Consolidated Financial Statements
(Expressed in United States Dollars)

RADIKO HOLDINGS CORP.

(formerly International Cannabrands Inc.)

For the three and nine months ended
September 30, 2020 and 2019
(Unaudited)

Radiko Holdings Corp. (formerly International Cannabrands Inc.)
Consolidated Financial Statements for the three and nine months ended September 30, 2020
(Unaudited- Expressed in United States Dollars)

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Financial Statements

MANAGEMENT'S RESPONSIBILITY

The management of **Radiko Holdings Corp. (formerly International Cannabrands Inc.)** is responsible for the preparation of the accompanying financial statements and the preparation of information in the Annual Listing Statement. The financial statements have been prepared in accordance with International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Company.

Under National Instrument 51-102, Continuous Disclosure Obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The board of directors of **Radiko Holdings Corp. (formerly International Cannabrands Inc.)**, have approved the financial statements.

Steve Gormley
President & CEO, Director
November 30, 2020

Scott Reeves
Director
November 30, 2020

Radiko Holdings Corp. (formerly International Cannabrands Inc.)
Consolidated Statements of Financial Position
(Unaudited- Expressed in United States Dollars)

	Notes		As at September 30, 2020		As at December 31, 2019
ASSETS					
Current Assets					
Cash and cash equivalents	6	$	390,262	$	231,923
Trade and other receivables	7		201,527		101,566
Inventories	8		661,602		781,952
Prepaid expenses and deposits			8,925		23,002
Total current assets			1,262,316		1,138,443
Non-current Assets					
Investment in Riotus SODO LLC	9		375,000		375,000
Note receivable	15		34,273		33,792
Property, plant and equipment	11		2,550,745		400,325
Intangible assets- La Vida Verde, Inc.	12		702,708		-
Intangible assets- BioNeva Innovations ol Carson City LLC and related entities	12		696,717		-
Goodwill	12		926,398		-
Total non-current assets			5,285,841		1,579,117
Total Assets		$	6,548,157	$	2,717,560
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	13	$	2,455,668	$	1,201,508
Notes payable	15,16		1,312,064		2,032,066
Current portion of lease liability	14		143,871		82,253
Derivative liability	18		815,910		1,174,578
Total current liabilities			4,727,513		4,490,405
Non-current Liabilities					
Note payable	15,16		3,569,131		-
Non-current portion of lease liability	14		206,117		98,748
Deferred income tax liability			120,382		120,382
Total non-current liabilities			3,895,630		219,130
Total Liabilities			8,623,143		4,709,535
EQUITY					
Share capital	17		12,259,866		9,339,531
Additonal paid in capital	17		7,176,049		7,159,792
Accumulated deficit			(21,909,971)		(19,165,850)
Equity attributable to shareholders of parent			(2,474,057)		(2,666,527)
Non controlling interest - La Vida Verde, Inc.	17		399,070		674,552
Total equity (deficit)			(2,074,986)		(1,991,975)
Total Liabilities and Equity (Deficit)		$	6,548,157	$	2,717,560

Approved on behalf of the Board:

"*Steve Gormley*" Director   "*Scott Reeves*" Director

The accompanying notes form an integral part of these consolidated financial statements

Radiko Holdings Corp. (formerly International Cannabrands Inc.)

Consolidated Statements of Changes in Equity (Deficit) (Unaudited- Expressed in United States Dollars)

	Common Stock		Preferred Stock		Compensation			
	No. of Shares	Share Capital	No. of Shares		Additional Paid in Capital)ens(	Accumulated Deficit	Non-Controlling Interest	Total Equity (Deficit)
Balance - December 31, 2017	71,480,379	$ 645,774	1,634,939	$ -	$ 1,216,180	$ (2,553,136)	$ -	$ (691,182)
Units issued in a private placement , net of cash issuance costs	71,160,804	4,084,091	-	-	-	-	-	4,084,091
Reallocation of warrants issued to derivative liability	-	(1,371,753)	-	-	-	-	-	(1,371,753)
Shares issued to brokers for share issuance costs	2,131,000	-	-	-	-	-	-	-
Warrants issued to brokers for share issuance costs	-	-	-	-	43,127	-	-	43,127
Shares issued from the conversion of preferred shares	72,266,817	-	(722,668)	-	-	-	-	-
Shares issued for the exercise of stock options	120,001	29,607	-	-	(17,700)	-	-	11,907
Shares issued for services	3,025,000	379,842	-	-	-	-	-	379,842
Share-based payments	-	-	-	-	4,085,004	-	-	4,085,004
Warrant exercises	10,178,708	857,557	-	-	-	-	-	857,557
Cancellation of shares	(24,630,405)	-	(912,271)	-	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	-	-	(5,965,110)	-	(5,965,110)
Balance- December 31, 2018 (Restated - Note 25)	205,732,304	4,625,118	-	-	5,326,611	(8,518,246)	-	1,433,483
Units issued in a private placement, net of cash issuance costs	65,283,852	3,610,002	-	-	-	-	-	3,610,002
Reallocation of warrants issued to derivative liability	-	(1,464,786)	-	-	-	-	-	(1,464,786)
Shares issued to finders	5,814,000	-	-	-	-	-	-	-
Warrants issued to finders for share issuance costs	-	(266,620)	-	-	266,620	-	-	-
Shares issued for the exercise of stock options	1,175,000	77,637	-	-	(77,637)	-	-	-
Shares issued for services	25,839,315	1,048,257	-	-	-	-	-	1,048,257
Share-based payments	-	-	-	-	1,644,198	-	-	1,644,198
Shares issued in acquisition - La Vida Verde, Inc.	25,225,161	1,588,133	-	-	-	-	6,329,775	7,917,908
Warrant exercises	5,337,130	121,790	-	-	-	-	-	121,790
Net loss for the year ended December 31, 2019	-	-	-	-	-	(10,647,604)	(5,655,223)	(16,302,827)
Balance- December 31, 2019	334,406,762	9,339,531	- -	-	7,159,792	(19,165,850)	674,552	(1,991,975)
Units issued in a private placement, net of cash issuance costs	15,911,000	486,206	-	-	-	-	-	486,206
Warrant exercises	5,000,000	187,914	-	-	-	-	-	187,914
Issuance of shares for acquisition	28,805,840	617,333	-	-	-	-	-	617,333
Issuance of shares for acquisition- redeemable common stock	17,727,861	-	-	-	-	-	-	-
Shares issued for services	43,458,102	1,628,882	-	-	-	-	-	1,628,882
Share-based payments	-	-	-	-	16,257	-	-	16,257
Net loss for the nine months ended September 30, 2020	-	-	-	-	-	(2,744,121) #	(275,482)	(3,019,603)
Balance- September 30, 2020	445,309,565	12,259,866	-	-	7,176,049	(21,909,971)	399,070	(2,074,986)

The accompanying notes form an integral part of these consolidated financial statements

Radiko Holdings Corp. (formerly International Cannabrands Inc.)
Consolidated Statements of Comprehensive Loss
(Unaudited- Expressed in United States Dollars)

	Notes	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenue		$ 984,395	$ 1,490,850	$ 2,531,365	$ 4,553,305
Cost of sales	8	669,657	1,398,654	2,082,152	5,022,247
Gross profit (loss)		314,738	92,196	449,213	(468,942)
Operating expenses	19	884,131	6,081,227	5,091,031	11,421,607
Loss before other items		(569,393)	(5,989,031)	(4,641,818)	(11,890,549)
Other items:					
Interest expense, net		(20,358)	(8,091)	(42,844)	(77,826)
Foreign exchange		3,562	11,103	1,017	(39,970)
Gain on debt settlement	12	-	-	1,141,572	-
Change in fair value of derivative liability	18	153,279	-	522,471	-
Total other items		136,483	3,012	1,622,216	(117,796)
Loss before income tax		(432,910)	(5,986,019)	(3,019,602)	(12,008,345)
Income taxes					
Current income tax expense		-	37,677	-	(135,943)
Net loss and comprehensive loss		$ (432,910)	$ (5,948,342)	$ (3,019,602)	$ (12,144,288)
Net loss attributable to					
Shareholders		(394,662)	(4,442,695)	(2,744,121)	(13,957,896)
Noncontrolling interest	17	(38,248)	(1,505,647)	(275,481)	1,813,608
		$ (432,910)	$ (5,948,342)	$ (3,019,602)	$ (12,144,288)
Basic and diluted loss per common share		$ (0.00)	$ (0.02)	$ (0.01)	$ (0.04)
Weighted average number of common shares oustanding		441,278,565	291,292,812	408,831,214	275,423,696

The accompanying notes form an integral part of these consolidated financial statements

Radiko Holdings Corp. (formerly International Cannabrands Inc.)
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	For the Nine Months Ended September 30,			
		2020		2019
OPERATING ACTIVITIES				
Net loss	$	(3,019,602)	$	(10,330,681)
Items not affecting cash:				
Amortization of property and equipment		218,818		41,170
Amortization of intangible assets		160,504		2,701,323
Share-based payments		16,257		1,189,820
Issuance of shares for services		1,816,796		950,227
Change in fair value of derivative liability		(392,305)		-
Gain on debt settlement		(1,141,572)		-
Accrued interest on notes receivable		(481)		-
Accrued interest on notes payable		-		61,213
Impairment- DB3 Management LLC		470,325		-
Impairment- Investment in La Vida Verde, Inc. (Note 10)		-		3,000,000
Impairment- Investment in Riotus SODO LLC (Note (9)		-		125,000
Noncontrolling interest in La Vida Verde, Inc. (Note 10)		-		(1,470,000)
Changes in non-cash working capital items:				
(Increase) decrease in trade and other receivables		(114,961)		(105,616)
Decrease in inventories		115,350		66,516
Decrease (increase) in prepaid expenses and deposits		14,077		(80,162)
Increase in accounts payable and accrued liabilities		1,269,946		155,023
Change in right of use asset		160,518		53
Cash (used in) provided by non-controlling interest		(200,000)		163,483
Net cash used in operating activities		(626,330)		(3,532,631)
INVESTING ACTIVITIES				
Acquisition of La Vida Verde, Inc.		-		252,253
Cash acquired in acquisition of La Vida Verde, Inc.		-		925,704
Purchase of property and equipment		(63,174)		(274,759)
Cash acquired in acquisition		26,348		-
Net cash (used in) providing by investing activities		(36,826)		903,198
FINANCING ACTIVITIES				
Promissory notes issued		375,000		-
Promissory notes repaid		-		(1,010,000)
Proceeds from issuance of shares and units		519,843		3,282,015
Payment of leases		(73,347)		-
Warrant exercises		-		72,276
Net cash provided by financing activities		821,496		2,344,291
Cash and cash equivalents		158,340		(285,142)
Cash and cash equivalents, beginning of the year		231,923		670,894
Cash and cash equivalents, end of the year	$	390,262	$	385,752
Supplemental disclosure of cash flow information:				
Income taxes paid	$	-	$	-
Interest paid	$	-	$	-
Supplemental schedule of non-cash financing activities				
Issuance of shares for acquisition of La Vida Verde, Inc.	$	- #	$	1,590,336
Net assets (liabilities) acquired	$	(4,308,456)	$	-
Notes issued for acquisition	$	3,550,000	$	-
Shares issued for acquisiition	$	620,833	$	-
Redeemable common stock payable	$	319,131	$	-

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

1. NATURE OF BUSINESS AND GOING CONCERN

Business Description

Radiko Holdings Corp., formerly International Cannabrands Inc. (the "**Company**") was incorporated under the provisions of the Business Corporations Act in the Province of Alberta on May 3, 2011. The common shares of the Company are listed and posted for trading on the Canadian Securities Exchange and currently trade under the symbol RDKO. The Company's head office is located at PO Box 13039, Des Moines WA 98198. The Company operates at 12655 W Jefferson Blvd, Los Angeles, CA, 90066.

On September 18, 2019, the Company ceased any further funding for the development of the Julian Marley JuJu Royal brand. This decision was based on the current cost for the use of Julian Marley's image and name, coupled with the royalty arrangement, made it difficult for the brand to reach profitability. The Company cut costs by closing down its Denver office and all personnel working on the brand resigned. On October 5, 2019, the license agreement for the JuJu Royal brand was terminated (See Note 25 (b)).

On January 3, 2019, pursuant to an agreement dated September 19, 2018, the Company completed the acquisition of 51% of La Vida Verde, Inc. ("**La Vida Verde**" or "**LVV**"), a licensed cannabis product manufacturer and distributor based in Santa Cruz, CA (see Note 10). The transaction was at arm's length. LVV is a U.S. focused, consumer packaged goods (CPG) company operating in the cannabis industry. LVV holds a manufacturing license issued by the California Department of Public Health and a distribution license issued by the California Bureau of Cannabis Control. Following a legal dispute in 2019, the Company entered into a settlement and withdrawal of the respective legal actions on April 21, 2020 (see Note 10). The settlement agreement confirmed the Company's 51% ownership interest of LVV and the Company renewed its commitment to invest a total of US$700,000 in the capital of LVV (the "**Capital Investmen**t") over an agreed period, with the final payment US$300,000 to be made by September 30, 2020. In lieu of the outstanding notes of US$1.2 million due to LVV shareholders, the shareholders of LVV agreed to obtain this compensation as a percentage of LVV's future earnings as cash flow permits. As security for the payment of the Capital Investment, the Company agreed to pledge approximately 16% of shares of ownership of LVV as security. As of September 30, 2020, the Company had funded working capital of $200,000 and owed $500,000. As of the date hereof, the LVV shareholders have not exercised any rights on the pledged shares.

On April 13, 2020, the Company announced that it had unveiled a new name, new logo and new ticker symbol as part of a rebranding initiative. On April 24, 2020, the Company announced the launch of a new immunity-focused product for it in-house brand "baseline".

On May 10, 2020, the Company completed a transaction with BioNeva Innovations of Carson City, LLC ("**BioNeva**"), Sierra Superfoods, LLC ("**Sierra**") and DB3 Management, LLC ("**DB3**"), private Nevada limited liability corporations (collectively, the "**Carson City Operation**"). Bob Yosaitis, a director of the Company, held 25.3% in BioNeva, a 25.3% interest in Sierra and a 40% interest in DB3, and therefore the transaction is considered to involve a related party. The Company acquired Sierra and DB3, as well as the right to acquire BioNeva. The Company issued an aggregate of 28,805,840 common shares and obtained a vendor take-back loan with a principal amount of US$3.25 million (the "**VTB Loan**"). The VTB Loan bears interest at the rate of 5% per annum and the principal amount is payable in a lump sum payment due on December 31, 2024. The VTB is secured by a pledge of the various LLC interests acquired, as well as over the assets of Sierra. There are no principal or interest payments on the VTB Loan for the first two years, after which point interest only is payable quarterly through the issuance of common shares of the Company at a price equal to the volume-weighted average closing price of the common shares for the 20 trading days prior to each quarterly interest payment date. The Nevada Department of Taxation, the entity that regulates the cannabis industry in Nevada, announced on October 17, 2019, that it had implemented an extended review process and that it would not be processing any existing or new applications that relate to the transfer of licenses and change of ownership/interests while the extended review is in place. The acquisition of BioNeva will be completed as soon as practicable following termination of the extended review period.

The Company entered into an agreement to purchase approximately one acre of land on which the Carson City Operation resides, as well as a right of first refusal on an adjoining one acre parcel in Carson City, NV, that will provide the opportunity for further expansion of the operation as growth demands. The Company issued 17,727,861 common shares and agreed to pay US$150,000 in cash over six months starting July 15, 2020. The common shares will remain in escrow until the final payment is received by the vendors. The payments of US$150,000 have been deferred.

On May 19, 2020, the Company announced that a management agreement had been signed with LVV relating to the Carson City Operation effective immediately. The management agreement with LVV is currently inactive and the Company expects to terminate the agreement in Q4 of 2020. On November 1, 2020, the Company entered into a Management Agreement with Angler Industries LLC, a California limited liability company and an entity affiliated with Jeff Malinovitz and Clyde Story. The Cultivator will play a key role in managing the multi-phased expansion, overseeing genetics selection and overall cultivation operations, as well as manufacturing, marketing and sales of final product of the expanded facility.

The Company held its annual general meeting on June 29, 2020, whereby the necessary shareholder approval of the name change to Radiko Holdings Corp. was obtained, and the Company elected two new Board members at the AGM – Renee Gagnon and Gregory Ross in addition to the re-election of the existing Board members. Both Mr. Ross and Ms. Gagnon bring tremendous cannabis-related experience and resources to the Company and will be a critical part of the Company's future growth.

Going Concern

The consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the nine months ended September 30, 2020, and the year ended December 31, 2019, the Company incurred a net loss of $3,019,602 and $16,302,827, respectively. As at September 30, 2020, the Company has a working capital deficit of $3,465,197 and an accumulated deficit of $21,909,971. These factors form a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern.

Management expects losses to lessen moving forward into the foreseeable future as it continues to develop and commercialize its products and generate additional revenues from sales though BioNeva and LVV. The Company has funded its current cash needs primarily through private placements of equity to investors. The Company anticipates addressing future financial requirements through the additional issuance of equity and/or debt from public capital markets. The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due, is dependent upon the Company's ability to obtain the ongoing support of its lenders, investors, obtain profitable operations, and raise additional capital.

The Company derives its revenues from the cannabis industry in the State of California and Nevada, USA and the cannabis industry remains illegal under US federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S., it assumes certain risks due to conflicting state and federal laws.

Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the California and Nevada State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Boards ("**IASB**").

The Board of Directors approved the consolidated financial statements on November 30, 2020.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The consolidated financial statements are prepared at the year ended date of the Company's financial statements. In the consolidated statements of comprehensive loss, consolidated statements of financial position, consolidated statements of cash flows, and consolidated statements of changes in equity (deficit), certain items are combined for the sake of clarity. These are explained within the notes. The consolidated statement of comprehensive loss is prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Company. The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods produced in that process. Trade and other receivables and payable, claims for tax refunds, tax liabilities and inventories are always presented as current items; deferred tax assets and liabilities, if any, are presented as non-current items. Provisions, debt and other liabilities are shown between current and non-current.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The financial transactions of subsidiaries are included in the consolidated financial statements from the date control is obtained. Intercompany balances, transactions, income, and expenses are eliminated and gains or losses on intercompany transactions are eliminated.

Where the Company does not own 100% of the subsidiary or associate, non-controlling interest is classified as a component of equity. The accounting policies of subsidiaries are the same as those of the Company.

	Principal Subsidiaries	June 30, 2020	December 31, 2019	Country of incorporation	Country of incorporation
(i)	LVV Holding Company	100%	100%	United States	United States
(ii)	ICL Finance Inc.	100%	100%	Canada	Canada
(iii)	Radiko, Inc.	100%	100%	United States	United States
(iv	Rasta Puppy LLC	Dissolved	100% indirect through Radiko, Inc.	United States	United States
(v)	Floral Wellness, LLC	100% indirect through Radiko, Inc.	100% indirect through Radiko, Inc.	United States	United States
(vi	Radiko Holdings, Inc.	100%		United States	United States
(vi	RDKO Nevada, Inc.	100%		United States	United States
(vi	La Vida Verde, Inc.	51% indirect through LVV Holding Cmpany Ltd.	51% indirect through LVV Holding Cmpany Ltd.	United States	United States

The Company has the following wholly owned subsidiaries:

(i) LVV Holding Company Ltd is a Nevada holding company formed on September 19, 2018 for the acquisition of 51% of La Vida Verde, Inc.;
(ii) ICL Finance Inc. is an Alberta management and administration company formed on November 8, 2018 for banking purposes;
(iii) Radiko, Inc. (formerly International Cannabrands Ltd.) is a Nevada cannabis distribution company formed on September 21, 2017; and

(iv) Rasta Puppy LLC is a holding based in Nevada. It is a limited liability company formed on March 2, 2018. This entity is inactive and was dissolved on February 2020.
(v) Floral Wellness, LLC It is a limited liability company formed in the state of Washington on December 12, 2019.
(vi) Radiko Holdings, Inc. is a Nevada holding company formed on April 24, 2020.
(vii) RDKO Nevada, Inc. was formed on May 8, 2020 and holds the Company's interest in the following that were acquired on May 10, 2020:
Sierra Super Foods, LLC (100%), a Nevada LLC that is a greenhouse and equipment owner.
BioNeva Innovations of Carson City LLC, a Nevada LLC that holds a cultivation license in Nevada.
DB3 Management, LLC, a Nevada LLC that manages the Carson City Operation.
(viii) On January 3, 2019, the Company acquired a total 51% ownership (see Note 10) and control of:

La Vida Verde, Inc., a California company formed on December 7, 2017 and involved in manufacturing and distribution of cannabis products.

Functional and Presentation Currency

The consolidated financial statements of the Company are presented in United States dollar which is the functional currency of the Company and its subsidiaries is the United States dollar.

The functional currency of the Company and its subsidiaries has been determined based on the consideration of the economic factors that primarily influence the Company's revenues and the costs of its business operation. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

Foreign currency transactions that are in a different currency other than the United States dollar are recorded at the exchange rate as at the date of the transaction and are recorded as follows:

(i) Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recorded in foreign exchange gain/loss in the statement of loss and comprehensive loss;

(ii) Non-monetary items are translated at historical exchange rates; and

Expense items are translated at the average rates of exchange with any gains or losses recognized within foreign exchange gain/loss in the statement of loss and comprehensive loss.

Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of comprehensive loss items translated at actual and average rates, are recognized in accumulated other comprehensive loss. On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference is recognized in the statement of comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

The Company is accounting for revenues under IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**"). Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

IFRS 15 established a five-step model to account for revenue arising from contracts with customers. The Company recognizes revenues on product sales when the performance obligations relating to the sale of its products are satisfied.

Through its ownership in LVV, the Company earns revenues from manufacturing and sale of cannabis products. Revenue is recognized at the point in time when control over the goods has been transferred to the customer. For cannabis products sales, the Company satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

Through its subsidiary in California, Radiko, Inc., the Company also derives revenue from product sales in accordance with distribution agreements. The distribution agreement gives the customer the right to use the trademark in conjunction with the use, marketing, selling and distribution of the branded products. Revenue for product sales under distribution agreements is recognized when products are shipped to the customer.

Revenue is recognized when there is evidence of arrangement, the amount is fixed or determinable, and collection is reasonably assured and is recorded net of discounts or sales incentives. Amounts received prior to the shipment of products are recognized as deferred revenue in the year received and recorded as revenue when the products are shipped and the above criteria is met.

(b) Cash and Cash Equivalents and Cash Flows

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. The Company uses the indirect method of reporting cash flow from operating activities.

(c) Inventories

Inventories consist of cannabis recreational products, extracts, and concentrates. Inventories are valued at the lower of cost and net realizable value. Cost includes the cost of purchase net of vendor allowances plus other costs, such as direct labour, amortization of equipment and manufacturing licenses, transportation costs that are directly incurred to bring the inventory to their present location and condition. The Company uses the first-in-first-out method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

(d) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive loss as incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income (expenses) in the statement of comprehensive loss.

Depreciation is calculated based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then the component is depreciated separately.

Depreciation is recognized in statement of comprehensive loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case it is depreciated over the useful life. Depreciation is provided for using the following methods and annual rates:

Machinery and equipment: 3-7 years and straight-line
Furniture and fixtures: 3 years straight-line
Leasehold improvements: 7-15 years straight line

The Company assesses at each year-end the useful lives and residual values of all property, plant and equipment and changes its estimates if required.

(e) Intangible Assets

Intangible assets consist of Juju License agreement and intangibles acquired on acquisition of LVV (Note 10) and the Carson City Operation (Note 10): distribution and manufacturing licenses, brands and customer relationships.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Certain internally generated intangible assets are capitalized, as they meet the criterion under IAS 38.

Intangible assets have a finite life and are amortized using the straight-line method over their estimated useful lives. The useful lives of the intangible assets are reviewed at least annually.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The useful lives of the Company's intangible assets are as follows:

Distribution and manufacturing licenses: 10 years
Brands: 5 years
Customer relationships: 5 years

At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

(f) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – *Income Taxes*. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statement of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closing linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangible assets, property and equipment, and contingent consideration.

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the consolidated statements of comprehensive loss as a bargain purchase gain.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

(g) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired on the date of acquisition less any impairment losses. Goodwill is allocated to the Cash Generating Units ("**CGU**") to which it relates. Goodwill is measured at historical cost and is evaluated for impairment annually and more often if events or circumstances indicate there may be impairment.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(h) Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset or a group of assets (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less disposal costs and its value in use. Where the carrying amount of an asset (CGU) exceeds its recoverable amount, the asset (CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. In determining fair value less costs of disposal, an appropriate valuation model is used. The Company has cash generating units which impairment could be tested against.

Impairment losses, if any, of continuing operations are recognized in the statement of comprehensive loss in those expense categories consistent with the function and nature of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the non-financial asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in the statement of comprehensive loss.

(i) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current Income Tax

Current income tax assets and liabilities for the respective and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

- Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in the subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

Sales Tax

Revenues, expenses, liabilities and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included.

- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Financial Instruments

Financial instruments are accounted for in accordance with IFRS, "*Financial Instruments: Classification and Measurement*". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of equity instrument of another entity.

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("**FVOCI**"); or (iii) fair value through profit or loss ("**FVTPL**"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The 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.

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

Impairment of Financial Assets

IFRS 9 uses the expected credit loss ("**ECL**") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

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

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

Financial Liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and loans payable are classified under other financial liabilities and carried on the statement of financial position at amortized cost. Warrant liability is classified under other financial liabilities and carried on the statement of financial position fair value through profit or loss. At September 30, 2020, the Company classified derivative liability from share purchase warrants with an exercise price in Canadian dollars (see Note 18) as financial liabilities at fair value through profit or loss. As these warrants are exercised, the fair value of the recorded derivative liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire unexercised, the related decrease in derivative liability is recognized in net income.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different; in which case a new financial liability based on the modified terms is recognized at fair value.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

The Company has not entered any derivative financial instruments except for the warrants described in Note 18 and has not applied hedge accounting for the nine months ended September 30, 2020 and 2019.

(k) Leases

At the inception of a contract, the Company assesses whether a contract is or contains a lease. If so, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which consists of:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date
- Any indirect costs incurred
- An estimate of costs to dismantle or remove the underlying asset or to restore the site on which the asset is located
- Any incentives received from the lessor

The Company has elected not to recognize right of use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in ‘property and equipment’ in the statement of financial position.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that the Company incurs relating to the borrowing of funds. For the nine months ended September 30, 2020 and 2019, the Company did not capitalize any borrowing costs.

(m) Stock Based Compensation

Employees and consultants of the Company may receive a portion of their compensation in the form of share based payment transactions, whereby employees or consultants render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’ best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

(n) Share Capital

Financial instruments issued by the Company are classified as share capital only to the extent that they do not meet the definition of a financial liability or financial assets. The Company’s common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new common shares, common share warrants, or options are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. Transaction costs directly attributable to derivative warrants are charged to operations as a finance cost.

Valuation of Equity Units Issued in Private Placements

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

Share Purchase Warrants and Options

The fair value of warrants and options issued by the Company are determined on their issuance date, using the Black-Scholes option pricing model, and are recorded as a component of equity reserves. When the warrants or options are granted as compensation for the receipt of goods or services, they are recorded either as an expense or as a cost, capitalized to share capital or assets, on the same basis as equivalent cash payments.

When share purchase warrants or options are exercised, the cash proceeds and their fair value previously recorded in equity reserves are recorded as share capital.

(o) Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per unit data for its shares. Basic earnings (loss) per unit are calculated by dividing the income (loss) for the period by the weighted average number of shares that are outstanding during the period. Diluted earnings (loss) per unit are calculated using the weighted average number of common and potential shares outstanding during the period. Potential units consist of the incremental units issuable upon the exercise of stock options and warrants using the treasury method. The treasury method assumes that the proceeds from the issuance of potential shares are used to purchase shares at the average market price during the period.

(p) Segment Reporting

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("**CEO**"), being the Chief Operating Decision Marker ("**CODM**"), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

(a) Estimates

(i) Business Combinations

In a business combination all identifiable assets acquired and liabilities assumed are recorded at their fair values. In determining the allocation of the purchase price in a business combination requires management to make certain judgments and estimates about future events, including but not limited to future revenue and future operating costs.

(ii) Fair Value Measurement of Stock Options, Performance Warrants and Broker Warrants

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for stock options, performance warrants and broker warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the stock options and broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options, performance warrants and broker warrants are disclosed in Note 17.

(b) Accounting judgments

(i) Business acquisitions

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Company acquired control of La Vida Verde Inc. on January 3, 2019 (Note 10) and the Carson City Operation on May 10, 2020 (Note 10) which was assessed to be a business combination and it was accounted for under IFRS 3 Business Combinations.

(ii) Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long-term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

(iii) Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

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.

(iv) Deferred Income Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. 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 and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Going Concern

The assumption that the Company will be able to continue as a going concern is subject to significant judgments by management including the Company's short and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning.

(vi) Impairment of Non-financial Assets

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

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

5. RECENT ACCOUNTING STANDARDS

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company adopted IFRS 16 on January 1, 2019. The adoption of IFRS 16 had no impact on the Company's consolidated financial statements as the Company did not have any leases with a lease term of over 12 months at January 1, 2019.

The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption.

The Company has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 *Determining Whether an Arrangement Contains a Lease*. The definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after January 1, 2019.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand in the amount of $390,262 as at September 30, 2020 (December 31, 2019 – $231,923).

7. TRADE AND OTHER RECEIVABLES

Trade receivables are non-interest bearing and are generally on 60 day terms. The aging analysis of trade receivables is as follows:

	September 30, 2020		December 31, 2019	
Trade receivables	$	212,253	$	121,566
Less: Reserve for doubtful accounts		(10,726)		(20,000)
Total trade and other receivables	$	201,527	$	101,566

Provision for uncollectable accounts is provided by using the allowance method based on management estimates and past experience. The reserve for uncollectable accounts was $10,726 and $20,000 and as at September 30, 2020, and December 31, 2019, respectively.

8. INVENTORIES AND COST OF SALES

(a) Inventories

	As at September 30, 2020		As at December 31, 2019	
Raw materials (at cost)	$	291,772	$	418,127
Packaging materials (at cost)		131,454		144,812
Finished goods (at cost)		238,376		304,468
Inventory in production (at cost)		-		14,545
Less: Reserve for impaired inventory		-		(100,000)
Total inventories (lower of cost and NRV)	$	661,602	$	781,952

Inventory expensed in the cost of sales for the nine months ended September 30, 2020, amounted to $1,661,828 (2019 - $3,819,846). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes. During the nine months ended September 30, 2020, the Company incurred a write-down of inventory in the amount of $0 (2019 – $0) of which $0 is related to obsolete or damaged inventory (2019 – $0) and $0 is for the write-down of slow moving inventory (2019 – $741,465).

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

(b) Cost of Sales

	3 Months Ended September 30, 2020	3 Months Ended September 30, 2019
Inventories	$ 475,325	$ 885,044
Labor, overhead and indirect cost of sales	112,093	476,110
Depreciation of equipment	66,072	-
Amortization of manufacturing licenses	16,167	37,500
Amortization of Juju intangibles	-	-
Cost of sales	$ 669,657	$ 1,398,654

	9 Months Ended September 30, 2020	9 Months Ended September 30, 2019
Inventories	$ 1,661,828	$ 3,839,846
Labor, overhead and indirect cost of sales	265,061	1,069,901
Depreciation of equipment	114,846	-
Amortization of manufacturing licenses	40,417	112,500
Amortization of Juju intangibles	-	-
Cost of sales	$ 2,082,152	$ 5,022,247

9. INVESTMENT RIOTUS LLC – SERIES SODO

Effective August 29, 2018, the Company purchased 500,000 Class A units of Riotus LLC – Series SODO (Riotus SODO). Each unit was purchased at $1.00 for $500,000 in total. This represents a 20.6% ownership position however the Company does not have joint control nor a position of significant influence in management nor decision making ability and therefore the Company records the investment in Riotus SODO at fair value through profit and loss. Riotus SODO provides its investors with an opportunity to earn profits from its investments in real estate, facilities and operations expansion in the cannabis industry.

The Company received distribution of $31,163 and recorded it as other income during the nine months ended September 30, 2020. The cash distributions during the nine months ended September 30, 2020 were negatively impacted by the Covid-19 pandemic. The Company is reviewing the other income with Riotus SODO.

Riotus SODO is a private entity without observable market prices for its equity units and this investment is measured at its estimated fair value which is calculated based on a valuation technique that uses inputs derived by management which are considered level 3 in the fair value hierarchy (see Note 20). The Company has reviewed the expected cash distributions from Riotus and prepared a cash flow projection at December 31, 2019. The Company used a discount rate of 12% to estimate the recoverable cash flows at December 31, 2019. Based on a comparison of the recoverable cash flows at December 31, 2019 to the recoverable cash flows estimated at August 2018 when the investment was made, it was determined that there is a decline in the expected cash flows and therefore a decline in the recoverable cash flows which represented a decrease in fair value. As a result, the Company recorded an unrealized loss in fair value of the Riotus SODS investment that was determined by management to be $125,000 at December 31, 2019.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

The investment in Riotus SODO is as follows:

Balance as of January 1, 2018	$ -
Investment	500,000
Balance of December 31, 2018	500,000
Unrealized loss in fair value during the year ended December 31, 2019	(125,000)
Balance as at December 31, 2019	375,000
Activity during the nine months ended September 30, 2020	-
Balance as at September 30, 2020	$ 375,000

10. BUSINESS ACQUISITIONS

LA Vida Verde, Inc.

a) La Vida Verde, Inc. Acquisition Details

On September 19, 2018, the Company signed a definitive agreement for the acquisition of 51% of La Vida Verde, Inc. ("**La Vida Verde**" or "**LVV**"), a licensed cannabis product manufacturer and distributor based in Santa Cruz, CA. On January 3, 2019, the Company acquired control of LVV (the "**acquisition**") at arm's length. As part of the acquisition, the Company acquired LVV brands, trademarks, customer list, and distribution and manufacturing licenses that constitute identifiable intangibles, as well as the access to LVV's workforce, including the existing strategic management functions and associated processes of LVV. In accordance with IFRS 3 *Business Combinations*, this was determined to be the acquisition of a business and is accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the acquisition date.

The acquisition was completed through two significant closing events based on the agreement, the first on November 1, 2018 when the Company acquired an 8.5% equity interest at a cost of $2.3 million with $1 million paid in cash to the LVV shareholder as vendor and the remainder to be paid by a working capital contribution into LVV of $1,300,000 ($600,000 paid in 2018 and $700,000 paid after January 3, 2019); and a second closing on January 3, 2019 when the Company acquired an additional 42.5% of LVV in exchange for consideration paid to the LVV shareholders as vendors comprised of 25,225,161 Common Shares issued by the Company and the issuance of promissory notes for an aggregate of $2,000,000 (the "**Notes**") due as to 50% on March 31, 2019 and October 31, 2019, and an additional cash payment of $700,000 as a working capital contribution into LVV. The Notes bear interest at a rate of 5% per annum and are secured by a pledge of the LVV securities purchased. The common shares issued by the Company as part of consideration were recorded at a value of $1,588,133 based on the market price of shares as of the closing on January 3, 2019. The consideration paid as working capital contributions to LVV were investments that planned to support an expansion of sales and operations staff, purchase of inventory required for growth and funds to expand manufacturing capacity.

Included in the acquisition consideration is: (i) $1,000,000 in cash paid for the initial 8.5% interest, (ii) $2,000,000 for the promissory notes (see Note 16); (iii) 25,225,161 Common Shares of the Company with an estimated value of $0.06 per share, and (iv) $2,000,000 in the working capital contributions ($600,000 paid in 2018, $700,000 paid in January 2019 and $700,000 due in April 2019 – see Note 26).

Acquisition consideration:

Cash	$	1,000,000
Promissory notes		2,000,000
Fair value of common stock		1,588,133
Working capital contribution		2,000,000
Total acquisition consideration	$	6,588,133

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

The fair value of the identifiable assets and liabilities of LVV as at the date of acquisition:

Cash	$	872,830
Accounts receivable		529,381
Working capital contribution receivable		1,400,000
Inventory		1,416,561
Property and equipment, including right of use assets		357,256
Identifiable intangibles (Note 12)		2,952,000
Accounts payable and accrued liabilities		(805,785)
Lease liability		(195,432)
Deferred income tax liability		(880,877)
Identifiable net assets	$	5,645,934

The gross contractual amount of acquired accounts receivable is $529,381. At the date of the acquisition of LVV, the total amount of acquired accounts receivable was expected to be collected in full.

The cash flows on acquisition were $1,600,000 paid and $925,704 acquired, for a net use of cash of $674,296. Any transaction costs were incurred prior to the purchase and sale agreement was finalized in 2018, and transaction costs were expensed in fiscal 2018.

The calculation of goodwill as at the date of acquisition:

Acquisition consideration	$	6,588,133
Non-controlling interest		6,329,775
Less: Identifiable net assets		(5,645,934)
Goodwill	$	7,271,974

The non-controlling interest is recognized at its fair value.

The resulting goodwill represents the sales and growth potential of LVV and business synergies.

b) Goodwill impairment

Due to negative cash flows and losses incurred in LVV's operations during 2019 and in assessing projected future cash flows the carrying amount of goodwill recognized on acquisition of LVV could not be supported as recoverable as at December 31, 2019. As a result, the carrying amount of goodwill was written off as an impairment expense.

c) Legal claims and settlement

The Company had a remaining obligation of $200,000 that was due March 31, 2019, and $1,000,000 that was due on October 31, 2019. The Company also had a remaining working capital contribution obligation of $700,000 as of December 31, 2019.

On September 20, 2019, the Company received a default notice from the founding shareholders of LVV due to non-payment under the terms of the notes and working capital contribution. The Company responded by filing a complaint for compensatory and punitive damages in court on November 26, 2019. The Company and the respective parties resolved these matters by a subsequent settlement described as follows.

The Company announced the settlement and withdrawal of the respective legal actions between the Company and its 51% subsidiary La Vida Verde, Inc. The settlement agreement dated April 21, 2020, confirmed the

Company's 51% ownership interest of LVV and the Company renewed its commitment to invest a total of US$700,000 in the capital of LVV (the "**Capital Investment**") over an agreed period, with the final payment US$300,000 to be made by September 30, 2020. In lieu of the outstanding notes of US$1.2 million due to LVV shareholders, the shareholders of LVV will obtain this compensation as a percentage of LVV's future earnings as cash flow permits. As security for the payment of the Capital Investment, the Company agreed to pledge approximately 16% of shares of ownership of LVV as security. As of September 30, 2020, the Company has funded working capital of $200,000 and owes $500.000. The LVV shareholders have not exercised any rights on the pledged shares.

In accordance with *IFRS 3,* Contingent consideration is the obligation of the buyer to transfer additional assets or equity interests to the seller of the business (usually cash or shares) if future events occur or conditions are met. Contingent consideration can also take the form of a right of the buyer to the return of previously transferred assets or equity interests from the sellers of the acquired business. Contingent consideration that is paid to sellers that remain employed and linked to future services is generally considered remuneration and is expensed as incurred. Management has evaluated any payments made or shares transferred to the sellers of the acquired business.

Contingent consideration is classified as a liability or equity and is measured at fair value on the acquisition date. Contingent consideration that is classified as a liability is remeasured to fair value at each reporting date, with changes included in the income statement in the post-combination period. Contingent consideration that is classified as equity is not remeasured in the post-combination period.

On April 21, 2020 the Company and the shareholders of La Vida Verde signed a settlement agreement which revoked and rescinded all previous execute agreements with the exception of the Shareholder Agreement. The Company is required to pay additional cash in the amount of $1,250,000 to the selling shareholders out of the net profits of LVV as LVV is able. The consideration is recorded as a liability measured at fair value on the settlement date. The liability will be remeasured to fair value at each reporting date.

The Company cannot declare dividends until the selling shareholders are paid the amount of $1,250,000. The settlement will be paid out if and when LVV generates net income. The settlement will be paid from net income generated by LVV.

There is no stated term to the settlement, no stated interest and no stated amount of LVV net income required before payout can or will be paid. The payout for each year cannot exceed 50% of net revenue generated in that year.

Management has concluded that the additional cash pay-out to the shareholders of LVV, if any, is a contingent liability, and is indicative of consideration and is not remuneration.

Management valued the contingent liability using a discounted cash flow analysis and assigned a probability of achieving net income over the next 5 years. The fair value of the contingency will be remeasured each reporting period. The agreement has no stated term therefore management considered the significant doubt of LVV continuing as a going concern and used 5 years for its calculations, which will be evaluated each reporting period going forward.

The probability of LVV achieving net income over the next 12 months is nil, the contingent liability has been recorded as a long-term liability (note payable) at inception at the fair value amount of $142,664.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

	Net income per year 2020-2026	Probability	Probability - weighted cash flow
Total cash flow through 2026			
2020	(145)	100%	(144.60)
2021	-	10%	-
2022	39,300	25%	9,825.00
2023	76,837	35%	26,893.12
2024	112,786	45%	50,753.59
2025	147,297	55%	81,013.09
2026	179,980	65%	116,987.25
Total probability weighted cash flow			285,327.46
Payout rate			50%
Fair value of contingent liability due to LVV shareholders			142,663.73

In accordance with *IFRS 9*, when replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is “substantial” or whether the original debt has been replaced by another debt with “substantially” different terms.

The term “substantial” as such is very subjective. However, IFRS assumes that a change is substantial if one of the two following tests are met:

►Quantitative test: the net present value of the cash flows under the new terms discounted at the original effective interest rate is at least 10% different from the carrying amount of the original debt. This test is commonly referred to as the “10% test”.
►Qualitative test: A significant change in the terms and conditions that is so fundamental that immediate de-recognition is required with no additional quantitative analysis (e.g., new debt having a different currency to the old debt, equity instrument embedded in the new debt, etc.).

A “substantial” debt modification or a debt exchange with “substantially” different terms is accounted for as an extinguishment of the original financial liability. This results in de-recognition of the original loan and the recognition of a new financial liability at its fair value. This results in a direct impact on profit or loss due to the difference between the carrying amount of the original financial liability and the fair value of the new financial liability (taking also into account any cash consideration paid or non-cash assets transferred).

Management considered IFRS 9 and determined that the original note payable to the shareholders of La Vida Verde, Inc. was a substantial debt modification with substantially different terms. The Company and has accounted for change in the debt from notes payable by recording an extinguishment of debt and recording a contingent liability. The balance due under the original notes payable to the shareholders of LVV was $1,269,349 with an interest rate of 5% and a maturity date of one year. The new contingent liability due to the shareholders of LVV is $1,250,000, no interest and no stated maturity date and only payable from net revenue generated by LVV. The Company a gain on debt settlement of $1,141,572 during the nine months ended September 30, 2020.

BioNeva Innovations of Carson City, LLC ("BioNeva"), Sierra Superfoods, LLC ("Sierra") and DB3 Management, LLC ("BioNeva")

a) Carson City Operation – Aacquisition Details

On May 10, 2020, the Company completed a transaction with BioNeva, Sierra and DB3 to acquire the Carson City Operation. Bob Yosaitis, a director of the Company, held 25.3% in BioNeva, a 25.3% interest in Sierra and a 40% interest in DB3, and therefore the transaction is considered to involve a related party. The Company acquired Sierra and DB3, as well as the right to acquire BioNeva. The Company issued an aggregate of 28,805,840 common shares and obtained a vendor take-back loan with a principal amount of $3.25 million (the "**VTB Loan**"). The Nevada Department of Taxation, the entity that regulates the cannabis industry in Nevada, announced on October 17, 2019, that it had implemented an extended review process and that it would not be processing any existing or new applications that relate to the transfer of licenses and change of ownership/interests while the extended review is in place. The acquisition of BioNeva will be completed as soon as practicable following termination of the extended review period. See below for a breakdown of the acquisition for each entity.

The VTB Loan bears interest at the rate of 5% per annum and the principal amount is payable in a lump sum payment due on December 31, 2024. The VTB is secured by a pledge of the various LLC interests acquired, as well as over the assets of Sierra. There are no principal or interest payments on the VTB Loan for the first two years, after which point interest only is payable quarterly through the issuance of common shares of the Company at a price equal to the volume-weighted average closing price of the common shares for the 20 trading days prior to each quarterly interest payment date.

On May 18, 2020, the Company entered into an agreement with Desert Investment Group, LLC ("**DIG**") to purchase approximately one acre of land on which the Carson City Operation resides, as well as a right of first refusal on an adjoining one acre parcel in Carson City, NV, that will provide the opportunity for further expansion of the operation as growth demands. The Company issued 17,727,861 common shares valued at $382,039 to pay $150,000 in cash over six months starting July 15, 2020. The common shares will remain in escrow until the final payment is received by the vendors. The payments of $150,000 have been deferred.

Following the date that is 24 months following the close of escrow DIG may exercise the put option by giving written notes to Company at least 60 days prior to the date set out in the put option notice as the closing date for the required acquisition of the common shares set out in the put options and on the put closing date the corporation shall deliver payment of the option price to DIG against delivery of certificates represent the option share duly endorsed in blank for transfer, and legal and beneficial ownership of the option shares shall pass from DIG to the Company (for cancellation and return to treasury) as such put closing date. The put option has been recorded as a liability for the fair value amount of $318,366 as of September 30, 2020.

As noted above, effective May 10, 2020, the Company acquired all the outstanding membership interest in Sierra. The Company issued 4,836,500 common shares with a fair value of $104,228 and notes payable in the amount of $546,000. The notes payable have a maturity date of December 31, 2024 and a 5% per annum interest rate. The interest accrues monthly and is payable in common share of RDKO quarterly.

Also effective May 10, 2020, the Company acquired the right to acquire all the outstanding membership interests of BioNeva for consideration of 20,342,680 common shares and notes payable in the amount of $2,294,500.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Acquisition of BioNeva and Sierra consideration:

RDKO to purchase all the units of Sierra Superfoods, LLC.				
Purchase price:				
	Notes payable:			546,000
	RDKO shares:	4,836,500		104,228
	Total purchase price	USD	$	650,228
RDKO to purchase all units of Bioneva				
Purchase price:				
	Notes payable:		$	2,294,500
	RDKO shares:	20,342,680	$	438,389
	Total purchase price	USD	$	2,732,889
Combined purchase price			**$**	**3,383,116**

Fair Value of the identifiable assets and liabilities of BioNeva and Sierra at the date of acquisition:

Assets		
Cash		201
Inventory clearing		5,000
Receivable from BioNeva		-
Total current assets		5,201
Property Plant and Equipment		
Building/land		1,507,402
Land improvements		51,425
Equipment		207,228
		1,766,055
Total assets		**1,771,256**
Liabilities		
Accounts payable		39,538
Total liabilities		**39,538**
Members Equity		**1,765,813**
Consideration	$	3,383,116
Acquired assets		(1,771,256)
Assumed liabilities		39,538
Allocated to Goodwill and intangibles	$	1,651,398

Effective May 10, 2020, the Company purchased 100% of the membership interest in DB3 for consideration of $450,000 consisting of note payable in the amount of $409,000 and the issuance of 3,629,535 common share to each of the membership holders. DB3 had a management agreement for an unrelated cannabis cultivation/extraction/production site under development in Washoe County, NV. DB3 had an agreement to receive $15,000 per month from its management of the Washoe site. Effective August 31, 2020, the Company entered into an agreement relating to the Washoe facility and the management agreement was terminated with a payment of $180,000.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Purchase price:				
	Notes payable:		$	409,500
	RDKO shares:	3,629,535	$	78,217
	Total purchase price	USD	$	487,717

Fair Value of the identifiable assets and liabilities of DB3 at the date of acquisition:

Assets	
Cash	26,147
Accounts receivable	15,000
Total current assets	41,147
Liabilities	
Account payable	23,307
Payroll liability	449
Total liabilities	23,756
Member equity	17,391
Consideration	487,717
Acquired assets	(41,147)
Assumed liabilities	23,756
Allocated to goodwill	470,326

If on maturity date of the buyer notes the average annual EBITDA of any asset under management (the hurdle amount) following the closing date is greater than $1,000,000 per year as calculated over four years from the fiscal year beginning January 1, 2021, the sellers will receive an additional one-time cash payment equal to 25% of the hurdle amount not to exceed $500,000. Using forecast present value EBITDA, the EBITDA for the Carson City Operation does not meet the hurdle amount in any year in the 4 years 2021 through 2024 and does not meet the hurdle amount as an average of all years combined At the date of acquisition, it appears that the hurdle amount will not be reached and therefore the additional payment will not be required to be paid. The Company has not recorded a contingent liability.

On May 19, 2020, the Company announced that a management agreement had been signed with LVV relating to the Carson City Operation effective immediately. The management agreement with LVV is currently inactive and the Company expects to terminate the agreement in Q4 of 2020. On November 1, 2020, the Company entered into a Management Agreement with Angler Industries LLC, a California limited liability company and an entity affiliated with Jeff Malinovitz and Clyde Story. The Cultivator will play a key role in managing the multi-phased expansion, overseeing genetics selection and overall cultivation operations, as well as manufacturing, marketing and sales of final product of the expanded BioNeva facility.

b) Goodwill impairment

The acquired goodwill related to DB3 Management was impaired in the amount of $470,326 during the three months ended September 30, 2020.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

11. PROPERTY, PLANT AND EQUIPMENT

	Computer and Software	Furniture and other Equipment	Leaseholds	Machinery and Other	Right of Use Assets	Land	Building and Improvement	Total
Cost:								
At December 31, 2017	$ 827	$ -	$ -	$ -	$ -	$ -	$ -	$ 827
Additions	6,466	-	-	-	-	-	-	6,466
Disposals	-	-	-	-	-	-	-	-
At December 31, 2018	$ 7,293	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,293
Assets acquired in acquisition	26,615	52,563	65,554	17,082	195,432	-	-	357,246
Additions	-	12,660	450	106,759	53,411	-	-	173,280
Disposals	(1,794)	-	-	-	-	-	-	(1,794)
At December 31, 2019	$ 32,114	$ 65,223	$ 66,004	$ 123,841	$ 248,843	$ -	$ -	$ 536,025
Assets acquired in acquisition	-	-	-	207,229	175,132	319,131	1,604,572	2,306,064
Additions	-	-	-	63,174	-	-	-	63,174
Disposals	-	-	-	-	-	-	-	-
At September 30, 2020	$ 32,114	$ 65,223	$ 66,004	$ 394,244	$ 423,975	$ 319,131	$ 1,604,572	$ 2,905,263
Depreciation:								
At December 31, 2017	528	-	-	-	-	-	-	528
Depreciation for the year	389	-	-	-	-	-	-	389
At December 31, 2018	$ 917	$ -	$ -	$ -	$ -	$ -	$ -	$ 917
Depreciation for the year	12,136	12,883	13,321	22,732	73,711	-	-	134,783
At December 31, 2019	$ 13,053	$ 12,883	$ 13,321	$ 22,732	$ 73,711	$ -	$ -	$ 135,700
Depreciation for January 1- September 30, 2020	6,117	7,800	13,994	90,214	62,791	-	37,903	218,818
At September 30, 2020	$ 19,170	$ 20,683	$ 27,315	$ 112,946	$ 136,502	$ -	$ 37,903	$ 354,518
Net Book Value:								
At September 30, 2020	$ 12,944	$ 44,540	$ 38,689	$ 281,298	$ 287,473	$ 319,131	$ 1,566,669	$ 2,550,745
At December 31, 2019	$ 19,061	$ 52,340	$ 52,683	$ 101,109	$ 175,132	$ -	$ -	$ 400,325
At December 31, 2018	$ 6,376	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,376

Depreciation for the nine months ended September 30, 2020, is allocated as follows: $50,880 (2019 – $0) is included in cost of sales is included in operating expenses.

12. INTANGIBLE ASSETS

	Juju License Agreement	LVV Distribution and Manfacturing Licenses	LVV Brands	LVV Customer Relationships	BioNeva Distribution and Manufacturing Licenses	Total
Cost:	-					
At December 31, 2017	$ 220,000	$ -	$ -	$ -	$ -	$ 220,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At December 31, 2018	$ 220,000	$ -	$ -	$ -	$ -	$ 220,000
Intangibles acquired in acquisition	-	1,052,000	171,000	1,729,000	-	2,952,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	165,000	206,800	106,800	1,383,200	-	1,861,800
At December 31, 2019	$ 55,000	$ 845,200	$ 64,200	$ 345,800	$ -	$ 1,310,200
Additions	-	-	-	-	725,000	725,000
Disposals	-	-	-	-	-	-
At September 30, 2020	$ 55,000	$ 845,200	$ 64,200	$ 345,800	$ 725,000	$ 2,035,200
Amortization:						
At December 31, 2017	$ 35,750	$ -	$ -	$ -	$ -	$ 35,750
Amortization charge for the year	11,000	-	-	-	-	11,000
At December 31, 2018	$ 46,750	$ -	$ -	$ -	$ -	$ 46,750
Amortization charge for the year	8,250	105,200	34,200	345,800	-	493,450
At December 31, 2019	$ 55,000	$ 105,200	$ 34,200	$ 345,800	$ -	$ 540,200
Amortization charge for quarters	-	61,667	5,625	-	28,283	95,575
At September 30, 2020	$ 55,000	$ 166,867	$ 39,825	$ 345,800	$ 28,283	$ 635,775
Net Book Value:						
At September 30, 2020	$ -	$ 678,333	$ 24,375	$ -	$ 696,717	$ 1,399,425
At December 31, 2019	$ -	$ 740,000	$ 30,000	$ -	$ -	$ 770,000
At December 31, 2018	$ 173,250	$ -	$ -	$ -	$ -	$ 173,250

On October 5, 2019, the license agreement for the JuJu Royal brand was terminated. The Company recorded an expense of $432,229 related to the termination of the brand, including license fees, inventory and other expenses. As at December 31, 2019, the carrying value of the Juju License agreement was entirely impaired as the Company terminated the agreement in fiscal 2019.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

As part of the acquisition of LVV (see Note 10), the Company acquired LVV brands, trademarks, customer list, and distribution and manufacturing licenses that constitutes identifiable intangibles. As at December 31, 2019, the carrying value of the customer relationships and brands were impaired due to the decline in LVV's sales and other factors that had negative impact on LVV's operations in fiscal 2019 and a write-down was recorded to the recoverable amount. The recoverable amount for the manufacturing and distribution licenses was estimated as their estimated fair value (based on comparison to market value of similar licenses) less costs to sell. The recoverable amount for the brands was estimated as their value in use using a discount rate of 19%.

As part of the acquisition of the Carson City Operation (see Note 10), the Company acquired its distribution and manufacturing licenses that constitutes identifiable intangibles. As at September 30, 2020, the recoverable amount for the manufacturing and distribution licenses was estimated as their estimated fair value (based on comparison to market value of similar licenses) less costs to sell. The recoverable amount for the brands was estimated as their value in use using a discount rate of 19%.

Amortization and impairment of JuJu License Agreement and LVV manufacturing licenses have been recorded in costs of sales for the year. Amortization and impairment of other intangible assets have been recorded in operating expenses for the year.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Trade payables	$ 1,707,340	$ 799,581
Accrued liabilities (i)	659,253	318,634
Credit cards	89,075	83,291
Total accounts payable and accrued liabilities	$ 2,455,668	$ 1,201,506

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing
- Accrued liabilities are non-interest bearing
- Commodity and business taxes payable are non-interest bearing

(i) The accrued liability includes costs (see Note 25 (b)) related to the termination of the JuJu Royal brand of $269,167 as at September 30, 2020, and December 31, 2019, respectively.

14. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of leases for office space and vehicles. The leases bear interest at 8% per annum and expire in 2022.

At September 30, 2020 and December 31, 2019, the Company's lease liability related to office and vehicle leases are as follows:

Right-of-use assets-	As at September 30, 2020	As at December 31, 2019
Beginning of period	$ 175,132	$ 195,432
Additions	175,132	53,411
Depreciation expense	(62,791)	(73,711)
End of period	$ 287,473	$ 175,132

At September 30, 2020, and December 31, 2020, the Company is committed to minimum lease payments as follows:

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Lease liability:-	As at September 30, 2020	As at December 31, 2019
Current portion	$ (143,871)	$ (82,254)
Long-term portion	(206,117)	(98,747)
Total lease liability	$ (349,988)	$ (181,001)

Other disclosures are as follows:

Maturity analysis-	As at September 30, 2020	As at December 31, 2019
Less than one year	$ 154,284	$ 93,781
One to five years	360,672	104,337
Total undiscounted lease liabilities	$ 514,956	$ 198,118
Amounts recognized in profit or loss-		
Interest on lease liabilities	$ 8,437	$ 15,274
Amounts recognized in the statement of cash flows-		
Interest paid	$ -	$ -
Principal payments of lease liabilities	54,924	62,636
	$ 54,924	$ 62,636

15. RELATED PARTY TRANSACTIONS

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

Related Party Transactions

Transactions with related parties and balances not disclosed elsewhere in these consolidated financial statements are summarized below:

(a) As at September 30, 2020, the Company had $1,033,351 (December 31, 2019 – $435,915) payable to officers and directors, lawyers as well as the companies controlled by officers and directors, for invoices that are included in trade payables (Note 13).
(b) As at September 30, 2020, the Company had $88,003 (December 31, 2019 – $0) payable to employees for invoices that are included in Accrued liabilities.
(c) As at September 30, 2020, $72,885 (December 31, 2019 – $940) was receivable from an officer and from sales revenues from a company with an officer of LVV (Note 7).
(d) During the nine months ended September 30, 2020, the Company purchased inventory from entities that are controlled by LVV's non-controlling shareholders (Note 10). The amount of inventory purchased totals $280,542, which represents 13.5% of all purchases of inventory in 2020.
(e) During the nine months ended September 30, 2020, the Company earned sales revenues from a company with an officer of LVV in common in the amount of $279,952, which represents 11.1% of all sales in 2020.
(f) As at September 30, 2020, the Company was advanced $375,000 by a shareholder and director. The Company expects to enter into a Note Payable as at December 31, 2020.
(g) As at September 30, 2020, the Company has recorded $142,736 related to the fair market value of a commitment liability to the shareholders of LVV (Note 10).

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Acquisition of the Carson City Operation

On May 10, 2020, the Company completed a transaction with BioNeva Innovations of Carson City, LLC (“**BioNeva**”), Sierra Superfoods, LLC (“**Sierra**”) and DB3 Management, LLC (“**DB3**”), private Nevada limited liability corporations. Bob Yosaitis, a director of the Company, held 25.3% in BioNeva, a 25.3% interest in Sierra and a 40% interest in DB3, and therefore the transaction is considered to involve a related party (Note 10).

Due from former officer and director

On March 16, 2017, a former officer and director, was issued 536,522 shares in exchange for a $32,000 note receivable. The note was due on March 15, 2020, with accrued interest of $2,273 and $1,792 as at September 30, 2020, and December 31, 2019, respectively. The former officer and director has not made any payments under the note receivable and recorded interest at the note rate related to the legal action discussed in Note 26(a).

Due to former officer and director

At September 30, 2020, the total loans payable to a former officer and director is summarized as follows:

	September 30, 2020	December 31, 2019
Note payable	$ 701,600	$ 701,600
Accrued interest- note payable	92,728	61,117
Total note payable	$ 794,328	$ 762,717

The loans represented advances from a former officer and director with no fixed terms of repayment. The advances accrued simple interest at a rate of 2% per annum starting January 1, 2015. On September 4, 2018, a subsidiary of the Company entered into a Promissory Note with the former officer and director for $941,600. The Note was due on September 20, 2020 and provided for monthly payments of $26,155 plus interest. Interest accrued at 6% from September 4, 2018. A total of $210,000 has been repaid and the Company recorded interest of $92,728 and $61,117 as at September 30, 2020, and December 31, 2019, respectively. The Company has stopped payments under the note payable and recorded interest at the note rate related to the legal action discussed in Note 26(a).

16. PROMISSORY NOTES PAYABLE

On January 3, 2019, the Company issued Promissory Notes and Pledge Agreements to the stockholders of LVV totaling $2,000,000 (the “**Notes**”). Refer to Note 10 on the acquisition of LVV. The Notes were due 50% on March 31, 2019 and October 31, 2019 and provided for interest at 5% per annum. The note payments were collateralized by the pro rata number of shares of LVV common stock held by the Company that were purchased with the amount represented by the notes.

The Company had a promissory note payable to the LVV stockholders with $200,000 which remained outstanding that was due March 31, 2019 and $1,000,000 that was due on October 31, 2019. See Note 10 on the settlement of the Notes Payable.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Summary of LVV promissory notes payable:

	September 30, 2020	December 31, 2019
Note payable	$ -	$ 1,200,000
Accrued interest- note payable	-	69,349
Total note payable	$ -	$ 1,269,349

Summary Carson City Operation promissory notes payable:

	September 30, 2020	December 31, 2019
Note payable- BioNeva	$ 2,294,500	$ -
Note payable- Sierra	546,000	-
Note paable- DB3	409,500	-
Redeemable common stock payable (debt)	319,131	-
Total note payable	$ 3,569,131	$ -

17. EQUITY

Authorized

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and 1,837,000 Preferred Shares.

Shares Outstanding

The Company had 445,309,565 common shares outstanding and 0 preferred shares outstanding as at September 30, 2020. Each common shareholder is entitled to one vote for each common share held.

Approval of NCIB

On May 27, 2020, the Company announced its intention to commence a normal course Company bid ("**NCIB**"), under which the Company may purchase, from surplus cash flow up to 21,793,023 of the Company's common Shares, representing approximately 5% of its issued and outstanding common shares. The Company announced it intends to appoint Leede Jones Gable Inc. as its broker to conduct the NCIB on its behalf. All Shares purchased under the NCIB will be purchased on the open market through the facilities of the Canadian Securities Exchange. All purchases made under the NCIB will be at the prevailing CSE market price for the Shares at the time of purchase. Shares acquired by the Company under the NCIB are being purchased for cancellation. No purchases have been made under the NCIB to date.

Shares Issued in 2020

During the nine months ended September 30, 2020, the Company raised an aggregate amount $486,206 from issuances of 15,911,000 units (common shares and warrants). The common shares have a four-month hold period from the date of issuance. See Note 18 for details of the derivative liability recorded for the warrants issued as part of the units in 2020 and 2019.

The Company paid $0 in cash commissions to finders and recorded them as a deduction from equity for share issuance costs during the nine months ended September 30, 2020.

Warrants for 5,000,000 shares were exercised during the nine months ended September 30, 2020. Shares were valued at $187,914.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

During the nine months ended September 30, 2020, the Company issued 43,458,102 shares and units to various consultants with an aggregate total value of $1,628,882. $16,257 was expensed as share-based payments related to service agreements. The value of the shares was estimated based on the share price at the date of issuance. The value of the units issued to the finders was allocated to the shares issued as part of the units, whereas the underlying warrants were determined to have nominal value.

On May 10, 2020, the Company completed a transaction with BioNeva, Sierra and DB3. The Company issued an aggregate of 28,805,840 common shares valued at $617,333.

The Company entered into an agreement to purchase approximately one acre of land on which the cultivation operations reside, as well as a right of first refusal on an adjoining one acre parcel in Carson City, NV, that will provide the opportunity for further expansion of the operation as growth demands. The Company issued 17,727,861 common shares and agreed to pay US$150,000 in cash over six months starting July 15, 2020. The common shares will remain in escrow until the final payment is received by the vendors. The payments of US$150,000 have been deferred. The shares were not valued.

Stock Options

The options granted by the Company are governed by the terms of a stock option incentive plan. The Company had the following stock options outstanding as at September 30, 2020:

	Number	Weighted Average Remaining Life	CAD $ Weighted Average Exercise Price	Number	CAD$ Weighted Average Exercise Price
April 12, 2022	220,000	1.53	$ 0.060	220,000	
May 31, 2022	535,322	1.67	$ 0.060	535,322	
May 31, 2022	535,322	1.67	$ 0.060	535,322	
January 5, 2023	250,000	2.27	$ 0.330	166,667	
July 23, 2023	12,292,969	2.81	$ 0.070	12,292,969	
May 5, 2024	600,000	3.60	$ 0.100	200,000	
May 5, 2024	500,000	3.60	$ 0.100	166,667	
August 14, 2024	250,000	1.84	$ 0.070	250,000	
	15,183,613	2.74	$ 0.076	14,366,946	$ 0.073

The Company expensed $74,059 during the nine months ended September 30, 2020 (2019 - $318,496).

During the nine months ended September 30, 2020, stock option grants totaling 750,000 shares issued at CN$0.33 per share were cancelled.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Warrants

The following warrants are outstanding as at September 30, 2020:

Date issued	Number		CA $ Exercise Price	Term	Accel'n Clause	Accel'n Price	Trading Days at Price
Warrants issued as part of Private Placements							
August 22, 2018	2,232,142	$	0.0940	2 yrs	Y	0.1880	10
August 28, 2018	2,631,578		0.1187	2 yrs	Y	0.2374	10
September 11, 2018	4,007,400		0.1500	2 yrs	Y	0.3000	10
September 26, 2018	1,887,118		0.3000	1 yr	Y	0.5000	10
December 7, 2018	7,896,000		0.1500	3 yrs	N		
December 14, 2018	5,775,000		0.1500	3 yrs	N		
December 21, 2018	4,200,000		0.1500	3 yrs	N		
January 24, 2019	31,280,000		0.1500	3yrs	N		
Thursday, April 25, 2019	3,174,603		0.1313	3 yrs	Y	0.2625	10
Friday, May 17, 2019	526,984		0.1500	3 yrs	N		
August 7, 2019	2,000,000		0.0500	5 yrs	N		
September 5, 2019	3,978,900		0.0500	5 yrs	N		
November 8, 2019	7,920,000		0.0500	5 yrs	N		
December 23, 2019	6,072,000		0.0500	5 yrs	N		
March 11, 2020	6,600,000		0.0500	5 yrs	N		
March 31, 2020	5,280,000		0.0500	5 yrs	N		
May 8, 2020	1,260,000		0.0500	5yrs	N		
July 6, 2020	2,700,000		0.0500	5yrs	N		
September 23, 2020	1,331,000		0.0500	5yrs	N		
Total warrants at 9/30/20	100,752,725	$	-				
Broker Warrants							
July 30, 2018	240,000	$	0.0500	2 yrs	N		
August 30, 2018	383,670		0.0500	2 yrs	N		
December 7, 2018	526,400		0.1000	3 yrs	N		
December 14, 2018	385,000		0.1000	3 yrs	N		
December 21, 2018	280,000		0.1000	3 yrs	N		
January 24, 2019	2,189,600		0.1500	3 yrs	N		
Thursday, April 25, 2019	793,650		0.1000	3 yrs	N		
January 24, 2019	1,564,000		0.1500	3 yrs	N		
January 30, 2019	966,000		0.1000	3 yrs	N		
Total broker warrants at 9/30/20	7,328,320	$	-				
Performance Warrants							
July 16, 2018	71,299,222	$	0.0700	5 yrs			
July 3, 2019	200,000		0.0720	3 yrs			
Total performance warrants at 9/30/20	71,499,222	$	-				
Total	179,580,267	$	-				

During the nine months ended September 30, 2020, the Company raised an aggregate amount $486,206 from issuances of 15,911,000 units (common shares and warrants). The common shares have a four-month hold period from the date of issuance. See Note 18 for details of the derivative liability recorded for the warrants issued as part of the units in 2020 and 2019. In addition, the Company issued warrants for 1,260,000 shares during the nine months ended September 30, 2020.

On July 16, 2018, the Company entered into agreements with its officers regarding the services to be provided by them. The parties were granted 12,292,969 options and 4,917,188 options, respectively, under the Company's stock option plan and 31,961,720 and 39,337,502 performance warrants, respectively. The options are exercisable into common shares at a strike price of CAD$0.07 per share for 5 years. The performance warrants are exercisable into common shares at a strike price of CAD$0.07 for a period of five years with 50% of the warrants being immediately vested and 50% of the warrants vested over a one year period or immediately upon closing of a Significant Acquisition, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. The acquisition of LVV on January 3, 2019 (see Note 10) triggered the vesting of the second 50% of the warrants issued. 50% of these warrants vested upon issuance in 2018, and the remaining 50% vested on

January 3, 2019. The value of these warrants was estimated at $3,086,211 using the Black-Scholes model using the following assumptions: stock price of CAD$0.07, exercise price of CAD$0.07, volatility of 150%, average risk-free rate of 2.06%, expected life of 3 years and dividend yield of 0%. $2,338,894 was expensed for these warrants in fiscal 2018 (see Note 24), and the remaining portion of $747,317 was expensed in 2019.

The Company previously issued 10,350,000 performance warrants on September 14, 2018 with an exercise price of CAD$0.275. The value of these warrants was estimated at $1,707,292 using the Black-Scholes model using the following assumptions: stock price of CAD$0.265, exercise price of CAD$0.275, volatility of 150%, average risk-free rate of 2.06%, expected life of 3 years and dividend yield of 0%. $304,309 was expensed for these warrants in fiscal 2018 (see Note 24), and the remaining portion of $525,624 was expensed in 2019. The Company cancelled 10,350,000 performance warrants during the nine months ended September 30, 2020.

In addition, in 2019, the Company issued 9,000,000 performance warrants in September 2019 to a consultant exercisable at CAD$0.05, for cashless exercise whereas no cash is payable by the consultant upon exercise of these warrants. 4,000,000 warrants vested in fiscal 2019 were exercised immediately upon vesting. The share-based expensed related to these warrants was recorded at the estimated market value of shares at the date of issuance. 5,000,000 warrants were exercised during the nine months ended September 30, 2020.

Non-controlling interest

The non-controlling interest represents equity (see Note 10) that is not attributable to the Company, which results from the non-controlling interest in LVV of 49% that is not held by the Company.

A reconciliation of the beginning and ending balance for non-controlling interest is as follows:

	September 30, 2020	December 31, 2019
Current assets	$ 1,020,213	$ 498,911
Non-current assets	196,096	571,391
Total assets	1,216,309	1,070,302
Current liabilities	800,017	253,099
Non-current liabilities	-	48,390
Total liabilties	800,017	301,490
Revenue	$ 2,259,795	5,111,238
Net loss	$ (275,482)	$ (5,655,223)

As of September 30, 2020, non-controlling interest included the following amounts before intercompany eliminations:

	September 30, 2020	December 31, 2019
Balance - beginning of the year	$ 674,552	$ -
Contribution on date control assumed	-	6,329,775
Addition (reduction) of NCI	-	-
Share of net loss	(275,482)	(5,655,223)
Balance - end of the year	$ 399,070	$ 674,552

There are no items comprising other comprehensive income or loss during the nine months ended September 30, 2020 that would be attributed to the non-controlling interest.

18. DERIVATIVE LIABILITY

The Company's derivative liability arose as a result of the issuance of warrants exercisable in Canadian dollars being denominated in a currency different from the U.S. dollar functional currency of the Company. The

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Company recognized a derivative liability for these warrants and remeasures the liability at the end of each reporting period using the Black-Scholes option pricing model.

A reconciliation of the changes in the derivative liability during the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Derivative liability, opening balance	$ 1,174,578	$ 637,263
Recognition upon issuance	163,803	1,464,786
Change in fair value	(522,471)	(897,478)
Derecognition of due to exercise of warrants	-	(29,993)
Derivative liability, ending balance	$ 815,910	$ 1,174,578

The following weighted average assumptions were used to estimate the fair value of the derivative warrant liability:

	September 30, 2020	December 31, 2019
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility	150.0%	150.0%
Weighted average risk-free interest rate	0.61%	2.07%
Weighted average expected term	3.0 years	2.27 years

19. OPERATING EXPENSES

The Company's operating expenses as of September 30, 2020 and September 30, 2019 were as followed:

	Three Months September 30,		
	2020	2019	Change
Accounting and filing fees	$ 70,750	$ 1,500	$ 69,250
Amortization of intangible assets	96,843	946,591	(849,748)
Amortization of property and equipment	42,293	-	42,293
General and administrative expenses	71,924	124,614	(52,690)
Legal fees	243,148	102,138	141,010
Management fees	4,091	-	4,091
Marketing, investor and public relations	173,395	106,314	67,080
Selling expenses	21,304	46,310	(25,007)
Share-based payments	77,973	788,872	(710,899)
Wages and benefits	82,411	407,759	(325,348)
Impairment- Investment in La Vida Verde, I	-	3,000,000	(3,000,000)
Impairment- Investment in Riotus SODO Ll	-	125,000	(125,000)
Restructuring expense- JuJu Royal Brand	-	432,129	(432,129)
Total	$ 884,131	$ 6,083,246	$ (5,197,096)

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

	Nine Months Ended September 30,		
	2020	2019	Change
Accounting and filing fees	$ 334,086	$ 21,805	$ 312,281
Amortization of intangible assets	116,093	2,815,941	(2,699,848)
Amortization of property and equipment	140,467	10,336	130,131
General and administrative expenses	259,928	425,171	(165,243)
Legal fees	577,614	487,939	89,675
Management fees	324,091	600,387	(276,296)
Marketing, investor and public relations	237,022	294,044	(57,021)
Selling expenses	105,092	334,773	(229,681)
Share-based payments	1,865,558	2,029,099	(163,541)
Wages and benefits	661,653	844,983	(183,330)
Impairment of goodwill	470,325	-	470,325
Impairment- Investment in La Vida Verde, I	-	3,000,000	(3,000,000)
Impairment- Investment in Riotus SODO LI	-	125,000	(125,000)
Restructuring expense- JuJu Royal Brand	-	432,129	(432,129)
Total	$ 5,091,931	$ 11,421,607	$ (6,329,676)

20. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at September 30, 2020, the Company's financial instruments are comprised of cash, accounts receivable, accounts payable, the investment in Riotus and the derivative liability. The fair values of the accounts receivable and accounts payable approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by class of the carrying amount and fair value of the Company's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	September 30, 2020	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Financial Assets				
Cash and cash equivalents	$ 390,262	$ 231,923	$ 390,262	$ 231,923
Trade and accounts receivables	201,527	101,566	201,527	101,566
Investment in Riotus LLC (Note 9)	375,000	375,000	375,000	375,000
Total financial assets	$ 966,789	$ 708,489	$ 966,789	$ 708,489

	Carrying Amount		Fair Value	
	September 30, 2020	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Financial Liabilities				
Accounts payable and accrued liabilities	$ 2,455,668	$ 1,201,508	$ 2,455,668	$ 1,201,508
Derivative liability	815,910	1,174,578	815,910	815,910
Total financial liabilities	$ 2,455,668	$ 1,201,508	$ 2,455,668	$ 1,201,508

The following methods and assumptions were used to estimate the fair values:

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

- Trade and other receivables, accounts payable and accrued liabilities, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities (loans payable) are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

As at September 30, 2020, the Company held the following financial instruments measured at fair value:

Assets measured at fair value				
Cash and cash equivalents	$ 390,262	$ 390,262	$ -	$ -
Investment in Riouts LLC (Note 9)	375,000	-	-	375,000
Total assets measured at fair value	$ 765,262	$ 390,262	$ -	$ 375,000
Liabilities measured at fair value				
Derivative liability	$ 815,910	$ -	$ 815,910	$ -
Total assets measured at fair value	$ 815,910	$ -	$ 815,910	$ -

During the nine months ended September 30, 2020 there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

The change in fair value of the Company's investment in Riotus (classified as Level 3) is disclosed in Note 9. The value of investment is assessed based on discounted cash flow model.

The following factors have a potential impact on net earnings/loss based on various combinations of changes in unobservable inputs in the Company's internal valuation models for its investment in Riotus (classified as Level 3 at September 30, 2020):

Fair value of investment - $375,000
After-tax discount rate – 10% - 15%
Adjustment of distribution payments received due to risk and uncertainties – 45% - 75%
Hypothetical $ change effect on fair value measurement and net earning / loss for the year - $(255,190) / $27,867.

The analysis assumes variations within a reasonably possible range determined by the Company based on an analysis of the return, management's knowledge of the cannabis and real estate markets and the potential impact of changes in interest rates.

The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the judgment and estimates disclosed above shows the hypothetical increase (decrease) in net earnings / loss. Changes in the after-tax discount rates, adjustment for risk and uncertainty over amounts of payments to be received, each in isolation, would hypothetically change the fair value of the company's investments as noted above. Generally, an increase (decrease) in long term growth rates, or a decrease (increase) in after-tax discount rates, would result in a higher (lower) fair value of the company's investment in Riotus.

The change in fair value of the Company's derivative liability (classified as Level 2) is disclosed in Note 18. The liability is remeasured at the end of each reporting period using the Black-Scholes option pricing model.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's primary risk management objective is to protect the Company's financial position and cash flow. The Company is exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

The Company's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's senior management provides assurance that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Company's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

(a) Credit Risk

The maximum exposure to credit risk at the balance sheet date is best represented by the carrying amount of the Company's cash and accounts receivables.

The Company is not exposed to a credit risk with respect to cash from the potential default by counterparties that carry the Company's cash and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All the financial institutions that the Company deals with meet these qualifications. The Company is exposed to normal credit risk with respect to the Company's accounts receivables. To mitigate this credit risk, the Company evaluates the creditworthiness of its customers and establishes credit limits accordingly. The Company may require deposits or collateral (letters of credit or liens) from customers prior to shipping. The Company provides for anticipated credit losses based on incurred losses.

The aging of accounts receivables are as follows:

		September 30, 2020		December 31, 2019
(a) Credit Risk (accounts receivable aging):				
Current	$	108,070	$	-
1-30 days		48,011		60,343
31-60 days		27,111		1,900
61-90 days		29,061		59,323
More than 90 days		-		-
		212,253		121,566
Less: Provision for doubtful accounts		(10,726)		(20,000)
Total credit risk	$	201,527	$	101,566

(b) Liquidity Risk

The Company manages risk by forecasting cash flows from operations and anticipated investing and financing activities. To maintain an optimum level of cash flow, the Company actively pursues the collection of its accounts receivables by closely monitoring and controlling the operation and capital expenditures.

The Company's accounts payable including the amounts due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms. In addition, the Company may have financial obligations on its investments and proposed acquisitions. The Company has a working capital deficit of $3,465,197 as at September 30, 2020 and requires additional funding to meet its short-term obligations.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk.

(i) Interest Rate Risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The interest rates on leases and notes payable are fixed. The Company did not arrange any interest rate swap or financial contracts to hedge the interest rate risk. The Company does not believe it is exposed to significant interest rate risk.

(ii) Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expense are denominated in a different currency from the Company's functional currency. The Company's functional currency is the United States Dollar. The Company has certain monetary assets and liabilities denominated in Canadian dollars. The Company does not believe it is exposed to significant foreign exchange risk. A 10% change in the US / Canadian exchange rates would result in an increase or decrease of approximately $54,000 related to intercompany loans to net loss and comprehensive loss for the nine months ended September 30, 2020.

(iii) Commodity price risk

The Company is not subject to price risk from fluctuations in market prices of commodities.

(iv) Equity price risk

The Company has no exposure to equity price risk.

22. CAPITAL MANAGEMENT

The Company seeks the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares when the time is appropriate.

The Company monitors the return on capital, which is defined as stockholders' (deficit) equity in the amount of $(2,074,986) as at September 30, 2020 (December 31, 2019– ($1,991,975).

The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

23. SEGMENTED INFORMATION

The management of the Company considers the business to have two operating segments: (i) US CBD and cannabis manufacturing and sales and (ii) corporate. The reporting for the nine months ended September 30, 2020 was as follows:

		Radiko	LVV	BioNeva	US CBD and Cannabis Products Manufacturing and Sale	Corporate	Total
Revenue	$	3,645 $	2,259,795 $	267,925 $	2,531,365 $	- $	2,531,365
Cost of goods sold		2,893	1,927,201	152,058	2,082,152	-	2,082,152
Gross Margin		752	332,594	115,867	449,213	-	449,213
Operating expenses		573,087	867,984	618,400	3,298,926	1,792,105	5,091,031
Loss before other expenses	$	(572,335) $	(535,390) $	(502,533) $	(2,849,713) $	(1,792,105) $	(4,641,818)
Other expenses							
Other (expense) income, net		-	(18,604)	-	(39,060)	(3,784)	(42,844)
Foreign exchange		-	-	-	2,296	(1,279)	1,017
Change in fair value of derivative liability		-	-	-	-	522,471	522,471
Gain on settlement		-	-	-	-	1,141,572	1,141,572
Loss before taxes	$	(572,335) $	(553,994) $	(502,533) $	(2,886,477) $	(133,125) $	(3,019,602)
Income tax recovery		-	-	-	-	-	-
Net loss and comprehensive loss	$	(572,335) $	(553,994) $	(502,533) $	(2,886,477) $	(133,125) $	(3,019,602)
Total Assets	$	48,628 $	1,216,309 $	4,105,497 $	5,370,434 $	1,177,723 $	6,548,157
Total Liabilities	$	100,000 $	800,017 $	3,987,197 $	4,887,214 $	3,735,929 $	8,623,143

The operating segments are primarily managed and operated in the United States. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets. Total Canadian revenues and assets were $0 and $6.453 as at September 30, 2020, respectively.

24. RESTATEMENT

During the preparation of the 2019 year-end consolidated financial statements the Company identified certain errors in the comparative figures presented for the 2018 year ended, which were corrected and restated during the quarter ended December 31, 2018. The errors relate to shares issues for services, the shares issued as share issuance costs, the amount recorded for the share-based compensation for performance warrants and warrants that formed a derivative liability.

The table below summarizes the restated consolidated financial statements for December 31, 2018:

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Consolidated statement of financial position

As at December 31, 2018	**As Previously Reported**	**Note**	**Adjustments**	**As Restated**
Assets				
Current assets	$ 1,002,342		$ -	$ 1,002,342
Non-current assets	2,312,778	(i)	700,000	3,012,778
Total assets	3,315,120		700,000	4,015,120
Liabilities and equity				
Current liabilities	774,823	(i)	700,000	2,112,086
		(f)	637,263	
Non-current liabilities	469,551		-	469,551
Total liabilities	1,244,374		1,337,263	2,581,637
Equity				
Share capital	5,759,474	(a)	379,842	4,625,118
		(b)	(119,153)	
		(b)	119,153	
		(b)	(43,127)	
		(d)	17,700	
		(f)	(1,371,753)	
		(f)	75,833	
		(b)	(69,101)	
		(g)	(123,750)	
Additional paid in capital	3,307,567	(a)	(498,995)	5,326,611
		(c)	1,781,221	
		(d)	630,768	
		(d)	(17,700)	
		(g)	123,750	
Deficit	(6,996,295)	(a)	(1,521,951)	(8,518,246)
Total equity	2,070,746		(637,263)	1,433,483
Total liabilities and equity	$ 3,315,120		700,000	$ 4,015,120

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

Consolidated statement of comprehensive loss

For the year ended December 31, 2018	As Previously Reported	Note	Adjustments	As Restated
Revenue	$ 106,584		$ -	$ 106,584
Cost of sales	280,937		-	280,937
Gross margin	(174,353)		-	(174,353)
Operating expenses	(2,044,257)	(a)	(2,102,756)	(6,327,622)
		(b)	43,126	
		(b)	119,153	
		(c)	(1,781,221)	
		(b)	69,101	
		(d)	(630,768)	
Net loss from operations	(2,218,610)			(6,501,975)
Interest expense	(63,090)			(63,090)
Fair value change in derivative liability	-	(f)	658,658	658,658
Amortization	(2,102,756)	(a)	2,102,756	-
Net loss before taxes	(4,384,456)			(5,906,407)
Foreign exchange	(58,703)		-	(58,703)
Net loss and comprehensive loss for the year	$ (4,443,159)		$ 2,761,414	$ (5,965,110)
Loss per share attributable to owners of the Company:				
Basic and diluted	$ 0.03			$ 0.05

Consolidated statement of equity (deficit)

As at December 31, 2018	Note	Common Stock	Additional Paid in Capital	Deficit
As Previously Reported		$ 5,759,474	$ 3,307,567	$ (6,996,295)
Adjustment	(h)	(1,134,356)	2,019,044	(1,521,951)
As Restated		$ 4,625,118	$ 5,326,611	$ (8,518,246)

Restatement adjustments

(a) Upon restatement, the amount of share-based payments and amortization originally included in Other expenses under Amortization was moved to Operating Expenses.

(b) In fiscal 2018, the Company expensed $74,358 for brokers' warrants, of which $43,126 (portion attributable to the issuance of shares issued as part of the units in the completed private placement) should have been recorded as a share issuance cost. In connection with the same private placement, the Company expensed $147,102 in shares issued to brokers, of which $119,153 should have been recorded as share issuance costs. Upon restatement, a total of $162,280 has reclassified from share-based compensation expense to a reduction of equity in share capital. This amount was also reclassified from expenses to a reduction of equity in share capital. Additionally, the total amount of shares issued for services of $498,995, which includes $147,102 issued to brokers, was originally credited to additional paid-in capital ("APIC") instead of share capital. Upon restatement, this amount was reclassified from APIC to share capital.

In addition, the Company expensed cash commissions paid to the brokers upon closing of private placements of units in 2018. Out of total amount expensed of $119,140, the amount allocated to the issuance of shares issued as part of the units of $69,101 was reclassified from share-based compensation expense to a reduction of equity in share capital.

(c) In fiscal 2018, the Company expensed $861,981 for performance warrants granted in vested in 2018. It was noted that the vesting terms and the value of performance warrants required correction, and as a result the share-based compensation expense for 2018 was increased by $1,781,221 to bring the value recorded for the performance warrants to $2,643,202.

(d) Share-based payment expense for 2018 has been increased by $630,768 as a result of immediate recognition of expense as certain options vested immediately and use of graded-vesting amortization method for the recognition of the expense for the options with the vesting terms. In addition, upon restatement $17,700 was reversed out of APIC to share capital for the exercise of stock options in 2018.

(e) The number of common shares issued on conversion of preferred shares into 72,266,817 common shares required a correction and was updated from 317,465 to 722,668. The number of preferred shares cancelled in 2018 was updated from 1,317,474 to 912,271. These corrections did not have any impact on the ending number of common of preferred shares outstanding at December 31, 2018, or the amounts of share capital, APIC or deficit at December 31, 2018.

(f) The figures for the year ended December 31, 2018 have been restated to correct for an error in the valuation of share purchase warrants that were issued in the unit placements. Upon restatement, the amount of $1,371,753 has been reallocated from share capital based upon value of issued warrants and recorded as a derivative liability due to the exercise price of these warrants being denominated in Canadian dollars whereas the Company's functional currency is the US dollar. This warrant based derivative liability has been revalued as at December 31, 2018 using the estimated share price, remaining term of the warrants, volatility and foreign-exchange rate at December 31, 2018 resulting in revaluation gain of $582,369. In addition, $75,833 of the liability was derecognized upon exercise of warrants in 2018, and $76,289 - upon expiry of warrants unexercised in 2018. The resulting fair value change in the warrant derivate liability for 2018 was $658,658. See Note 18.

(g) In 2018, the Company recorded $123,750 to share capital with an offsetting amount recorded to APIC upon cancellation of 24,630,405 common shares. This amount was revised to $Nil upon restatement. This correction had no impact on the ending net equity at December 31, 2018.

(h) As a result of the above adjustments, the share capital decreased by $1,134,356, APIC increased by $2,019,044, and deficit increased by $1,521,951.

(i) According to the purchase agreement to acquire a 51% interest in LVV (Note 10), the Company was required to make a working capital contribution payment of $700,000 as part of the purchase consideration for the initial 8.5% interest in LVV. At December 31, 2018, the Company disclosed ownership of 8.5% interest in LVV. Therefore, the Company should have accrued for the outstanding payment of $700,000. The accrual was recorded upon restatement which resulted in an increase in investment in LVV of $700,000 and increase in current liabilities of $700,000 at December 31, 2018. This adjustment had no impact on the net loss or cash flows for 2018.

The change in consolidated statement of cash flows for 2018 is not described in a table as the restatements described above did not have any significant impact on the cash flows. Most of the adjustments were to non-cash items such as share-based payments and derivative liability, which are included as adjustments for non-cash items within cash flows from operating activities, and as a result these adjustments did not have any impact on net cash flows from operating activities, investing activities or financing activities. The only adjustment that had impact on cash flows was the reclassification of $69,101 from share-based compensation expense to a reduction of equity (see details under (b) above). As a result of this reclassification, the net cash used in operating activities decreased by $69,101 and the net cash received from financing activities increased by $69,101.

Notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (Unaudited- expressed in United States Dollars)

25. COMMITMENTS AND CONTINGENCIES

(a) Legal Proceedings

Occasionally, the Company may be a party to legal claims or proceedings of which the outcomes are subject to significant uncertainty. In accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, the Company will assess the likelihood of an adverse judgment for any outstanding claim; as well as ranges of probable losses.

The Company has an action in Alberta against its former CEO and President seeking damages of CAD$2 million for breaches of contract, fiduciary duties, good faith, and acts of negligence in connection with the above noted broker's claim and other matters. The Company is also a party to an action by the former CEO and President of the Company claiming remedies for alleged oppression and misrepresentation, including return of 757,217.52 preferred shares of the Company that he agreed to cancel, or alternatively $20,066,264 in damages as compensation for his cancelled preferred shares. He also seeks a direction to pay on a promissory note ($794,328 and $762,717 as at September 30, 2020, and December 31, 2019, respectively), and indemnification for credit card payments of which he is guarantor, plus legal fees. Management believes the suit by the former CEO and President is frivolous and vexatious and is vigorously defending the claim and pursuing remedy on the Company's claims. Apart from the promissory note in the amount of $794,328 and credit cards of $70,422 which currently appears in the financial liabilities of the Company, the Company has not made any provision for any other amounts.

(b) Royalty Commitment under License Agreement

On September 18, 2019, the Company ceased any further funding for the development of the Julian Marley JuJu Royal brand. This decision was based on the current cost for the use of Julian Marley's image and name, coupled with the royalty arrangement, made it difficult for the brand to reach profitability. The Company cut costs by closing down its Denver office and all personnel working on the brand resigned. On October 5, 2019, Julian Marley Management notified the Company that the license agreement for the JuJu royal brand was terminated. The Company incurred recorded an expense of $432,229 related the termination of the brand, including license fees, inventory and other expenses. The restructuring costs by nature are summarized as follows:

Unamortized license fee (i)	$	165,000
Remaining license fee under amended agreement (i)		87,500
Inventory impairment (i)		155,342
Uncollectible accounts receivable (ii)		12,888
Personnel costs (iii)		11,399
Total restructuring costs	$	432,129

The restructuring costs are included in the financial statements as expense amounts by function as follows: (i) costs of sales – total of $407,842; (ii) operating expenses – total of $24,287. The accrued liability includes costs related to the termination of the JuJu Royal brand of $269,167 as at September 30, 2020, and December 31, 2019, respectively.

26. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through November 30, 2020, which is the date the financials were available to be issued. Management has determined that, except as set out below, no events or transactions occurring after the balance sheet date substantially affects the amounts, presentation, and disclosure of the accompanying financial statements.

The Company filed its unaudited interim financial statements, accompanying management discussion and analysis and related CEO and CFO certifications for the six months ended June 30, 2020, on October 13, 2020.

On November 2, 2020, the Company announced its selection of Jeff Malinovitz and Clyde Story as Cultivator for the Carson City Operation. Following the Company's September 3, 2020, announcement of its expansion and optimization plan for this facility, the Cultivator will play a key role in managing the multi-phased expansion, overseeing genetics selection and overall cultivation operations, as well as manufacturing, marketing and sales of final product. Malinovitz and Story are extremely well-known industry veterans widely regarded as top-shelf, award winning cannabis growers. Together, they have won more awards in the flower category than any other cultivator. Their product expertise also includes producing remarkable concentrates and extracts which have similarly won numerous industry accolades.