lease payments		(4,267)		(67,586)		(71,853)
Interest on lease liabilities		2,447		33,182		35,629
Balance, March 31, 2021	**$**	**366,013**	**$**	**1,083,056**	**$**	**1,449,069**
Current portion	$	281,348	$	110,109	$	391,457
Long-term portion		84,665		972,947		1,057,612
Total	**$**	**366,013**	**$**	**1,083,056**	**$**	**1,449,069**

Equipment Leases

The Company has various lease contracts outstanding for food packaging equipment and production equipment. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The aggregate interest expense recognized for these lease contracts is $2,447 (2020 - $1,105). These assets are included within manufacturing equipment under property and equipment on the consolidated statements of financial position.

As at March 31, 2021, the Company has the following four lease contracts for food packaging and production equipment:

(a) Food packaging equipment – monthly lease payments of $9,765 (including GST) until May 2022;
(b) Food production equipment acquired from NHSP – monthly lease payments of $3,141 (including GST) until September 2020, of which $22,845 remains unpaid;
(c) Food packaging equipment – monthly lease payments of $851 (including GST) until March 22, 2024; and
(d) Food packaging equipment – monthly lease payments of $643 (including GST) until August 2024.

(Expressed in Canadian Dollars)

9. Leases (Continued)

Annual payments are due as follows:

	March 31, 2021
Within 1 year	$ 286,937
Within 2 - 5 years	89,381
	$ 376,318

Operating Premise Leases

The Company has three leases for contiguous space. The leases were entered in August 2016, December 2017 and October 2018. The combined basic rent is payable monthly in advance at a rate of $13,497 per month plus the proportionate share of expenses in respect of operating costs and property taxes, currently amounting to $7,823 per month.

The Company recognized right-of-use assets for its operating premise leases (Note 3). The aggregate interest expense recognized for these lease contracts is $33,182 (2020 – $36,989). These assets are included within manufacturing facility under property and equipment on the consolidated statements of financial position.

Annual payments are due as follows:

	March 31, 2021
Within 1 year	$ 203,268
Within 2 - 5 years	1,271,714
	$ 1,474,982

(Expressed in Canadian Dollars)

10. Short-Term Loans

During the year ended December 31, 2020, Sky High Metals Inc. loaned $200,000 to the Company as an unsecured, due-on-demand loan with interest at 12.5% per annum commencing August 31, 2020 with a maturity date August 31, 2021. This loan has been personally guaranteed by the CEO and the CFO of the Company. During the three months ended March 31, 2021, the Company incurred interest expense of $6,249 (2020 - $nil) on this short-term loan, which is included in trade and other payable at March 31, 2021. During the period ended March 31, 2021, the Company made a repayment of $25,000 towards the interest and principal on the loan to Sky High Metals.

During the year ended December 31, 2019, a shareholder advanced $500,000 to the Company as an unsecured, due-on-demand loan with interest at 6% per annum. During the period ended March 31, 2021, the Company incurred interest expense of $nil (December 31, 2020 - $11,260) on this short-term loan. During the year ended December 31, 2020, the outstanding interest and loan balance of $530,005 was settled by issuing shares for debt during (Notes 11 and 13).

During the year ended December 31, 2019, a shareholder advanced $25,000 to the Company as a secured, due-on-demand loan with interest at 10% per annum commencing February 2020 with a maturity date of February 18, 2021. During the year ended December 31, 2020, the shareholder further advanced $100,000. During the year ended December 31, 2020, the outstanding loan principal balance of $125,000 was settled by issuing shares for debt (Notes 11 and 13). During the period ended March 31, 2021, the Company incurred interest expense of $nil (December 31, 2020 - $5,209) on this short-term loan, which is included in trade and other payable at March 31, 2021.

11. Key Management Compensation and Related Party Transactions

Key management compensation

	March 31, 2021	**March 31, 2020**
Management fees	$119,688	$113,750
Consulting fees	16,250	16,250
Directors' fees	10,000	10,000
	$ 145,938	**$ 140,000**

i) Management fees of $45,000 (December 31, 2020 – $180,000) were accrued for 1105953 BC Ltd., a company controlled by the Company's Chief Executive Officer.

ii) Management fees of $45,000 (December 31, 2020 – $180,000) were accrued for Kal-Mad Enterprises Ltd., a company controlled by the Company's Vice President of Operations and and Chief Financial Officer during the year ended December 31, 2020.

iii) Management fees of $29,688 (December 31, 2020 – $109,417) were accrued for the Company's Director of Sales.

iv) Consulting fees of $nil (December 31, 2020 – $nil) were accrued for Agrinomics I.T. Consulting Ltd., a company controlled by a former director of the Company. On March 31, 2020, the individual resigned as a consultant of the Company.

v) Consulting fees of $16,250 (December 31, 2020 – $65,000) were accrued for the Chairman of the Board of Directors for monthly consulting services in addition to directors fees.

vi) On November 2, 2020, Larry Gilmour was appointed to the board of directors. Director fees of $2,500 (December 31, 2020 - $1,667) were accrued.

(Expressed in Canadian Dollars)

11. Key Management Compensation and Related Party Transactions (Continued)

vii) On March 26, 2021, the Company appointed Kris Tarr as VP of Ecommerce. The consultant will be issued 400,000 share options at $0.10 subject to TSX-V and Board approval. The consultant will receive a base compensation of $6,500/mth for the first six months or the greater:

  i. Commission: Up to $200,000 – 5%
  ii. $200,001-$300,000 – 4%
  iii. $300,001-$400,000 – 3%
  iv. $400,001+ -1%

viii) Fees accrued to other directors of the Company amount to $7,500 (December 31, 2020 - $37,499).

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the period ended March 31, 2021, and December 31, 2020.

Related party liabilities

The following amounts are included in accounts payable and accrued liabilities as at March 31, 2021 and December 31, 2020:

Amounts due to:		**March 31, 2021**		**December 31, 2020**
1105953 BC Ltd.	$	144,614	$	125,503
Kal-Mad Enterprises Ltd.		23,077		4,159
Agrinomics I.T. Consulting Ltd.		96,455		96,170
George Ragogna, Consultant & Chairman		44,547		22,407
Directors		4,292		21,571
Total related party payables	**$**	**312,985**	**$**	**269,810**

As at March 31, 2021, $55,000 (December 31, 2020 – $55,000) is due to the CEO and director of the Company for a non-interest bearing, short-term loan.

During the year ended December 31, 2019, the Company entered consulting agreements with directors of the Company. The terms of these consulting agreements include 750,000 common shares and 600,000 stock options to be issued as consideration for provision of consulting services. During the year ended December 31, 2020, an additional 150,000 common shares and 60,000 stock options are to be issued to directors and advisors of the Company pursuant to these consulting agreements.

As of the date of these consolidated financial statements, authorization to issue these shares and stock options has not been received from the TSX-V Exchange and no accrual has been made for these common shares and stock options in these consolidated financial statements.

(Expressed in Canadian Dollars)

12. Financial Instruments

a) Categories of financial instruments

Financial Assets	Fair Value Hierarchy	March 31, 2021	December 31, 2020
Fair value through profit or loss, at fair value			
Cash	Level 1	$ 422,620	$ 202,334
Restricted cash	Level 1	198,500	34,500
Loans and receivables, at amortized cost			
Trade and other receivables	Level 1	171,860	282,748
Advances and deposits	Level 1	58,805	72,397
		$ 851,785	**$ 591,979**

Financial Liabilities	Fair Value Hierarchy	March 31, 2021	December 31, 2020
Other liabilities, at amortized cost			
Trade and other payables	Level 1	$ 2,576,081	$ 2,615,071
Loan from related party	Level 1	55,000	55,000
Short-term loans	Level 1	183,333	200,000
Lease liabilities	Level 2	1,449,069	1,485,293
		$ 4,263,483	**$ 4,355,364**

b) Fair value

The fair value recorded on initial recognition of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The carrying value of cash, trade and other payables, loan from related party and short-term loans approximate their fair value due the short-term maturity of these instruments.

c) Management of financial risks

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern.

Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these consolidated financial instruments and the policies on how to mitigate these risks are set out below.

(Expressed in Canadian Dollars)

12. Financial Instruments (Continued)

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. Financial instruments that potentially subject the Company to credit risk consist of cash, trade and other receivables, and restricted cash. The Company deposits cash with major Canadian commercial banks. In order to reduce its credit risk in relation to trade receivables, the Company has adopted credit policies that include the analysis of the financial position of its customers and the regular review of their respective credit limits.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows and matches the maturity dates of its cash to capital and operating needs. The Company's trade and other payables are due within 90 days of March 31, 2021, loan from related party and short-term loans are due on demand. The Company's lease liabilities have payments due in accordance with the lease agreements (Note 14).

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at March 31, 2021, the Company had a working capital deficit of $2,286,444 (December 31, 2020 – $2,444,661).

Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. A significant change in the exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's future results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at March 31, 2021 and December 31, 2020, the Company is exposed to currency risk through the following financial instruments denominated in a currency other than the Canadian dollar:

	March 31, 2021			December 31, 2020		
	US$	AUD$	CDN$	US$	AUD$	CDN$
Cash	31,728	-	39,948	42,012	-	53,527
Trade receivables	56,234	-	70,804	436	-	555
Accounts payable and accrued liabilities	200,738	82,250	334,999	219,717	38,601	318,540

Based on the above, assuming all other variables remain constant, a 5% (December 31, 2020 – 5%) strengthening or weakening of the Canadian dollar against the US dollar would have decreased/increased the Company's loss and comprehensive loss by $5,639 (December 31, 2020 – $10,588). A 5% strengthening or weakening of the Canadian dollar against the AUD dollar would have decreased/increased the Company's loss and comprehensive loss by $4,113.

12. Financial Instruments (Continued)

Other risk

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or other risk. The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of foreign currency, commodity price or interest rate market risks.

13. Share Capital

a) Authorized

Unlimited number of common shares and preferred shares without par value.

b) Issued and outstanding

The total issued, and outstanding share capital consists of 217,946,007 common shares without par value.

During the period ended March 31, 2021, the Company completed the following transactions:

- 13,779,000 warrants at $0.055 were exercised for total gross proceeds of $757,845.

During the year ended December 31, 2020, the Company completed the following transactions:

- 2,000,000 warrants at $0.055 were exercised for total gross proceeds of $110,000.
- 17,870,835 units at $0.06 for total gross proceeds and debt settlement of $1,072,250. Each unit is comprised of one common share and one-half common share purchase warrants, where each warrant is exercisable at $0.10 for a period of two years. There was no value allocated to the warrants under the residual method.
- 42,857,659 units at $0.035 for total gross proceeds and debt settlement of $1,500,000. Each unit is comprised of one common share and one common share purchase warrants, where each warrant is exercisable at $0.055 for a period of two years. There was no value allocated to the warrants under the residual method.
- Of the 60,728,494 units issued, the Company settled loans and trade payables of $680,005 with 19,131,095 units and issued 1,857,142 units of $65,000 for services.
- Share issuance costs consisting of $37,371, 674,667 finders' warrants with a fair value of $21,016 and finders' fees of $26,710 were paid during the year for the closing of financings.

(Expressed in Canadian Dollars)

13. Share Capital (Continued)

c) Options and share-based payments

The following is a summary of changes in stock options for the periods ended March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding, beginning of year	14,205,000	$ 0.24	8,640,000	$ 0.26
Granted	-	$ -	9,600,000	$ 0.10
Expired	-	$ -	(1,295,000)	$ 0.40
Forfeited	-	$ -	(2,740,000)	$ 0.23
Total outstanding and exercisable, end of period	**14,205,000**	**$ 0.24**	**14,205,000**	**$ 0.24**

The following are the outstanding stock options as of March 31, 2021 and December 31, 2020:

Expiry date	**Number of options outstanding March 31, 2021**	**Number of options outstanding December 31, 2020**	**Weighted average exercise price**	**Weighted average remaining contractual life in years March 31, 2021**	**Weighted average remaining contractual life in years December 31, 2020**
January 27, 2022	1,290,000	1,290,000	$0.350	0.83	1.07
November 27, 2022	190,000	190,000	$0.250	1.66	1.90
January 7, 2023	585,000	585,000	$0.310	1.77	2.02
January 31, 2023	30,000	30,000	$0.350	1.84	2.08
February 21, 2023	150,000	150,000	$0.300	1.90	2.14
February 28, 2023	40,000	40,000	$0.265	1.92	2.16
July 11, 2023	60,000	60,000	$0.180	2.28	2.53
September 17, 2023	1,890,000	1,890,000	$0.150	2.47	2.71
February 4, 2024	60,000	60,000	$0.150	2.85	3.10
February 6, 2024	60,000	60,000	$0.150	2.85	3.10
June 24, 2024	250,000	250,000	$0.150	3.24	3.48
October 27, 2025	9,600,000	9,600,000	$0.100	4.58	4.82
	14,205,000	**14,205,000**		**3.71**	**3.96**

During the three months ended March 31, 2021, the Company recognized share-based payments expense of $nil (December 31, 2020 – $375,847), for stock options granted during the period.

(Expressed in Canadian Dollars)

13. Share Capital (Continued)

The fair value of each option granted was estimated as at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2021	December 31, 2020
Risk-free interest rate	-	0.37%
Expected life (years)	-	5.0
Annualized volatility	-	109.88%
Expected dividends	-	-
Exercise price	-	$ 0.10
Fair value	-	$ 0.04

d) Warrants

A summary of the Company's warrants for the periods ended March 31, 2021 and December 31, 2020 is as follows:

	March 31, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	79,650,392	$ 0.06	31,164,963	$ 0.16
Issued	-	$ -	52,259,410	$ 0.06
Exercised	(13,779,000)	$ 0.06	(2,000,000)	$ 0.06
Cancelled/ expired	-	$ -	(1,773,981)	$ 0.27
Total outstanding, end of period	**65,871,392**	**$ 0.11**	**79,650,392**	**$ 0.06**

(Expressed in Canadian Dollars)

13. Share Capital (Continued)

The following are the outstanding warrants as at March 31, 2021 and December 31, 2020:

	Outstanding warrants March 31, 2021	**Outstanding warrants December 31, 2020**	**Exercise price**	**Expiry date**
Common share purchase warrants	3,691,321	3,691,321	$0.21	April 17, 2021
	908,565	908,565	$0.21	April 30, 2021
	1,290,713	1,290,713	$0.21	June 7, 2021
	3,009,793	3,009,793	$0.21	September 6, 2021
	18,990,292	18,990,292	$0.20	September 27, 2021
	178,571	178,571	$0.22	October 13, 2021
	190,404	190,404	$0.22	November 1, 2021
	27,078,659	40,857,659	$0.06	June 5, 2022
	8,727,084	8,727,084	$0.06	September 25, 2022
	249,200	249,200	$0.21	April 17, 2021
	120,800	120,800	$0.21	April 30, 2021
	142,000	142,000	$0.21	June 7, 2021
Agent warrants	10,500	10,500	$0.21	September 6, 2021
	608,823	608,823	$0.12	September 27, 2021
	550,800	550,800	$0.06	June 5, 2022
	123,867	123,867	$0.06	September 25, 2022
	65,871,392	**79,650,392**		

Subsequent to the period ended March 31, 2021, 4,969,886 warrants expired unexercised.

The fair value of finders' warrants issued was estimated as at private placement closing date using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2021	**December 31, 2020**
Risk-free interest rate	-	0.33%
Expected life (years)	-	2.0
Annualized volatility	-	123.95%
Expected dividends	-	-
Exercise price	-	$0.07
Fair value	-	$0.03

14. Commitments

On September 1, 2020, the Company entered into a Joint Venture Agreement ("JV Agreement") with Biologic Publishing Inc. ("Biologic") to form a joint venture for the purpose of further developing and pursuing phase 2 clinical studies, utilizing one of Biologic's patented technologies as a candidate for potential COVID-19 treatment.

The Company will own 16% and Biologic will own 82% of the joint venture with the remaining 2% ownership assigned to key personnel within Biologic at their discretion.

The Company will invest $500,000 into the joint venture for the purposes of preparing documentation for submission to Health Canada and/or the United States Food and Drug Administration for a clinical trial as well as conducting a parallel in-vitro study in conjunction with a clinical study conducted by Health Canada. The Company will earn into the 16% ownership of the joint venture upon payment of the $500,000, to be made in five equal tranches as follows:
$100,000 by December 15, 2020 *(not met)*
$100,000 by January 15, 2021*(not met)*
$100,000 by February 15, 2021 *(not met)*
$100,000 by March 15, 2021; and *(not met)*
$100,000 by April 30, 2021 *(not met)*.

The Company shall issue 350,000 common shares to Biologic and 500,000 stock options to individuals of Biologic and a consultant of the Company on closing of the JV Agreement. Each option will be exercisable into one option at the current market price for 18 months from issuance.

During the year ended December 31, 2020, the Company granted 500,000 stock options to individuals of Biologic and a consultant of the Company. The options were granted at an exercise price of $0.10 for a period of five years, vesting immediately and expiring October 27, 2025 with an estimated fair market value of $19,575.

During the year ended December 31, 2020, the Company made a payment of $5,000 towards the JV Agreement with Biologic. During the period ended March 31, 2021, a $12,000 payment was made towards the JV Agreement recorded in advances, prepaids and deposits. As of the date of these financials, the Company has made an additional $5,000 payments towards the terms of the JV Agreement and no formal amendments to the agreement have been made.

15. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital, subscriptions received, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. The Company's policy is to invest its excess cash in highly-liquid, guaranteed, bank-sponsored instruments.

There were no significant changes in the Company's approach or objectives and policies for managing its capital during the periods ended March 31, 2021 and December 31, 2020. The Company is not subject to externally imposed capital restrictions.

(Expressed in Canadian Dollars)

16. Income Taxes

The Company's combined statutory tax rate is currently at 27%, reflecting a combined federal corporate tax rate of 15% and BC corporate tax rate of 12%. A reconciliation of income tax provisions computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	December 31, 2020	December 31, 2019
Loss before income taxes	$ (4,659,642)	$ (7,030,070)
Expected income tax recovery	(1,258,103)	(1,898,119)
Adjustment resulting from		
Non-deductible items	102,144	21,016
Other	40,805	159,266
Under/over provided in prior years	(10,641)	(2,065,919)
Unused tax losses	1,125,795	3,783,756
Expected income tax recovery	$ -	$ -

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 are presented below:

	December 31, 2020	December 31, 2019
Deferred income tax assets		
Non-capital losses carried forward	$ 89,627	$ 132,035
Deferred income tax liabilities		
Property and equipment	(75,990)	(114,207)
Technology license and other intangibles	(13,637)	(17,828)
Deferred income tax liabilities, net	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Non-capital losses	$ 16,573,889	$ 23,866,407
Share issue costs	142,730	322,296
Property and equipment	823,074	587,815
Technology license and other intangibles	27,004	140,000
Unrecognized deferred tax	$ 17,566,697	$ 24,916,518

(Expressed in Canadian Dollars)

16. Income Taxes (Continued)

The Company's unused tax losses as at December 31, 2020, have the following expiry dates:

2027	$ 452,000
2028	229,000
2029	173,000
2030	667,000
2031	118,000
2032	67,000
2033	2,504,000
2034	1,841,000
2035	3,175,000
2036	2,891,000
2037	3,782,000
2038	4,768,000
2039	4,919,000
2040	3,613,000
	$ 29,199,000

17. Supplemental Cash Flow Information

	March 31, 2021	**December 31, 2020**
Non-cash items		
Shares issued for settlement of loans payable	$ -	$ 680,005
Property and equipment additions included in accounts payable and accrued liabilities	-	19,299
Assets acquired under leases	-	-
Interest and taxes paid		
Interest paid on leases	$ -	$ -
Taxes	$ -	$ -

18. Contingencies

During the year ended December 31, 2018, a claim was made against the Company by a hemp seed supplier for breach of a service and supply agreement.

During the year ended December 31, 2019, a claim was made against the Company by an entity for trademark infringement and false designation of origin. On January 22,2021, the Canadian federal court ruled in favor of the plaintiff and rejected the Company's trademark application. The Company is in the process of appealing this decision.

During the year ended December 31, 2020, claims were made against the Company by a hemp seed supplier for breach of a service and supply agreement and by two other parties for outstanding balances owed.

18. Contingencies (Continued)

In January 2021, a customer of the Company provided a notice of termination of manufacturing and supply agreement. The Company was given 60-day notice to pay outstanding balances of $184,236. This amount remains unpaid.

As at March 31, 2021, the Company and the Company's legal counsel is currently in process of defending these claims. An estimate of the contingent liabilities and likelihood of loss is unable to be determined at this time and no loss provision has been made in these consolidated financial statements. The Company intends to vigorously defend these claims. Should an adverse outcome result in the future, any amounts incurred may affect future results of operations and cash flows.

19. Segmented Information

The Company has one reportable operating segment, the sale of natural food and ingredients to commercial processors and consumers. All the Company's long-term assets are located in Canada.

20. Government Assistance

During the period ended March 31, 2021, the Company received the government wage subsidy of $144,291 (2020 - $nil) recorded as a reduction to salaries in facility expenses and office, rent and salaries.

21. Subsequent Events

(a) In April 2021, the Company entered into debt settlement agreements for $55,260 with 739,791 common shares of the Company. The issuance of the shares is subject to TSX-V and board of directors approval.

(b) In April 2021, the Company granted an individual 300,000 stock options at an exercise price of $0.10 per common share. The options expire in October 2025. The issuance of the options is subject to TSX-V and board of directors approval.