CB2 Insights Inc.
Audited Consolidated Financial Statements
December 31, 2019 and 2018
(Expressed in Canadian Dollars)

CB2 Insights Inc.

(formerly 10557404 Canada Corp.) CONSOLIDATED FINANCIAL

STATEMENTS DECEMBER 31, 2019 AND 2018 (EXPRESSED IN CANADIAN DOLLARS)

Management's Report on Financial Statements

The consolidated financial statements of CB2 Insights In. have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgments based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews with management the Company's systems of internal control, and reviews the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgment as a committee member.

Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 18, 2020

"Pradyum Sekar"	Carmelo Marrelli
Signed: CEO	Signed: CFO

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Independent auditor's report

To the Shareholders of CB2 Insights Inc.

Opinion

We have audited the consolidated financial statements of CB2 Insights Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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 1 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations, has accumulated losses of $16,522,211 and has a working capital deficit of $6,711,281 as at December 31, 2019. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton LLP

Mississauga, Canada
June 18, 2020

Chartered Professional Accountants
Licensed Public Accountants

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash (note 4)	$ **130,273**	$ 433,833
Inventories	**36,965**	94,854
Trade and other receivables (note 9)	**309,353**	297,479
Receivable from related party	**-**	50,000
Prepaid expenses	**25,436**	31,364
Total current assets	**502,027**	907,530
Furniture and equipment (note 10)	**182,028**	238,173
Right-of-use assets (note 11)	**1,532,128**	-
Computer software and technology (note 12)	**1,312,170**	1,756,447
Other intangible assets (note 13)	**4,321,118**	3,907,917
Goodwill (note 13)	**1,634,611**	3,960,758
Deferred tax	**-**	122,778
Total assets	$ **9,484,082**	$ 10,893,603
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ **1,849,115**	$ 779,370
Income taxes payable	**-**	8,185
Convertible debentures (note 15)	**-**	982,490
Payable to related parties	**24,840**	-
Promissory note payable (note 16)	**4,003,465**	-
Purchase consideration payable (notes 6, 7 and 8)	**566,318**	-
Lease liabilities (note 17)	**769,570**	-
Total current liabilities	**7,213,308**	1,770,045
Promissory note payable (note 16)	**-**	3,274,080
Lease liabilities (note 17)	**883,441**	-
Total liabilities	**8,096,749**	5,044,125
Shareholders' equity		
Share capital (note 19)	**12,224,770**	7,794,137
Warrant reserve (note 19)	**3,356,534**	2,685,560
Option reserve (note 19)	**1,552,361**	301,623
Shares and units to be issued	**334,903**	75,499
Equity component of convertible debentures (note 15)	**-**	82,428
Accumulated other comprehensive income	**440,976**	457,990
Accumulated deficit	**(16,522,211)**	(5,547,759)
Total shareholders' equity	**1,387,333**	5,849,478
Total liabilities and shareholders' equity	$ **9,484,082**	$ 10,893,603

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

Nature of operations and going concern (note 1)
Subsequent events (note 24)

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)
Consolidated Statements of (Loss) and Comprehensive (Loss)
(Expressed in Canadian Dollars)

Years ended December 31,	**2019**	**2018**
Revenues		
Software	**$ 35,534**	$ 28,366
Contract research solutions	**110,138**	-
Clinic	**13,278,075**	10,739,645
	13,423,747	10,768,011
Cost of sales	**4,100,672**	2,862,749
Gross profit	**9,323,075**	7,905,262
Operating expenses		
Salaries and wages	**6,514,287**	4,876,240
Office and administration	**1,836,397**	1,674,768
Marketing and business development	**1,057,861**	916,445
Professional fees	**1,851,168**	994,809
Director fees	**136,500**	-
Rent	**225,541**	763,040
Share-based compensation	**1,120,813**	546,446
Impairment of goodwill and intangible assets	**3,607,499**	-
Depreciation and amortization	**2,257,560**	1,005,549
Total operating expenses	**18,607,626**	10,777,297
Loss from operations	**(9,284,551)**	(2,872,035)
Finance expenses		
Foreign exchange loss	**266,422**	302,151
Reverse takeover transaction cost (note 5)	**807,995**	-
Change in fair value (notes 7, 8 and 15)	**429,338**	-
Interest on long-term debt	**-**	249,308
Accretion on convertible debentures (note 15)	**28,632**	349,863
Interest on lease liabilities (note 17)	**212,315**	-
Gain on debt settlement (note 15)	**(166,311)**	-
Net loss before income taxes	**(10,862,942)**	(3,773,357)
Income tax expense (recovery)	**111,510**	(116,613)
Net loss	**(10,974,452)**	(3,656,744)
Other comprehensive (loss) income		
Exchange difference on translation of foreign operations, net of tax	**(17,014)**	681,105
Net loss and comprehensive loss	**$ (10,991,466)**	$ (2,975,639)
Basic and diluted net loss per common share	**$ (0.142)**	$ (0.065)
Weighted average number of common shares outstanding - basic and diluted	**77,196,975**	56,165,850

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

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended December 31,	2019	2018
Operating activities		
Net loss for the year	**$ (10,974,452)**	$ (3,656,744)
Adjustments for:		
Depreciation and amortization	**2,257,560**	1,005,549
Unrealized foreign exchange loss	**263,970**	302,151
Accretion on convertible debentures	**28,632**	349,863
Interest on lease liabilities	**212,315**	-
Impairment loss	**3,607,499**	-
Reverse takeover transaction cost	**807,995**	-
Share-based compensation	**1,120,813**	546,446
Gain on extinguishment of debt	**(166,311)**	-
Change in fair value of financial assets	**429,338**	-
Shares issued for services	**-**	24,999
Deferred tax	**-**	(116,613)
Changes in non-cash working capital items:		
Inventories	**54,496**	(83,448)
Trade and other receivables (note 9)	**(14,746)**	(145,922)
Prepaid expenses	**5,783**	3,866
Accounts payable and accrued liabilities	**1,106,886**	685,478
Receivable from related parties	**-**	(50,000)
Income taxes	**111,460**	-
Net cash used in operating activities	**(1,148,762)**	(1,134,375)
Investing activities		
Purchase of furniture and equipment	**(71,423)**	(241,243)
Development of computer software	**(1,048,602)**	(1,183,064)
Purchase consideration paid	**(722,283)**	-
Net cash used in investing activities	**(1,842,308)**	(1,424,307)
Financing activities		
Proceeds from related parties	**24,840**	-
Repayment of convertible debt	-	(440,506)
Shares and warrants issued for cash	**2,761,832**	4,353,452
Principal payment of lease liabilities	**(706,619)**	-
Interest paid on lease liabilities	**(195,609)**	-
Shares and warrants to be issued	**-**	75,499
Proceeds from issuance of promissory note	**787,800**	3,274,080
Repayment of promissory note	**-**	(3,260,438)
Repurchase of shares and warrants	**-**	(1,676,011)
Net cash provided by financing activities	**2,672,244**	2,326,076
Net increase in cash during the year	**(318,826)**	(232,606)
Effect of foreign currency on cash	**15,266**	(348,043)
Cash, beginning of year	**433,833**	1,014,482
Cash, end of year	**$ 130,273**	$ 433,833

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

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Warrant Reserve	Option Reserve	Shares and Units to be Issued	Equity component of convertible debenture	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2018	**52,262,441**	**$ 5,038,964**	**$1,378,074**	**$ 226,942**	**$ -**	**$ 82,428**	**$ (223,115)**	**$(1,521,912)**	**$ 4,981,381**
Private placement (note 19 (b))	10,209,093	2,990,602	1,488,596	-	-	-	-	-	4,479,198
Share issuance costs - cash	-	(101,134)	(50,452)	-	-	-	-	-	(151,586)
Share issuance costs - warrants	-	(32,126)	32,126	-	-	-	-	-	-
Shares issued in settlement of convertible debentures	-	-	-	-	-	-	-	(291,149)	(291,149)
Units to be issued	-	-	-	-	75,499	-	-	-	75,499
Share-based compensation	-	-	-	546,446	-	-	-	-	546,446
Exercise of stock options	2,702,273	497,605	-	(471,765)	-	-	-	-	25,840
Shares issued for services	56,800	16,762	8,237	-	-	-	-	-	24,999
Shares issued on acquisition of software	2,040,909	810,500	-	-	-	-	-	-	810,500
Shares buy-back	(3,897,700)	(1,427,036)	(171,021)	-	-	-	-	(77,954)	(1,676,011)
Foreign currency translation	-	-	-	-	-	-	681,105	-	681,105
Net loss for the year	-	-	-	-	-	-	-	(3,656,744)	(3,656,744)
Balance, December 31, 2018	**63,373,816**	**$ 7,794,137**	**$2,685,560**	**$ 301,623**	**$ 75,499**	**$ 82,428**	**$ 457,990**	**$(5,547,759)**	**$ 5,849,478**

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)
Consolidated Statement of Changes in Shareholders' Equity (Continued)
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Warrant Reserve	Option Reserve	Shares and Units to be Issued	Equity component of convertible debenture	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2018	**63,373,816**	**$ 7,794,137**	**$ 2,685,560**	**$ 301,623**	**$ 75,499**	**$ 82,428**	**$ 457,990**	**$ (5,547,759)**	**$ 5,849,478**
Private placement (note 19 (b))	5,133,338	1,711,384	855,285	-	(75,499)	-	-	-	2,491,170
Share issuance costs - warrants	-	(25,799)	25,799	-	-	-	-	-	-
Share issuance costs - cash (note 19(b))	-	(21,726)	(8,146)	-	-	-	-	-	(29,872)
Exercise of stock options	355,560	67,954	-	(58,154)	-	-	-	-	9,800
Shares issued in settlement of convertible debt (note 19 (b))	7,594,547	1,093,549	-	-	-	(82,428)	-	-	1,011,121
Shares issued on acquisition (notes 6,7 and 8)	950,000	294,500	-	-	-	-	-	-	294,500
Rights issue (note 19 (b))	7,281	3,276	-	-	-	-	-	-	3,276
Shares issued and to be issued in settlement of accrued interest (notes 16 and 19 (b))	2,297,498	369,131	-	-	115,907	-	-	-	485,038
Shares issued in settlement of contingent consideration	1,000,380	144,930	-	-	-	-	-	-	144,930
Shares issued and to be issued against exercise of warrants	760,686	289,161	(220,699)	-	218,996	-	-	-	287,458
Shares issued on reverse takeover (note 5)	1,363,636	504,273	18,735	188,079	-	-	-	-	711,087
Share-based compensation (note 19 (b))	-	-	-	1,120,813	-	-	-	-	1,120,813
Foreign currency translation	-	-	-	-	-	-	(17,014)	-	(17,014)
Net loss for the year	-	-	-	-	-	-	-	(10,974,452)	(10,974,452)
Balance, December 31, 2019	**82,836,742**	**$ 12,224,770**	**$ 3,356,534**	**$ 1,552,361**	**$ 334,903**	**$ -**	**$ 440,976**	**$ (16,522,211)**	**$ 1,387,333**

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

1. Nature of operations and going concern

Nature of operations

CB2 Insights Inc. (formerly 10557404 Canada Corp.) (the "Company" or "CB2") was incorporated on December 27, 2017 under the Canada Business Corporations Act. The Company completed a reverse takeover ("RTO") on February 27, 2019 (the "Closing Date") with MVC Technologies Inc. ("MVC") (See note 5) which was incorporated in the province of Ontario on November 3, 2014 under the Ontario Business Corporation Act ("OBCA"). CB2 operates a secure cloud-based cannabis healthcare technology platform that connects patients, physicians, and regulated suppliers for the purposes of assessment, qualification, registration, and access to medication. The head office is located at 5045 Orbitor Drive, Building 11, Suite 300, Mississauga, Ontario, Canada, L4W 4Y4.

The comparative information disclosed in these consolidated financial statements is that of MVC Technologies Inc.

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of the balance sheet date, the Company has incurred an accumulated deficit of $16,522,211 and has negative cash flow from operations. The Company has working capital deficit as of the balance sheet date of $6,711,281. The Company has raised debt and equity financing through 2017 and 2018 and during the year ended December 31, 2019 in order to fund platform development and activities resulting in growth in its customer base. The Company expects that the investments it made in 2017 and 2018 and during the year ended December 31, 2019 will result in increased revenue and operating cash flow however, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the consolidated statement of financial position. Such differences in amounts could be material.

2. Basis of presentation

Statement of compliance

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

The Board of Directors approved these consolidated financial statements on June 18, 2020.

2. Basis of presentation (continued)

Basis of consolidation

Subsidiaries are entities controlled by CB2. Control exists when the entity is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but is able to control the investee by virtue of de facto control.

The Company's subsidiaries include entities which are controlled via contractual arrangements that provide the Company with control over these entities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with subsidiaries are eliminated to the extent of the Company’s interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements of the Company set out the assets, liabilities, expenses, and cash flows of the Company and its subsidiaries, namely:

Entity	Country of incorporation	Ownership interest at December 31 2019	2018
MVC Technologies USA Inc.	USA	100%	100%
MVC Colorado, P.C.	USA	0%	N/A
MVC New Jersey Medical Group, P.C.	USA	0%	N/A

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

2. Basis of presentation (continued)

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the presentation currency. The functional currency of each entity in the Group is determined separately in accordance with International Accounting Standard IAS 21 – The Effects of Changes in Foreign Exchange Rates and is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency is the United States Dollar ("USD") for operations in the United States including MVC USA Corp., MVC Colorado, P.C. and MVC New Jersey Medical Group, P.C. and the Canadian dollar ("CAD") for operations in Canada under CB2. Translation gains and losses resulting from translation of functional currency balances of subsidiaries into the presentation currency and those relating to intercompany loans from foreign operations, for which settlement is neither planned nor likely to occur in the foreseeable future, are recorded in other comprehensive income.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of foreign currency transactions not in the entity's functional currency are included in the profit and loss.

3. Summary of significant accounting policies

Revenue recognition

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

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

Software revenue – Sail and TokeIn

Sail is a Clinical Decision Support (CDS) platform with a suite of practice management tools built to support the workflows of a clinician and/or their clinical practice specializing in medical cannabis. The platform is licensed to cannabis and other specialty clinics as a full-scale practice management software tool that supports a clinic's entire management processes such as patient document management, scheduling and reporting functions. The platform can also be used as a standalone product by healthcare practitioners to help in the evaluation, dosing and prescription of medical cannabis at the point-of-care. The Company provides access to the platform to clinicians on a subscription basis.

TokeIn provides a SaaS-based customer relationship management (CRM) software and a sales and marketing platform with loyalty and rewards programs allowing its customers, including retail customers, to improve on customer acquisition, customer retention and analytics by feeding business intelligence and targeted marketing campaigns to their customer base.

The Company's principal source of revenue results from monthly subscription fees for the Sail and TokeIn platforms once the contract is executed. The subscription fee is billed to the customer and recognized as revenue at the end of each month and is receivable within 15 days.

The Company has determined that the provision of licenses to customers for both the Sail and TokeIn platforms to be a right to use and revenue is recognized over time on a monthly basis as subscription fees are charged to customers.

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract research revenue

Revenue from a contract to provide research services is recognized over time as the services are rendered based on time spent. This revenue is generated (and performance obligation met) by providing research services to customers. For each contract with a customer, the Company identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the performances promised.

Clinic revenue solutions revenue

This revenue stream was acquired as a part of the Canna Care asset acquisition in 2017 and asset acquisition of MedEval Clinic LLC, Rae of Sunshine Health Services and New Jersey Alternative Medicine LLC during the year as explained in notes 6, 7 and 8. With regards to this revenue stream, the Company recognizes revenue from the provision of consultation services and discussing various treatment plans with patients, including the use of medical cannabis, to alleviate their symptoms. Revenue is recognized at the point in time when these services are provided to the patients. The Company requires upfront payment from patients for their visit.

Inventory

Inventory is held for resale and is recorded at the lower of average cost and net realizable value.

Furniture and equipment

Items of furniture and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. All furniture and equipment is amortized on a straight-line basis over a 3 year useful life.

Computer software and technology

The Company incurs costs associated with the design and development of its CDS software. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Internally generated software development costs recognized as intangible assets are carried at cost less any accumulated amortization on a straight-line basis over 3 years after available for commercial release. These assets are subject to impairment testing as described below.

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Customer relationships, brand and non-compete clause

The Company acquired customer relationships, brand and non-compete clause as part of the acquisition of Canna Care, MedEval Clinic LLC, Rae of Sunshine Health Services and New Jersey Alternative Medicine LLC. Customer relationships and non compete clause are being amortized on a straight line basis over a 5 year useful life whereas brands have an indefinite useful life.

Impairment of non-financial assets

The Company reviews goodwill and indefinite life intangible assets for impairment annually, or when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. The Company reviews the carrying amounts of its finite life non-financial assets, when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. Each of the Company’s operations in the US and Canada are CGUs for purposes of evaluating impairment and measuring recoverable amounts.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs of disposal (“FVLCD”) and value in use (“VIU”). In assessing VIU, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. FVLCD is the price that would be received to sell an asset or cash generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal. When a binding sale agreement is not available, FVLCD is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. With the exception of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Segment information

The Company’s Chief Executive Officer has been identified as the Chief Operating Decision Maker (the “CODM”) with respect to segmented information disclosures. The CODM represents the appropriate level of management to analyze and determine the distinct operating segments of the Company. The CODM examine the Company’s performance both from a product and geographic perspective and has identified two reportable segments of its business, namely the US and the Canadian operations.

3. Summary of significant accounting policies (continued)

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. 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 FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost
b) fair value through profit or loss (FVTPL), or
c) fair value through other comprehensive income (FVTOCI).

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTPL or FVTOCI. Financial assets classified and subsequently measured at amortized cost include cash, trade and other receivables and receivable from related party.

Financial liabilities are classified into one of the following measurement categories:

a) amortized cost; or
b) fair value through profit or loss (FVTPL).

Financial liabilities not at FVTPL are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized. Financial liabilities classified and subsequently measured at amortized cost include accounts payable and accrued liabilities, convertible debentures and payable to related parties. Financial liabilities classified and subsequently measured at FVTPL include promissory note payable and purchase consideration payable.

The promissory note payable contains an embedded derivative related to equity-indexed interest payments which is not closely related to the debt host instrument. As a result, the Company has elected to account for the entire instrument at FVTPL.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial instruments

For trade accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable based on the Company's historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant receivables are assessed for impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are 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 statements of loss and comprehensive loss.

Fair value measurement

The Company classifies its fair value measurements and disclosures using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

3. Summary of significant accounting policies (continued)

Equity

The common shares of the Company are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to issuance of common shares are deducted from the proceeds of equity offerings.

The value of the share capital issued as consideration is based on the stock trade value or is valued at the time the risk and rewards of ownership of the asset are transferred to the Company or the Company's liability is extinguished. Equity component of convertible debentures is the residual value after the liability component is measured at fair value. Warrant reserve includes the fair value of warrants issued. Option reserve includes the fair value of options issued and expected to vest.

Accumulated other comprehensive income includes impact of foreign exchange translation for net equity held in foreign operations.

Leases

The Company adopted IFRS 16 - Leases on January 1, 2019.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. The Company used an incremental borrowing rate of 10% for discounting the contractual lease payments.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

Leases (continued)

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The following table reconciles the minimum lease commitments disclosed as at December 31, 2018 to the amount of lease liabilities recognized on 1 January 2019:

Minimum operating lease commitment at December 31, 2018	$ 1,806,204
Less: short-term leases not recognized under IFRS 16	(89,270)
Plus: effect of extension of options reasonably certain to be exercised	245,083
Undiscounted lease payments	1,962,017
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(238,239)
Lease liabilities as at January 1, 2019	$ 1,723,778

Use of estimates and judgments

a. Estimates - Lease terms are estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not to exercise a termination option. Certain qualitative and quantitative assumptions are evaluated when deriving the value of an economic incentive.

b. Judgments - Judgment is applied when determining if a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the right to substantially all of the economic benefits from the use of the asset.

Judgment is also applied when determining if the Company has the right to control the use of an identified asset. This right exists when the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In certain instances, where the decision about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset when the Company has the right to operate the asset or if the Company designed the asset in a way that predetermines how and for what purpose the asset will be used.

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.

Certain leases contain extension or renewal options that are exercisable only by the Company and not by the lessor. At lease commencement, the Company assesses whether it is reasonably certain to exercise any of the extension options based on the expected economic return from the lease. Periodically, leases are reassessed to determine if the Company is reasonably certain to exercise options and account for any changes at the date of the reassessment.

3. Summary of significant accounting policies (continued)

Share-based payments

The Company records equity settled share-based payments for the granting of stock options and warrants granted using the fair value method whereby all awards to employees and consultants are recorded at the fair value of each stock option or warrant at the date of the grant using the Black-Scholes option pricing model.

The fair value of the stock options is amortized over the vesting period with a corresponding increase in equity reserves. The amount recognized as an expense is adjusted to reflect the number of options expected to eventually vest. Any consideration paid by the option or warrant holders to purchase shares is credited to share capital and the related share-based payments is transferred from warrant or option reserve to share capital.

Significant accounting judgments and estimates

Application of accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the financial statements.

Management’s best estimates concerning the future are based on the facts and circumstances available at the time estimates are made.

Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following areas require significant estimates or judgment by management.

Functional currency

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currency and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, supplies, and other costs of providing goods or services.

Business combinations

When the Company completes an acquisition, management is required to make judgments to determine whether the acquisition meets the definition of a business under IFRS 3 – Business Combinations.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

3. Summary of significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Business combinations (continued)

In addition, the Company may provide contingent consideration as part of the purchase price for acquisitions of businesses and/or assets. Management is required to make judgments and estimates of the future performance of the acquired business and/or assets in order to determine the amount of contingent consideration to be recognized at acquisition and at each subsequent reporting date.

Acquisition-related costs are expensed as incurred and are included in professional fees. During the year, the Company completed three acquisitions and the aggregate costs incurred were $184,217 (2018 - $nil).

Impairment of long-lived assets

Long-lived assets are tested for impairment if there is an indicator of impairment and annually for all CGUs with goodwill and/or intangible assets that are not amortized. The Company considers both external and internal sources of information for indications that long-lived assets are impaired. External sources of information we consider include changes in the market and economic and legal environment in which the CGU operates that are not within its control and affect the recoverable amount of goodwill. Internal sources of information considered include the strategic plans for the production and distribution segments including estimates of revenue and other indications of economic performance of the assets. Calculating the fair value less cost of disposal (“FVLCD”) of CGUs for impairment tests requires management to make estimates and assumptions with respect to future revenue, costs of sales, expenses, other net cash flow adjustments and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis. Refer to note 13 for further information.

Warrants, options, and equity-components of convertible debentures

Common share purchase warrants, options, and the equity-components of convertible debentures require a determination of the date of grant and the fair value of the units at that date, and for cash-settled share-based payments at each reporting date thereafter. The estimation of fair value requires the application of the most appropriate valuation model as well as the inputs to the model.

Income taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the statements of financial position, a charge or credit to income tax expense included as part of net income and may result in cash payments or receipts. Judgment includes consideration of the Company’s future cash requirements in its numerous tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company’s income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

3. Summary of significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Lease

See above lease accounting policy section for details.

Fair value of financial instruments not quoted in an active market

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Control of subsidiaries via contractual arrangements

The Company applied judgment in concluding control over its subsidiaries where it does not hold a majority of voting rights.

Recently adopted accounting standards

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity’s lease obligations.

The Company has adopted the standard using the modified retrospective approach. Under this approach, the Company has not restated comparative 2018 information.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019. The Company has measured right of use asset at an amount equal to the lease liability recognized as at January 1, 2019.

See note 17.

(b) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

(Expressed in Canadian Dollars)

4. Cash

Cash includes funds held in trust with the Company's legal counsel amounting to $nil (December 31, 2018 - $80,896), not yet transferred to the Company's bank account.

5. Share exchange agreement and reverse takeover

On August 28, 2018, MVC entered into a letter of intent (the "LOI") with 10557404 Canada Corp. (now known as CB2 Insights Inc.) ("CB2" or the "Company"). The LOI outlined a proposal to enter a Share Exchange Agreement and effect an amalgamation between MVC and a subsidiary of CB2 and a listing of CB2's shares on the Canadian Securities Exchange.

On the Closing Date, MVC and CB2 executed the Share Exchange Agreement and the MVC's shareholders became shareholders of CB2 resulting in a reverse takeover of CB2 by MVC. On March 6, 2019, CB2 commenced trading on the Canadian Securities Exchange (CSE), under the symbol "CBII" and on May 17, 2019, the Company commenced trading on the OTCQB, under the symbol 'CBIIF'.

The terms of the RTO were as follows: CB2 consolidated its issued and outstanding common shares on the basis of one (1) new common share for each 16.5 issued and outstanding CB2 common shares (the "Consolidation"); and CB2 issued one (1) (post-Consolidation) share for each one (1) common share of MVC issued and outstanding on the Closing Date. In conjunction with the RTO, 10557404 Canada Corp. changed its name to CB2 Insights Inc.

The pre-Consolidation share capital of each entity prior to the RTO, is outlined below:

CB2

	Number of common shares	Amount
Balance, February 27, 2019	1,363,494	$ 102,251

MVC

	Number of common shares	Amount
Balance, February 27, 2019	68,507,154	$ 9,464,138

For accounting purposes, this RTO is considered to be an asset acquisition and has been treated as a capital transaction under IFRS 2 – Share-Based Payment where MVC has been treated as the accounting parent company (legal subsidiary) and CB2 has been treated as the accounting subsidiary (legal parent).

As a result of CB2 not meeting the definition of a business under IFRS 3, a transaction cost of $807,995 has been recorded as listing expense. This reflects the excess of the purchase price over the fair value of the assets and liabilities acquired. Consideration included the shares held by the shareholders of CB2, being 1,363,636 shares, 151,515 CB2 outstanding warrants and 666,060 CB2 outstanding stock options. The fair value of the 151,515 warrants was estimated using the Black-Scholes option pricing model at $0.10 per warrant, based on the following assumptions: underlying share price of $0.37 per share, expected annualized volatility of 144.33%; risk-free interest rate of 1.78%; expected dividend yield of 0%; and expected life of 1.5 years. The fair value of the 666,060 stock options was estimated using the Black-Scholes option pricing model at $0.25 to $0.31 per option, based on the following assumptions: underlying share price of $0.37 per share, expected annualized volatility of 144.33%; risk-free interest rate of 1.78%; expected dividend yield of 0%; and expected life of 2.35 to 2.58 years.

(Expressed in Canadian Dollars)

5. Share exchange agreement and reverse takeover (continued)

Consideration - shares: 1,363,636 shares at $0.37	$	504,273
Consideration - warrants: 151,515 warrants		18,735
Consideration - stock options: 666,060 stock options		188,079
Total consideration	$	711,087

Identifiable assets acquired		
Cash	$	43,488
Sales tax receivable and prepaid expenses		13,859
Accounts payable and accrued liabilities		(4,261)
Payables to related party		(149,994)
Net liabilities acquired		(96,908)
Listing expense	$	807,995

6. Acquisition of MedEval Clinic LLC

On April 9, 2019 (the “Closing Date”), the Company acquired identified assets of MedEval Clinic LLC, a medical cannabis evaluation and education center group with multiple locations in Colorado and Arizona. The Company determined that the acquisition was a business combination under IFRS 3 – Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. The goodwill acquired is associated with the MedEval Clinic LLC’s workforce and is expected to be fully deductible for tax purposes.

The aggregate purchase consideration comprises the following:

- $199,740 cash (US$150,000)
- 450,000 common shares in the Company valued at $0.31 per share amounting to $139,500
- Contingent consideration payable in shares upon completion of the milestones of the numbers of patients certified. As per the terms of the initial agreement, contingent consideration of up to US$240,000 was payable in shares valued at the greater of US$0.50/share and the 30-day volume weighted average price at the date of issuance, upon completion of four milestones ranging from 2,500 to 10,000 patients certified over 12 months from Closing Date. The shares were subject to a minimum hold period of four months plus one day from the date of issuance. Contingent consideration has been accounted for as a liability measured at fair value through profit or loss as it will result in the issuance of a variable number of shares. Subsequently, on November 7, 2019 the Company executed an amended agreement whereby all contingent earnout payments were removed in exchange for issuance of 100,000 common shares in the Company valued at $0.125 per share amounting to $12,500. The amendment has been accounted for as an extinguishment of financial liability under IFRS 9.

(Expressed in Canadian Dollars)

6. Acquisition of MedEval Clinic LLC (continued)

The allocated purchase price calculation is as follows:

Consideration - shares: 450,000 shares at $0.31	$	139,500
Consideration - cash		199,740
Consideration - contingent consideration in common shares		112,697
Total consideration paid	$	451,937
Identifiable assets acquired		
Customer relationships		119,844
Brand		158,460
Non-compete clause		1,332
Total identifiable assets acquired		279,636
Total goodwill		172,301
	$	451,937

Operating results have been included in these consolidated financial statements from the date of the acquisition. MedEval Clinic LLC's revenue and net income for the period from the date of acquisition to December 31, 2019 included in the consolidated statement of comprehensive loss are $563,797 and $171,408, respectively. Due to non-availability of information, it is not practicable to disclose the revenue and net income for the year had the above noted business combination occurred on January 1, 2019.

7. Acquisition of ROSH

On April 4, 2019 (the "Closing Date"), the Company acquired identified assets of Colorado-based medical cannabis clinic group Rae of Sunshine Health Services ("ROSH") LLC, operating as "Relaxed Clarity". The Company determined that the acquisition was a business combination under IFRS 3 – Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. The goodwill acquired is associated with the ROSH's workforce and is expected to be fully deductible for tax purposes.

The aggregate purchase consideration comprises the following:

- $267,140 cash (US$200,000)
- 500,000 common shares in the Company valued at $0.31 per share amounting to $155,000
- Contingent consideration of US$200,000 payable in cash and up to US$300,000 is payable in shares valued at 30- day volume weighted average price at the date of issuance, upon completion of five milestones ranging from 3,000 to 15,000 patients certified within 6 to 12 months from Closing Date. The shares will be subject to a minimum hold period of four months plus one day from the date of issuance. The first, second and third milestones are achieved and $133,570 (US$100,000) was paid for the achievement of first milestone, 900,380 common shares of the Company amounting to $133,570 (US$100,000) were issued for the achievement of second milestone and 882,979 common shares of the Company amounting to $100,178 (US$75,000) are to be issued for the achievement of third milestone. Contingent consideration has been accounted for as a liability measured at fair value through profit or loss as it will result in the issuance of a variable number of shares. As at December 31, 2019, the Company has estimated its obligation associated with remaining milestone payments to be $221,940 and a fair valuation gain of $61,932 has been recognized during the year.

(Expressed in Canadian Dollars)

7. Acquisition of ROSH (continued)

The allocated purchase price calculation is as follows:

Consideration - shares: 500,000 shares at $0.31	$	155,000
Consideration - cash		267,140
Consideration - contingent consideration		331,728
Assumed liabilities		140,430
Total consideration	$	894,298
Identifiable assets acquired		
Customer relationships		320,568
Brand		160,284
Non-compete clause		5,343
Total identifiable assets acquired		486,195
Total goodwill		408,103
	$	894,298

Operating results have been included in these consolidated financial statements from the date of the acquisition. ROSH's revenue and net income for the period from the date of acquisition to December 31, 2019 included in the consolidated statement of comprehensive income are $1,188,602 and $17,576, respectively. Due to non-availability of information, it is not practicable to disclose the revenue and net income for the year had the above noted business combination occurred on January 1, 2019.

8. Acquisition of NJAM

On July 1, 2019, the Company acquired identified assets of New Jersey Alternative Medicine LLC ("NJAM"), a medical cannabis evaluation and education center group with multiple locations in New Jersey under an earn-out arrangement with no cash or other consideration payable on closing date. The Company determined that the acquisition was a business combination under IFRS 3 - Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. The goodwill acquired is associated with NJAM's workforce and is expected to be fully deductible for tax purposes.

The aggregate purchase consideration comprises the following:

- As per the terms of the initial agreement, 25% of the NJAM's existing patients' visit fees up to 13 months from closing date would be paid in cash and by issuance of common shares of equal amount, subject to a hold period of 4 months from issuance. An amount of $121,080 (US$92,329) was earned and paid for the months of July and August 2019. Contingent consideration has been accounted for as a liability measured at fair value through profit or loss as it will result in the issuance of a variable number of shares. Subsequently, on January 6, 2020, the Company signed an amended agreement whereby all contingent earnout payments were removed in exchange for issuance of 2,500,000 common shares in the Company valued at $0.14 per share amounting to $350,000. This is a non-adjusting subsequent event and no adjustments were made to the amounts recognized in these consolidated financial statements. As at December 31, 2019, the Company has estimated its obligation associated with remaining milestone payments to be $344,378 and a fair valuation gain of $96,098 has been recognized during the year.

(Expressed in Canadian Dollars)

8. Acquisition of NJAM (continued)

The allocation purchase price calculation is as follows:

Contingent consideration - cash and shares	$	543,278
Total consideration paid	$	543,278
Identifiable assets acquired		
Customer relationships		367,192
Non-compete clause		2,623
Total identifiable assets acquired		369,815
Total goodwill		173,463
	$	543,278

Operating results have been included in these consolidated financial statements from the date of the acquisition. NJAM's revenue and net income for the period from the date of acquisition to December 31, 2019 included in the consolidated statement of comprehensive income are $1,590,270 and $617,953, respectively. Due to non-availability of information, it is not practical to disclose the revenue and net income for the year had the above noted business combination occurred on January 1, 2019.

9. Trade and other receivables

		December 31, 2019		**December 31, 2018**
Trade receivables	**$**	**71,569**	$	8,851
Harmonized sales tax recoverable		**136,592**		199,046
Security deposits		**101,192**		89,582
	$	**309,353**	$	297,479

(Expressed in Canadian Dollars)

10. Furniture and equipment

	Furniture	Vehicles	Computer Hardware	Leaseholds	Equipment	Total
Cost						
Balance, January 1, 2018	**$ 16,235**	**$ 10,973**	**$ 2,732**	**$ 12,875**	**$ 13,747**	**$ 56,562**
Additions	67,984	11,266	74,706	53,484	33,802	241,242
Net exchange differences	2,580	1,555	4,189	3,953	-	12,277
Balance, December 31, 2018	**86,799**	**23,794**	**81,627**	**70,312**	**47,549**	**310,081**
Additions	33,243	-	37,914	266	-	71,423
Impairment	(1,286)	(244)	(1,845)	(846)	-	(4,221)
Net exchange differences	(2,869)	(1,137)	(4,699)	(3,360)	-	(12,065)
Balance, December 31, 2019	**$ 115,887**	**$ 22,657**	**$ 114,842**	**$ 67,218**	**$ 47,549**	**$ 365,218**
Amortization						
Balance, January 1, 2018	**$ 2,407**	**$ -**	**$ -**	**$ -**	**$ 4,582**	**$ 6,989**
Amortization	18,053	6,154	13,890	13,845	10,702	62,644
Net exchange differences	482	325	735	733	-	2,275
Balance, December 31, 2018	**20,942**	**6,479**	**14,625**	**14,578**	**15,284**	**71,908**
Amortization	34,695	7,715	34,107	22,877	15,848	115,242
Net exchange differences	(897)	(470)	(1,407)	(1,186)	-	(3,960)
Balance, December 31, 2019	**$ 54,740**	**$ 13,724**	**47,325**	**$ 36,269**	**$ 31,132**	**$ 183,190**
Net book value						
Balance, January 1, 2019	**$ 65,857**	**$ 17,315**	**$ 67,002**	**$ 55,734**	**$ 32,265**	**$ 238,173**
Balance, December 31, 2019	**$ 61,147**	**$ 8,933**	**$ 67,517**	**$ 30,949**	**$ 16,417**	**$ 182,028**

11. Right-of-use assets

Premises leases	**December 31, 2019**
Beginning balance	$ 1,723,778
Additions - net	697,818
Depreciation	(787,569)
Impairment	(25,699)
Impact of foreign exchange	(76,200)
Ending balance	$ 1,532,128

(Expressed in Canadian Dollars)

12. Computer software and technology

Cost	
Balance, January 1, 2018	**$ 476,104**
Additions - TokeIn	982,785
Additions - internally generated	1,033,064
Net exchange differences	1,478
Balance, December 31, 2018	**2,493,431**
Additions	1,048,602
Impairment - TokeIn	(583,061)
Net exchange differences	(881)
Balance, December 31, 2019	**$ 2,958,091**
Amortization	
Balance, January 1, 2018	**$ 153,067**
Amortization	583,686
Net exchange differences	231
Balance, December 31, 2018	**736,984**
Amortization	909,281
Net exchange differences	(344)
Balance, December 31, 2019	**$ 1,645,921**
Net book value	
Balance, January 1, 2019	**$ 1,756,447**
Balance, December 31, 2019	**$ 1,312,170**

Impairment testing

On September 11, 2018, the Company entered into an Asset Purchase Agreement with 1035855 Canada Inc. (“TokeIn”), acquiring the assets of TokeIn. TokeIn's primary asset is a web-based customer loyalty program specifically designed to cater to cannabis dispensaries across North America. During the year ended December 31, 2019, the Company revised it's future forecasts associated with TokeIn which were lower than initial estimates which indicated an impairment in the asset.

The Company used value-in-use ("VIU") as the basis for the determination of the recoverable amount of the Asset. The Company has used a valuation technique which includes an estimate of future cash flows for the next two years with a growth rate of 5%. The present value of the expected cash flows from the asset is determined by applying a discount rate of 19.3% which reflects current market assessments of the time value of money and the risks specific to the Asset. Carrying value and recoverable amount of the asset as at December 31, 2019 was $655,189 and $72,128, respectively. This resulted in an impairment loss on the asset amounting to $583,061.

(Expressed in Canadian Dollars)

13. Goodwill and other intangible assets

	Goodwill	Customer relationships	Brand	Non- compete	Total other intangibles
Cost					
Balance, January 1, 2018	**$ 3,642,260**	**$ 1,743,756**	**$ 2,209,175**	**$ -**	**$ 3,952,931**
Net exchange differences	318,498	152,482	193,181	-	345,663
Balance, December 31, 2018	**3,960,758**	**1,896,238**	**2,402,356**	**-**	**4,298,594**
Additions	689,827	847,634	342,754	9,297	1,199,685
Impairment loss	(2,919,711)	(74,214)	-	(593)	(74,807)
Net exchange differences	(96,263)	(145,080)	(147,510)	(196)	(292,786)
Balance, December 31, 2019	**$ 1,634,611**	**$ 2,524,578**	**$ 2,597,600**	**$ 8,508**	**$ 5,130,686**
Amortization					
Balance, January 1, 2018	**$ -**	**$ 11,467**	**$ -**	**$ -**	**$ 11,467**
Amortization	-	359,217	-	-	359,217
Net exchange differences	-	19,993	-	-	19,993
Balance, December 31, 2018	**-**	**390,677**	**-**	**-**	**390,677**
Amortization	-	446,801	-	-	446,801
Net exchange differences	-	(27,910)	-	-	(27,910)
Balance, December 31, 2019	**$ -**	**$ 809,568**	**$ -**	**$ -**	**$ 809,568**
Net book value					
Balance, January 1, 2019	**$ 3,960,758**	**$ 1,505,561**	**$ 2,402,356**	**$ -**	**$ 3,907,917**
Balance, December 31, 2019	**$ 1,634,611**	**$ 1,715,010**	**$ 2,597,600**	**$ 8,508**	**$ 4,321,118**

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the group of CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable amount as at December 31, 2019 and 2018. The Company has determined that its CGUs are Canna Care Docs, MedEval, ROSH and NJAM.

	Carrying amount	Recoverable amount	Foreign exchange impact	Impairment loss
Canna Care Docs	$ 8,082,931	$ 5,724,269	$ 38,500	$ 2,397,162
MedEval	492,076	344,929	2,402	149,549
NJAM	662,513	387,801	4,484	279,196
ROSH	947,180	751,838	3,189	198,531
	$10,184,700	$ 7,208,837	$ 48,575	$ 3,024,438

The Company has used value-in-use ("VIU") as the basis for the determination of the recoverable amount of the CGU.

The Company has used a valuation technique which includes an estimate of future cash flows for the next five years. A terminal growth rate is determined and applied to project future cash flows after the fifth year. The present value of the expected cash flows from the CGUs are determined by applying a suitable discount rate reflecting current market assessments of the time value of money and the risks specific to the CGU. Projected future cash flows are based on operating profit growth rates for each CGU.

(Expressed in Canadian Dollars)

13. Goodwill and other intangible assets (continued)

Impairment testing (continued)

Key assumption:

	Growth rate	Terminal	Discount rate
Canna Care Docs	5%	2%	19.5%
MedEval	2%	2%	23.5%
NJAM	2%	2%	45%
ROSH	2%	2%	28%

Growth rates

The segment profit growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the segment operates.

Discount rate

The discount rate reflects appropriate adjustments relating to market risk and specific risk factors of the group of CGUs.

Sensitivity to changes in assumptions

If the CGUs were to fall short of its 2020 operating profit by 20%, the carrying amount of the CGU would exceed its recoverable amount as follows:

	Carrying amount	Recoverable amount	Foreign exchange impact	Impairment loss
Canna Care Docs	$ 8,082,931	$ 5,484,639	$ 38,500	$ 2,636,792
MedEval	492,076	327,525	2,402	166,953
NJAM	662,513	359,097	4,484	307,900
ROSH	947,180	696,639	3,189	253,730
	$10,184,700	$ 6,867,900	$ 48,575	$ 3,365,375

If the CGUs were to fall short of its 2020 operating profit by 10% combined with a 1% increase in the discount rate, the carrying amount of the CGU would exceed its recoverable amount as follows:

	Carrying amount	Recoverable amount	Foreign exchange impact	Impairment loss
Canna Care Docs	$ 8,082,931	$ 5,291,769	$ 38,500	$ 2,829,662
MedEval	492,076	319,955	2,402	174,523
NJAM	662,513	363,710	4,484	303,287
ROSH	947,180	696,329	3,189	254,040
	$10,184,700	$ 6,671,763	$ 48,575	$ 3,561,512

(Expressed in Canadian Dollars)

14. Accounts payable and accrued liabilities

	December 31, 2019	December 31, 2018
Accounts payable	**$ 1,158,628**	$ 454,222
Accrued liabilities	**690,487**	325,148
	$ 1,849,115	$ 779,370

The following is an aged analysis of the accounts payable and accrued liabilities:

	December 31, 2019	December 31, 2018
Less than 1 month	**$ 195,704**	$ 237,838
1 to 3 months	**386,049**	216,384
Greater than 3 months	**576,875**	-
	$ 1,158,628	$ 454,222

15. Convertible debentures

In May and September 2017, the Company issued 7,333,333 (post reverse split) 5% convertible debentures for $1,109,000. Each convertible debenture is convertible into a “Unit” comprising one Class A common share of the Company at $0.15 per share, and one warrant which entitles the holder to acquire one half Class A common share of the Company at $0.20 per warrant. The convertible debentures will automatically convert into Units on completion of a liquidity event. In the event that a liquidity event does not occur, the debentures are due on May 30, 2019. The Company received $1,037,310, net of $71,690 arrangement fees, as proceeds from the issuance.

The liability component of the convertible debentures was valued at $999,050 by discounting the maturity date interest and principal payments to grant date present value using a discount rate of 10% which is the estimated market rate at which the Company can obtain new financing. The effective interest rate on the convertible debentures is 13.44%.

On October 25, 2018, the Company paid $440,506 to repurchase an aggregate principal amount of $150,000 of 5% convertible senior secured debentures. The carrying value of the debentures on the repurchase date was $149,357 and the Company recorded a loss on repurchase amounting to $291,149.

Accretion expenses amounting to $28,632 were recorded on the convertible debentures during the year (2018 - $141,539).

See note 19 regarding the conversion of the debentures during the year ended December 31, 2019.

16. Promissory note

On December 19, 2017 (the "Closing Date"), the Company entered into an acquisition transaction with Canna Care Docs as detailed in Note 5 of the year end consolidated financial statements as of December 31, 2018. As part of the purchase consideration, the Company issued a promissory note in the amount of US$2,500,000 ("Canna Care Note"). The note was discounted to its present value and initially recorded at $3,017,057 (US$2,336,449) on the closing date using an effective interest rate of 7%. Accretion expense amounting to $208,324 (2017 - $nil) was recorded on this promissory note during the year ended December 31, 2018.

The note was repayable on, and interest free up to, December 19, 2018 after which date interest of 15% per annum was charged. The note was secured by the purchased assets of Canna Care Docs.

On December 19, 2018, the Company repaid the full amount of the Canna Care Note with the proceeds from the issuance of a promissory note to Merida Capital Partners ("Merida") ("Merida Note").

On December 19, 2018, the Company issued the Merida Note and Merida advanced to the Company funds amounting to US$2,400,000. The Merida note bears interest at 12% per annum and is due 18 months from the issuance date. The Merida Note contained an option to convert the Note to a convertible debenture that would permit the conversion of the underlying liability to common shares ("Merida Option"). The Merida Option expired on January 20, 2019 and the interest rate also increased to 15% per annum on that date. The Merida Note was measured at fair value on issuance and the Company has elected to carry the note at FVTPL. The Company recorded a loss in fair value of $396,254 for the year on the Merida Note.

On June 24, 2019, the Company entered into an Amended and Restated Promissory Note with Merida Capital Partners II LP ("Merida"), whereby the Company promises to pay Merida US$3.0 million (the "Note"). The Note bears interest at 12.0% per annum and is due on December 24, 2020. Interest is paid through the issuance of common shares of the Company at a price per share equal to the 30-day volume weighted average price of the Company's common shares, less a discount of 18.0%. The Note was measured at fair value on issuance date and the Company has elected to carry the note at FVTPL. In measuring the fair value of the Note, the Company has used the Monte Carlo valuation technique.

As per the agreement of Merida Note II, during the year ended December 31, 2019, the Company issued 1,219,520 common shares of the Company in settlement of $241,090 accrued interest on the Merida Note and the Company incurred issuance cost amounting to $6,142 for these shares.

The amendment of the Merida Note has been accounted for as an extinguishment of the Merida Note and the issuance of the Merida Note II resulting in a gain of $166,311 recorded in the income statement.

The interest on Merida Note II shall be payable quarterly through the issuance of common shares of the Company at a price per share equal to the 30-day volume weighted average price of the Company's common shares traded on the Canadian Securities Exchange ending on the applicable quarterly interest payment date, less a discount of 18%. During the year ended December 31, 2019, interest expense amounting to $243,948 was recorded on Merida Note II, an amount of $128,041 was settled by the issuance of 1,077,978 common shares of the Company while an amount of $115,907 shall be settled by the issuance of common shares of the Company subsequent to the year end. The Company also recorded a loss in fair value of $191,114 for the year on the Merida Note II.

(Expressed in Canadian Dollars)

17. Lease liabilities

	December 31, 2019
Beginning balance	**$ 1,723,778**
Additions	697,818
Interest expense	212,315
Lease payments	(902,228)
Impact of foreign exchange	(78,672)
Ending balance	**$ 1,653,011**
Allocated as:	
Current (no later than 1 year)	$ 769,570
Long-term (later than 1 year but no later than 5 years)	883,441
	$ 1,653,011

18. Income tax

The deferred income tax expenses shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates due to the following:

	2019	2018
Statutory rate	**26.5%**	26.5%
Net loss before income taxes	**$ (10,862,942)**	$ (3,773,357)
Expected tax expense (recovery)	**(2,878,680)**	(999,940)
Tax rate differential for foreign taxes	**(25,909)**	(6,777)
Permanent differences	**333,470**	279,027
Other	**-**	49,691
Changes in tax benefits not recognized	**2,682,629**	561,386
Total income tax expenses (recovery)	**$ 111,510**	$ (116,613)
The Company’s income tax (recovery) is allocated as follows:		
Current income tax	**$ -**	$ -
Deferred income tax	**111,510**	(116,613)
	$ 111,510	$ (116,613)

(Expressed in Canadian Dollars)

18. Income tax (continued)

Deferred tax

The following table summarizes the components of unrecognised tax benefits:

	2019	2018
Capital assets	**$ 941,000**	$ -
Losses carried forward	**2,429,000**	1,003,000
Unrealized gain	**(17,000)**	-
Undeducted interest	**142,000**	-
Financing costs	**56,000**	-
Losses carried forward	**3,551,000**	1,003,000
Deferred tax assets not recognized	**$ (3,551,000)**	$ (1,003,000)

The Company has non-capital losses to reduce future taxable income, the benefit of which has not been recognized. If unutilized, these losses will expire as follows:

Expires	2034	$ 20,000
	2035	104,000
	2036	211,000
	2037	429,000
	2038	1,389,000
	2039	5,767,000
	unlimited	1,213,000
		$ 9,133,000

(Expressed in Canadian Dollars)

19. Share capital

a) Authorized share capital

Unlimited number of voting common shares without par value

b) Common shares issued

	Number of common shares	Amount
Balance, January 1, 2018	**52,262,441**	**$ 5,038,964**
Private placements, January 3, 2018 (i)(ii)(iii)(iv)	10,209,093	2,990,602
Share issuance costs (ix)	-	(101,134)
Share issuance costs - warrants (ix)	-	(32,126)
Exercise of stock options	2,702,273	497,605
Shares issued for services (viii)	56,800	16,762
Shares issued on acquisition of software	2,040,909	810,500
Shares buy-back (v),(vi), (vii)	(3,897,700)	(1,427,036)
Balance, December 31, 2018	**63,373,816**	**$ 7,794,137**
Private placements (i)(ii)	5,133,338	1,711,384
Share issuance costs - warrants (iii)	-	(25,799)
Share issuance costs - cash (iii)	-	(21,726)
Exercise of stock options (iv)(v)	355,560	67,954
Shares issued in settlement of convertible debt (vi)	7,594,547	1,093,549
Shares issued for business acquisitions (notes 6, 7 and 8)	950,000	294,500
Rights issue (vii)	7,281	3,276
Shares issued in settlement of accrued interest (viii)	2,297,498	369,131
Shares issued in settlement of contingent consideration	1,000,380	144,930
Shares issued against exercise of warrants (ix)	760,686	289,161
Shares issued on Reverse Takeover (note 5)	1,363,636	504,273
Balance, December 31, 2019	**82,836,742**	**$ 12,224,770**

Private placements

2019

Private placements

(i) On January 17, 2019, the Company completed a private placement financing with the issuance of an aggregate of 374,998 Units at a price of $0.50 per Unit for gross proceeds of $187,499. Each Units consists of 1 common share and one half common share purchase warrant. An aggregate of 187,499 warrants were issued with each whole warrant exercisable to purchase one common share of the Company at a price of $0.80 for a period of three (3) years from issuance. The fair value of the 187,499 warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at $0.26 per warrant, based on the following assumptions: underlying share price of $0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.82%; expected dividend yield of 0%; and expected life of 3 years.

19. Share capital (continued)

b) Common shares issued (continued)

2019 (continued)

Private placements (continued)

(ii) During January and February 2019, the Company closed four tranches of private placement financing of subscription receipts with the issuance of 4,758,340 Subscription Receipt Units for gross proceeds of $2,379,170. Each Subscription Receipt Unit converts automatically into one common share and one half common share purchase warrant. An aggregate of 4,758,340 common shares and 2,379,170 warrants are issuable on conversion of the Subscription Receipt Units, with each whole warrant being exercisable to purchase one common share of the Company at a price of $0.80 for a period of three (3) years from issuance. The fair value of the 2,379,170 warrants contained in the Subscription Receipt Units issued on this date was estimated using the Black-Scholes option pricing model at $0.26 per warrant, based on the following assumptions: underlying share price of $0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years. The Company also issued 26,040 broker warrants in combination with the closing of the Subscription Receipt Units. Each broker warrant entitling the holder to purchase one Unit at $0.50 for a period of three (3) years, with each whole warrant being exercisable to purchase one common share of the Company at a price of $0.80 for a period of three (3) years from issuance. The fair value of the 26,040 broker warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at $0.25 per warrant, based on the following assumptions: underlying share price of $0.36 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years.

(iii) In relation to 2019 private placements, the Company paid cash issuance costs of $23,730 and issued broker warrants valued at $25,799, the total of which was allocated to shares and warrants on a pro-rata basis based on their relative fair values. The Company also paid cash issuance cost of $6,142 in relation to shares issued in settlement of accrued interest.

(iv) On February 1, 2019, a consultant exercised 300,000 options at a price of $0.016 per share.

(v) On March 5, 2019 a consultant exercised 55,560 options at a price of $0.09 per share. The fair value of the options exercised amounting to $58,154 was also reclassified from the Options reserve to Share capital.

(vi) On March 5, 2019, $959,000 principal amount debentures, plus accrued interest of $84,632, were converted into 7,594,547 shares of CB2. The total amount of shares includes a 10% increase in the number of shares to be issued upon conversion as the Company was unable to complete the going public transaction by the Conversion Date as stipulated in the debenture agreement.

(vii) During May 2019, shareholders exercised 7,281 rights shares at a price of $0.45 per share.

(viii) On July 12, 2019, 1,219,520 common shares were issued in settlement of $241,090 accrued interest on the Merida Note II and the Company incurred issuance cost amounting to $6,142 for these shares. On November 14, 2019, 1,077,978 common shares were issued in settlement of $128,041 accrued interest on the Merida Note II.

(ix) During December 2019, shareholders exercised 760,686 warrants at a price of $0.09 per share. The fair value of the warrants exercised amounting to $220,699 was also reclassified from the Warrant reserve to Share capital

19. Share capital (continued)

b) Common shares issued (continued)

2018

(i) On January 3, 2018, the Company completed a private placement for gross proceeds of $175,000 through issuance of 426,829 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 213,415 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share, expected annualized volatility of 127.58%; risk-free interest rate of 1.79%; expected dividend yield of 0%; and expected life of 2 years. In relation to the January 3, 2018 private placement, the Company issued 170,000 broker warrants to obtain one common share of the Company at an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the broker warrants was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share; expected annualized volatility of 130.43%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 2 years.

(ii) During July 2018, the Company completed a private placement for gross proceeds of $1,738,704 through issuance of 3,951,600 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 2,052,750 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.04%; expected dividend yield of 0%; and expected life of 2 years.

(iii) During September 2018, the Company completed a private placement for gross proceeds of $1,657,973 through issuance of 3,768,119 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 1,888,604 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.04%; expected dividend yield of 0%; and expected life of 2 years.

(iv) On October 2, 2018, the Company completed a final tranche of a private placement financing with the issuance of an aggregate of 2,062,545 Units at a price of $0.44 per Unit for gross proceeds of $907,520. Each Unit consists of 1 common share and one half common share purchase warrant. An aggregate of 1,031,273 warrants were issued with each whole warrant exercisable to purchase one common share of MVC at price of $0.50 for a period of two years from issuance. The fair value of the 1,031,273 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.33%; expected dividend yield of 0%; and expected life of 2 years.

(v) On October 19, 2018, the Company repurchased an aggregate of 1,651,745 common shares and an aggregate of 825,872 common share purchase warrants for total consideration of $710,250.

(vi) On October 19, 2018, the Company repurchased an aggregate of 294,955 common shares and an aggregate of 147,477 common share purchase warrants for total consideration of $126,831.

(Expressed in Canadian Dollars)

19. Share capital (continued)

b) Common shares issued (continued)

2018 (continued)

Private placements (continued)

(vii) On October 25, 2018, the Company repurchased an aggregate principal amount of $150,000 of 5% convertible senior secured debentures and 1,951,000 common shares for total consideration of $440,506 and $838,930, respectively.

(viii) On October 29, 2018, the Company issued 56,800 common shares and 28,400 common share purchase warrants to a consultant of MVC in satisfaction of debt owed to the consultant, amounting to $24,999. Each whole warrant is exercisable to purchase one common share of MVC at a price of $0.50 for a period of two years from issuance.

(ix) In relation to 2018 private placements, the Company paid cash issuance costs of $151,586 and issued broker warrants valued at $32,126, the total of which was allocated to shares and warrants on a pro-rata basis based on their relative fair values.

Warrants

A summary of the warrant activity for the years ended December 31, 2019 and 2018 is as follows:

As more fully described under "Private Placements", in conjunction with private placements during the year ended December 31, 2019, the Company issued 2,566,669 common share purchase warrants with an exercise price of $0.80 and 26,040 broker warrants, for the purchase of units, with an exercise price of $0.80.

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2017	**9,140,632**	**0.38**
Granted	5,379,897	0.50
Repurchased	(973,349)	0.50
Balance, December 31, 2018	**13,547,180**	**0.42**
Granted upon RTO of CB2 (note 5)	151,515	1.65
Granted	2,592,710	0.80
Exercised	(760,686)	(0.50)
Balance, December 31, 2019	**15,530,719**	**0.56**

(Expressed in Canadian Dollars)

19. Share capital (continued)

b) Common shares issued (continued)

At December 31, 2019, a summary of warrants outstanding and exercisable is as follows:

Outstanding warrants

Range of exercise prices	Number Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Life (years)
< $0.20	3,699,450	$	0.20	0.83
$0.41 - $0.50	9,087,044		0.49	0.27
$0.8	2,592,710		0.80	2.12
$1.65	151,515		1.65	0.67
	15,530,719	$	0.56	0.76

Options

On January 23, 2019, the Company granted an aggregate of 485,000 options to employees, directors and consultants. These options are exercisable over a period of 1-5 years from the date of grant with exercise prices ranging from $0.44 - $0.50, vesting over 4 years for employees and immediately for directors and consultants.

A summary of the option activity for the years ended December 31, 2019 and 2018 is as follows:

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2017	**3,168,240**	**0.02**
Granted	5,482,581	0.38
Expired	(22,680)	0.02
Exercised	(2,702,273)	0.01
Balance, December 31, 2018	**5,925,868**	**0.36**
Granted upon RTO of CB2 (note 5)	666,060	0.39
Granted	485,000	0.47
Exercised	(355,560)	0.05
Balance, December 31, 2019	**6,721,368**	**0.38**

At December 31, 2019, a summary of stock options outstanding and exercisable is as follows:

Range of exercise prices	Number outstanding	Weighted average Exercise Price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
$0.15	1,123,332	$0.15	3.27	348,333	$0.15
$0.17	363,030	$0.17	1.51	363,030	$0.17
$0.41 - $0.44	4,446,976	$0.43	6.53	1,548,542	$0.41
$0.44 - $0.50	485,000	$0.48	2.17	230,000	$0.50
$0.66	303,030	$0.66	1.74	-	$0.66
	6,721,368	$0.38	5.18	2,489,905	$0.36

(Expressed in Canadian Dollars)

19. Share capital (continued)

b) Common shares issued (continued)

The fair value of the 5,482,581 stock options issued in 2018 totaled $1,712,008. The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 1.85% - 1.96%, weighted average volatility of 144%, expected life of 6.53 years, and 0% dividend yield. The forfeiture rate is estimated to be 0%.

The fair value of the 485,000 stock options issued during the year ended December 31, 2019 totaled $108,517 The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 1.57% - 1.85%, volatility of 144.32%, expected life of 1 to 5 years, and 0% dividend yield.

During the year ended December 31, 2019, $1,120,813 has been recognized as an expense for the options vested during the period.

20. Financial Instruments and Risk Management

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on cash in bank, trade and other receivables and receivable from related party as at December 31, 2019 and 2018. The bank balances are deposited with high credit rated banks, therefore the credit risk is limited. The Company has established procedures to manage credit exposure including credit approvals and credit limits. These procedures are mainly due to the Company's internal guidelines.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and exchange rates. The expected timing of consolidated cash flows relating to financial liabilities as at December 31, 2019, is as follows:

	Less than 1 year ($)	1-3 years ($)	Total ($)
Accounts payable and accrued liabilities	1,849,115	-	1,849,115
Payable to related parties	24,840	-	24,840
Promissory note payable	4,003,465	-	4,003,465
Contingent consideration payable	566,318	-	566,318
Lease liabilities	769,570	883,441	1,653,011
	7,213,308	**883,441**	**8,096,749**

20. Financial Instruments and Risk Management (continued)

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the revenues and costs that the Company earns and incurs in its operations.

The Company's presentation currency is the Canadian dollar and the Company's subsidiary operates in the United States and therefore a majority of revenues are earned in US dollars. The Company also holds US dollar denominated debt. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. The Company's net monetary position in the US dollar as of December 31, 2019 is summarized below with the effect on earnings before tax of a 10% fluctuation of the US dollar to the Canadian dollar:

	Net Monetary Asset (Liability) Position December 31, 2019 (CA$ equivalent)	Impact of 10% variance Exercise Price ($)
US dollar	(4,337,877)	(433,788)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

Fair value

The fair value of the Company's financial instruments approximates carrying value due to their short-term nature and/or carrying market rates of interest.

Contingent consideration relating to the Company's purchase acquisitions [notes 6, 7 and 8] is $566,318 based on expectations of amounts due.

There were no transfers to or from any level of the fair value hierarchy during the years ended December 31, 2019 or 2018.

(Expressed in Canadian Dollars)

20. Financial Instruments and Risk Management (continued)

Fair value (continued)

The following tables illustrate the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2019 and December 31, 2018:

As at December 31, 2019 - (Liabilities, at fair value)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
Promissory note payable	$ -	$ -	$ 4,003,465	$ 4,003,465
Purchase consideration payable	-	-	566,318	566,318

As at December 31, 2018, no financial instruments were classified at FVTPL.

Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net change in unrealized gains is recognized in the statements of loss.

Promissory note payable	Opening balance	Addition	Repaid during the year	Fair valuation impact	Foreign exchange impact	Closing balance
December 31, 2019	$ -	$ 4,056,298	$ (243,947)	191,114	$ -	$ 4,003,465

NJAM closing liability	Opening balance	Addition	Repaid during the year	Fair valuation impact	Foreign exchange impact	Closing balance
December 31, 2019	$ -	$ 543,278	$ (122,148)	(96,098)	$ 19,346	$ 344,378

ROSH closing liability	Opening balance	Addition	Repaid during the year	Fair valuation impact	Foreign exchange impact	Closing balance
December 31, 2019	$ -	$ 472,158	$ (265,070)	(61,932)	$ 76,784	$ 221,940

(Expressed in Canadian Dollars)

20. Financial Instruments and Risk Management (continued)

Fair value (continued)

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

December 31, 2019

Description	Valuation technique	Fair value	Unobservable inputs
Promissory note payable	Monte Carlo simulation	$ 4,033,465	(i)
Purchase consideration payables - NJAM	Monte Carlo simulation	344,378	(i)
Purchase consideration payables - ROSH	Monte Carlo simulation	221,940	(i)

(i) Please refer to the assumptions used in the tables of sensitivity analysis below.

As the valuation of financial instruments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

Key assumptions and sensitivities of Level 3 financial instruments are shown as follows:

A 5% change in the following assumptions will have the following impact on the fair value of promissory note:

	Original	+5%	-5%
Share price volatility	$ 4,003,465	$ 4,002,813	$ 4,004,340
Discount rate	4,003,465	3,984,029	4,023,125

A 5% change in the following assumptions will have the following impact on the fair value of consideration payable for NJAM:

	Original	+5%	-5%
Asset volatility	$ 344,378	$ 337,462	$ 337,522
Revenue forecast	344,378	344,714	330,986
Discount rate (cash coupon)	344,378	337,983	337,805

A 5% change in the following assumptions will have the following impact on the fair value of consideration payable for ROSH:

	Original	+5%	-5%
Share price volatility	$ 221,940	$ 217,585	$ 226,296
Asset volatility	221,940	230,478	213,403
Revenue forecast	221,940	226,499	217,382
Discount rate (shares)	221,940	221,438	222,443

(Expressed in Canadian Dollars)

21. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves ($1,387,333 and $5,849,478 as at December 31, 2019 and December 31, 2018, respectively).

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.

22. Related party disclosures

Transactions with key management personnel

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

		2019		2018
Salary and short-term employee benefits	$	448,000	$	463,641
Share based compensation		405,061		379,789
	$	853,061	$	843,430

Receivables from related party $nil (2018 - $50,000) comprise amounts advanced to CB2 in relation to public listing expenses. Payable to related party $24,840 (2018- $nil) comprise of short-term loan from shareholders carrying an interest rate of 8%.

(Expressed in Canadian Dollars)

23. Segmented information

The Company has two reportable segments related to its software and clinic businesses which also align with the two countries in which it operates, namely, United States and Canada. Corporate costs are included in the Canadian segment. The disclosure with regards to the Company's aforementioned segments and locations are listed below:

Year ended December 31, 2019	USA (Clinics)	Canada (Software)	Total
Revenue	$ 13,278,075	$ 145,672	$ 13,423,747
Cost of sales	4,100,672	-	4,100,672
Gross profit	9,177,403	145,672	9,323,075
Total operating expenses	11,863,957	6,743,669	18,607,626
Income (loss) from operations	(2,686,554)	(6,597,997)	(9,284,551)
Foreign exchange loss	-	266,422	266,422
Reverse takeover transaction cost	-	807,995	807,995
Change in fair value	(158,030)	587,368	429,338
Accretion on convertible debentures	-	28,632	28,632
Interest on lease liabilities	201,990	10,325	212,315
Gain on debt settlement	-	(166,311)	(166,311)
Net loss before income tax	(2,730,514)	(8,132,428)	(10,862,942)
Income tax expense	111,510	-	111,510
Net income (loss)	$ (2,842,024)	$ (8,132,428)	$ (10,974,452)

As at December 31, 2019	USA (Clinic)	Canada (Software)	Total
Non-current assets	$ 7,985,915	$ 996,140	$ 8,982,055
Total assets	$ 7,834,183	$ 1,649,899	$ 9,484,082
Total liabilities	$ 2,814,005	$ 5,282,744	$ 8,096,749

(Expressed in Canadian Dollars)

23. Segmented information (continued)

Year ended December 31, 2018	USA (Clinic)	Canada (Software)	Total
Revenue	$ 10,739,645	$ 28,366	$ 10,768,011
Cost of sales	2,862,749	-	2,862,749
Gross profit	7,876,896	28,366	7,905,262
Total operating expenses	7,842,358	2,934,939	10,777,297
Income (loss) from operations	34,538	(2,906,573)	(2,872,035)
Interest and bank charges	245,107	4,201	249,308
Foreign exchange loss	-	302,151	302,151
Accretion on convertible notes	-	349,863	349,863
Net loss before income taxes	(210,569)	(3,562,788)	(3,773,357)
Income taxes recovery	(116,613)	-	(116,613)
Net loss	$ (93,956)	$ (3,562,788)	$ (3,656,744)

As at December 31, 2018	USA (Clinic)	Canada (Software)	Total
Non-current assets	$ 9,132,781	$ 853,292	$ 9,986,073
Total assets	$ 8,530,452	$ 2,363,151	$ 10,893,603
Total liabilities	$ 168,244	$ 4,875,881	$ 5,044,125

24. Subsequent events

(i) Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada and the USA, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

At this time, there is no material impact on the Company's operations and financial results as the Company has determined that these events are non-adjusting subsequent events. Accordingly, the consolidated balance sheet and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, including the closure of non-essential businesses for an undetermined period of time, remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidated financial position and results of the Company for future periods.

(ii) On January 6, 2020, the Company signed an amended agreement with the previous owners of NJAM, whereby all contingent earn-out payments were removed in exchange for issuance of 2,500,000 common shares in the Company valued at $0.14 per share amounting to $350,000.

(iii) During January 2020, shareholders exercised 4,595,700 warrants at a price of $0.09 per share.

24. Subsequent events (continued)

(iv) On January 26, 2020, the following shares and options were issued:

- 675,000 valued at $0.14 each issued to Directors as compensation for their services.
- 300,000 shares valued at $0.14 and 500,000 options exercisable at $0.09 issued to a consultant for their services
- 1,248,460 shares valued at $0.10 issued to CEO and President in lieu of accrued compensation to date
- 263,667 shares valued at $0.105 issued to settle accounts payable for services rendered

(v) On January 28, 2020, the Company issued 1,218,756 shares in settlement of interest accrued on Merida Note II for the quarter ended December 31, 2019.

(vi) On April 4, 2020, the Company issued:

- 882,978 shares valued at US$0.085 (30 day VWAP of the Company's share price) to the previous owners of ROSH on achievement of the third milestone.
- 87,889 shares valued at $0.09 issued to settle accounts payable for services rendered
- 1,213,443 shares in settlement of interest accrued on Merida Note II for the quarter ended March 31, 2020.
- 7,113 shares issued to related parties as settlement on interest due loan provided to the Company.
- 313,750 shares valued at $0.08 issued to CEO and President in lieu of accrued compensation.
- 422,535 common shares of the Company be issued to a consultant representing $30,000 at a price of $0.071 per share, being the 15- day VWAP price on the date of issuance
- 2,060,777 options exercisable at $0.081 to employees. All options vest as to ¼ upon grant, ¼ after 1 year, ¼ after the second year and ¼ after the third year anniversaries. These options expire on April 17, 2025.

(vii) In April 2020, The Company qualified for relief funds in the United States due to the COVID-19 Pandemic. Total funds of USD $642,500 were received to support payroll and rent relief efforts.

(viii) In June 2020, the Company entered into an amended and restated promissory note (the "Amended Note"), which amends the terms of a promissory note originally issued by the Company on December 20, 2018 and amended on June 2019. Under the terms of the Amended Note, the principal amount of USD $3 million will become payable on December 24, 2022 (previously due December 24, 2020), carry an annual interest rate of 8% (previously 12%), payable, at the Company's option, either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares will be calculated at a price per share equal to a 10% discount to the 30-day volume weighted average trading price of the Company's common shares on the CSE. Additionally, if at any time prior to the maturity date, the closing price of the Company's common shares on the CSE is equal to or greater than CAD $0.30 for 20 consecutive trading days, then the outstanding amounts owed under the Amended Note will be converted into that number of common shares obtained by dividing (A) the Canadian dollar equivalent of the sum of

- the principal amount of USD $3 million and
- the unpaid accrued interest owing up to the conversion date, by (B) the volume-weighted average closing price of the Company's common shares on the CSE during such 20 consecutive trading day period, less a discount of 10%.

The Amended Note is effective as of April 1, 2020. As consideration for the amendments, the Company issued warrants entitling the holder to purchase up to 3 million common shares at an exercise price of CAD $0.14 per common share during the period commencing on the first anniversary of date of issuance of the warrants and ending three years from such issuance date.