



Vext Science, Inc.

Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in U.S. Dollars)

(Unaudited)

Vext Science, Inc.

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VEXT SCIENCE, INC
Consolidated Interim Statements of Financial Position
(Expressed in U.S. Dollars) (Unaudited)

	Notes	For the Three Months Ended	
		March 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		\$ 16,378,498	\$ 1,745,381
Accounts receivable	4	19,152,591	17,224,397
Inventory	5	902,201	857,317
Prepaid expenses, deposits, and other receivables	6	783,388	1,566,145
Due from related parties current	19	537,151	537,151
Notes receivable – current	19	1,677,647	1,853,573
Advances to joint ventures	10	215,849	69,013
Investment in sublease – current	17	149,958	144,601
		39,797,283	23,997,578
Non-current assets			
Notes receivable	7	8,944,007	7,024,110
Investment (Legacy)	8	425,350	350,000
Property, plant and equipment	12	13,999,865	12,457,565
Investment in sublease – non-current	17	392,909	432,287
Investment in joint ventures	9	1,248,987	1,282,598
Right-of-use asset	17	250,981	258,362
Due from related parties- non-current	19	1,644,634	1,644,634
Intangible assets	13	7,798,702	8,007,527
Total Assets		\$ 74,502,717	\$ 55,454,661
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accrued liabilities	15,19	\$ 3,257,826	\$ 2,572,975
Due to Legacy Ventures Hawaii, LLC	8	—	22,479
Notes payable – current portion	16,19	917,973	920,828
Notes payable from RDF acquisition - current	16	1,372,500	948,750
Lease liability – current portion	17	162,449	156,694
Loan payable	18	4,220,927	4,165,034
Income tax payable	26	45,633	45,633
Total current liabilities		9,977,308	8,832,393
Long-term liabilities			
Notes payable- non-current portion	16,19	64,763	64,763
Lease liability – non-current portion	17	659,156	701,810
Notes payable from RDF acquisition- non-current	16	3,848,825	4,529,575
Deferred tax liabilities	25	5,411,900	5,013,000
Total liabilities		19,961,951	19,141,541
Shareholders' equity			
Subordinated and multiple voting shares	20	32,812,609	17,182,123
Reserves	20	3,190,554	1,998,273
Accumulated other comprehensive income		(17,754)	(283,558)
Retained earnings		18,555,357	17,416,282
Total shareholders' equity		54,540,766	36,313,120
Total liabilities and shareholders' equity		\$ 74,502,717	\$ 55,454,661

Nature of operations and going concern (Note 1)

Contingencies (Note 24)

Subsequent events (Note 26)

Approved on May 24, 2021 on behalf of the Board of Directors:

“Jason T. Nguyen”, Director

“Eric J. Offenberger”, Director

VEXT SCIENCE, INC.
Consolidated Statements of Operations and Comprehensive Income
(Expressed in U.S. Dollars)

		For the Three Months Ended	
	Notes	March 31, 2021	March 31, 2020
REVENUES			
Management fees		\$ 1,800,000	\$ 600,000
Professional services		3,122,053	1,402,839
Product sales		3,641,085	2,005,085
Equipment leasing		554,907	20,752
Property leasing	17	42,246	67,422
		9,160,291	\$ 4,096,098
COST OF SALES			
Cost of goods sold		2,472,081	1,494,285
Salaries, wages, and contractors	19	2,064,835	1,160,271
Property and equipment leasing, utilities, and property taxes	19	19,655	23,636
Amortization	12	443,833	212,115
		5,000,404	2,890,307
Gross Profit		4,159,887	1,205,791
OPERATING EXPENSES			
Accretion	18	58,399	26,134
Advertising and promotion		134,513	117,497
Amortization	12,17	274,561	56,983
Bank charges and interest	17,18	158,840	156,378
Consulting fees	19	139,743	280,591
Insurance		42,208	6,588
Office and general		355,872	796,655
Professional fees		325,025	264,166
Rent, property taxes, and utilities	17	53,847	27,069
Repairs and maintenance		113,231	19,952
Research and development		42,883	30,098
Share-based compensation	20	424,953	87,406
Salaries, wages, and commissions	20	294,596	330,590
Travel, training, and meals and entertainment		55,709	110,821
		2,474,380	2,310,928
Share of profit (loss) of joint ventures	9	(303,157)	(62,520)
Loss on asset disposal			(766)
Foreign exchange gain / (loss)		(5,140)	126,347
Interest income		160,767	71,056
Net income (loss) before taxes		1,537,977	(971,020)
Income tax expense		398,900	—
Net income (loss) after taxes		\$ 1,139,077	\$ (971,020)
Unrealized gain on foreign exchange translation		265,803	344,794
Total comprehensive income (loss)		\$ 1,404,880	\$ (626,226)
Basic earnings (loss) per common shares		\$ 0.01	\$ (0.01)
Diluted earnings (loss) per common shares		\$ 0.01	\$ (0.01)
Weighted average number of common share outstanding - basic		99,591,301	84,363,326
Weighted average number of common share outstanding - diluted		99,591,301	84,363,326

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

VEXT SCIENCE, INC
Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars) (Unaudited)

	Share Capital				Reserves: compensatory warrants	Reserves: stock options	Accumulated other comprehensive income	Retained Earnings	Shareholder's Equity
	Number of subordinated voting shares	Amount: subordinated voting shares	Number of multiple voting shares	Amount: multiple voting shares					
	#	\$	#	\$	\$	\$	\$	\$	\$
Balance at December 31, 2019	21,834,626	9,597,446	625,287	19	552,742	181,039	50,738	15,291,214	25,673,198
Conversion of multiple voting shares to subordinated voting shares	781,600	—	(7,816)	—	—	—	—	—	—
Shares issued upon prospectus offering	19,166,665	5,213,573	—	—	—	—	—	—	5,213,573
Shares issued from non-broker private placement	4,064,500	1,100,000	—	—	—	—	—	—	1,100,000
Repricing of warrants	—	—	—	—	132,100	—	—	—	132,100
Share issuance - non cash warrants	—	(258,815)	—	—	258,815	—	—	—	—
Share issuance costs - cash	—	(705,507)	—	—	—	—	—	—	(705,507)
Shares issued for acquisition of RDF and Firebrand	—	—	67,000	1,934,222	—	—	—	—	1,934,222
Shares based compensation	—	—	—	—	244,868	634,808	—	—	879,676
Shares issued from warrants exercised	859,000	301,185	—	—	(6,099)	—	—	—	295,086
Other comprehensive income for the period	—	—	—	—	—	—	(334,297)	—	(334,297)
Net Income/(Loss) for the period	—	—	—	—	—	—	—	2,125,069	2,125,069
Balance at December 31, 2020	46,706,391	15,247,883	684,471	1,934,241	1,182,426	815,847	(283,558)	17,416,282	36,313,121
Shares issued upon prospectus offering	18,515,000	16,259,725	—	—	—	—	—	—	16,259,725
Shares issued from non-broker private placement	1,395,000	1,225,078	—	—	—	—	—	—	1,225,078
Share issuance - warrants	—	—	—	—	767,329	—	—	—	767,329
Share issuance costs - cash	—	(2,428,669)	—	—	—	—	—	—	(2,428,669)
Shares based compensation	—	—	—	—	46,809	378,143	—	—	424,952
Shares issued from options exercised	250,000	146,681	—	—	—	—	—	—	146,681
Shares issued from warrants exercised	1,399,133	427,670	—	—	—	—	—	—	427,670
Other comprehensive income for the period	—	—	—	—	—	—	265,804	—	265,804
Net Income/(Loss) for the period	—	—	—	—	—	—	—	1,139,077	1,139,077
Balance at March 31, 2021	68,265,524	30,878,368	684,471	1,934,241	1,996,564	1,193,990	(17,754)	18,555,359	54,540,766

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

VEXT SCIENCE, INC
Consolidated Interim Statements of Cash Flows

(Expressed in U.S. Dollars) (Unaudited)

	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 1,139,077	\$ (971,020)
Items not affecting cash:		
Amortization	216,207	269,098
Accretion and interest on leases and debt	55,893	195,584
Finance income on subleases	9,122	(22,422)
Deferred tax liabilities	—	—
Share-based compensation	424,953	87,406
Foreign exchange	265,804	361,688
Loss on asset disposal	—	766
Share of loss of joint ventures	303,157	62,520
Non-cash working capital item changes:		
Accounts receivable	(1,928,194)	(1,019,828)
Inventory	(44,884)	—
Prepaid expenses, deposits and other receivables	782,757	229,483
Payables and accrued liabilities	684,850	40,526
Income tax payable	398,900	—
Lease liability	—	—
Net cash (used in) provided by operating activities	2,307,641	(766,199)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment	—	(96,521)
Cash paid on lawsuit settlement (RDF)	(163,250)	—
Investment in Legacy Hawaii	(97,829)	—
Notes receivable	(2,243,970)	—
Investment in joint ventures	—	—
Acquisition of property, plant and equipment	(1,042,300)	(919,758)
Net cash used in investing activities	(3,547,349)	(1,016,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes receivable	—	828,303
Notes payable	(2,856)	(9,603)
Note payable RDF	(93,750)	—
Advances to joint ventures	(269,546)	(651,604)
Advances to joint operations	(146,836)	—
Prospectus offerings	16,259,725	—
Private placement	1,225,078	—
Lease payments made	(64,404)	(61,650)
Share issuance costs cash	(2,428,669)	—
Share issuance costs warrants	767,329	—
Exercise of options	146,681	—
Exercise of warrants	427,670	—
Sublease payments received	52,404	49,650
Subscription received	—	—
Net cash provided by financing activities	15,872,826	155,096
Net change in cash during the period	14,633,118	(1,627,382)
Cash, beginning of the period	1,745,381	7,292,261
Cash, end of the period	\$ 16,378,498	\$ 5,664,879
Cash paid for		
Interest	146,891	30,198
Taxes	—	—

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

VEXT SCIENCE, INC.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021

(Expressed in U.S. Dollars) (Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Vext Science, Inc. (the “Company”) provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical and adult use cannabis fields. The head office and principal address of the Company is located at Suite 2250 – 1055 W. Hastings St., Vancouver, BC V6E 2E9 and the U.S. headquarters is at 4152 N. 39th Ave, Phoenix, Arizona 85019.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company’s ability to continue to earn adequate revenues from operations and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at March 31, 2021, the Company had working capital of \$29,819,975 and retained earnings of \$18,555,357. There is uncertainty as the likely effects of the novel coronavirus (“COVID-19”) outbreak which may, among other things, impact the Company’s operations and ability to raise further financing. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

These condensed interim consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION**a) Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements follow the same accounting policies and methods of applications as the Company’s most recent audited annual consolidated financial statements. These interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company’s December 31, 2020 audited annual consolidated financial statements.

b) Basis of Preparation

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss and are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The financial statements, unless otherwise specified, are presented in United States (“U.S.”) dollars.

VEXT SCIENCE, INC.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021

(Expressed in U.S. Dollars) (Unaudited)

2. BASIS OF PRESENTATION (CONTINUED...)**c) Basis of Consolidation**

The interim financial statements include consolidated accounts of the Company and its subsidiaries, including its economic interest in joint ventures. Subsidiaries are those entities that the Company controls. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Entities of the Company are listed below.

Name	Jurisdiction	Ownership
Vext Science, Inc.	BC, Canada	100%
Subsidiaries:		
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen Phoenix (PHX), LLC	Arizona, USA	100%
New Gen Eloy, LLC	Arizona, USA	100%
New Gen Prescott (PV), LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Vapen Mass, LLC	Massachusetts, USA	50%
Joint Operations		
Happy Travels, LLC	California, USA	0%

d) Approval of the Consolidated Financial Statements

These interim financial statements for the three months ended March 31, 2021 were approved and authorized for issue by the Board of Directors on May 24, 2021.

e) Significant Accounting Judgements and Estimates

The preparation of the Company's condensed interim consolidated financial statements is in conformity with IFRS, which requires management to make judgments, estimates and assumptions that affect the

VEXT SCIENCE, INC.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021

(Expressed in U.S. Dollars) (Unaudited)

reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported revenues and expenses during the reporting period.

2. BASIS OF PRESENTATION (*CONTINUED...*)**e) Significant Accounting Judgements and Estimates (*continued...*)**Critical Judgements

The preparation of these condensed interim financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency, and its classification of joint arrangements. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. Management has determined that the functional currency of the parent is the Canadian dollar, while the functional currency of the subsidiaries has been determined to be the U.S. dollar.

Joint Arrangements

As at March 31, 2020, the Company holds a 50% interest in two separate joint arrangements and a 25% interest in a third joint arrangement. The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangements are structured as limited liability corporations and provide the Company and its partners (parties to the agreements) with rights to the net assets of the limited liability corporations under the arrangements. Therefore, these arrangements are classified as joint ventures.

Furthermore, the Company holds nil interest in a joint arrangement, but has equal joint control in a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Neither of the parties involved have unilateral control of a joint operation. The Company accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. This assessment is to be performed on a continuous basis.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of these condensed interim consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting these condensed interim consolidated financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Inventory Obsolescence

VEXT SCIENCE, INC.

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March 31, 2021

(Expressed in U.S. Dollars) (Unaudited)

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

2. BASIS OF PRESENTATION (*CONTINUED...*)**e) Significant Accounting Judgements and Estimates (*continued...*)***Deferred Tax Assets & Liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of cannabis operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Share-Based Payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

COVID-19

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the business of the Company or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge about COVID-19 and additional actions which may be taken to contain it. Such developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, and exposure to credit risk. The Company is evaluating the situation and monitoring any impacts or potential impacts to its business.

VEXT SCIENCE, INC.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021

(Expressed in U.S. Dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods of application as the most recent audited annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2020 annual consolidated financial statements.

Standards newly adopted or issued but not effective

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

	March 31, 2021	December 31, 2020
Accounts receivable (Notes 22, 23)	\$ 19,093,830	\$ 17,193,313
GST input tax credits	58,761	31,084
	\$ 19,152,591	\$ 17,224,397

5. INVENTORY

Inventory consists of consumable products utilized in the manufacture of consumer products primarily consisting of vaping cartridges, batteries & accessories, and packaging materials.

The Company's inventory consists of the following:

	March 31, 2021	December 31, 2020
Batteries and accessories	\$ 104,561	\$ 102,580
Cartridges	309,866	309,866
Packaging and labels	192,295	47,438
Company's portion of Joint Operation Inventory	295,479	397,433
	\$ 902,201	\$ 857,317

6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

The Company's prepaid deposits and other receivables consist of the following:

	March 31, 2021	December 31, 2020
Vendor deposits	\$ 543,545	\$ 1,288,782
Prepaid expense	165,888	196,478
Interest receivable	50,496	79,364
Employee advances	23,459	1,521
	\$ 783,388	\$ 1,566,145

7. NOTE RECEIVABLE

As at March 31, 2021, the Company's notes receivables consist of the following:

	Current	Non-current	Total
Due from Herbal Wellness Center Inc. ("HWC"), incurring interest at 10% per annum, on December 31, 2022 (1) (2)	\$ 824,852	\$ 3,162,040	\$ 3,986,892
Due from Organica Patient Group, Inc. ("Organica"), incurring interest as 10% per annum, due on March 20, 2023(3)	722,795	1,573,356	2,296,151
Due from an arm's length party, accruing interest at 10% per annum,	130,000	—	130,000
Due from Appalachian Pharm Processing, LLC, an arm's length party, accruing interest at 10% per annum (4)	—	4,208,611	4,208,611
	\$ 1,677,647	\$ 8,944,007	\$ 10,621,654

As at December 31, 2020, the Company's notes receivables consist of the following:

	Current	Non-current	Total
Due from Herbal Wellness Center Inc. ("HWC"), incurring interest at 10% per annum, on December 31, 2022 (1) (2)	\$ 1,000,779	\$ 2,625,374	\$ 3,626,153
Due from Organica Patient Group, Inc. ("Organica"), incurring interest as 10% per annum, due on March 20, 2023(3)	722,794	1,445,589	2,168,383
Due from an arm's length party, accruing interest at 10% per annum,	130,000	—	130,000
Due from Appalachian Pharm Processing, LLC, an arm's length party, accruing interest at 10% per annum (4)	—	2,953,147	2,953,147
	\$ 1,853,573	\$ 7,024,110	\$ 8,877,683

⁽¹⁾ On December 31, 2019, the Company and HWC entered into a promissory note, whereby \$2,933,957 was reclassified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020, and is payable as follows: \$913,775, as well as accrued interest due on or before December 31, 2020; \$1,000,779 as well as accrued interest due on or before December 31, 2021; and \$1,019,403, as well as accrued interest due on or before December 31, 2022. As at December 31, 2020, HWC has paid the Company \$913,775 plus accrued interest pursuant to the note, and the remaining outstanding balance due by December 31, 2020 is \$nil.

⁽²⁾ As at December 31, 2020, \$1,605,971 was drawn by HWC from a line of credit secured promissory note (Note 11).

⁽³⁾ During the year ended December 31, 2020, \$2,168,383 was included as part of the Organica line of credit (Note 11).

⁽⁴⁾ On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered a nonbinding letter of intent (the "LOI") with Appalachian Pharms Processing, LLC ("App Pharms") to form a joint venture in Ohio related to the manufacturing, production, and sale of medical cannabis (marijuana) products in Ohio, pursuant, and subject to, applicable Ohio state law. Vext will have a 37.5% economic and ownership interest once license transfer is approved by the State of Ohio.

On March 15, 2021, Vext announced that it had entered a letter of intent (the "LOI") that will enable it to establish a retail presence in the state of Ohio, through a joint venture with an Ohio limited liability company APP1803, LLC. The JV Co. has acquired an exclusive option to acquire all of the ownership interest of an Ohio entity (the "Option") holding a provisional cannabis dispensary license (the "Provisional License"). VEXT intends to acquire a 50% economic interest in the JV Co. through an Ohio subsidiary. We contemplated change

7. NOTE RECEIVABLE (*CONTINUED...*)

in ownership is subject to approval by the State of Ohio's Board of Pharmacy (the "Board") and cannot occur until License Co. has received a certificate of operation and been operational for 12 months, in 2022.

Additionally on March 15, 2021, the Company entered into an LOI with APP1803 to acquire an option for a dispensary license in Ohio. Through a Vext subsidiary, the Company will have a 50% economic interest and a 48% ownership for the license. Vext's total contribution for the option is \$4 million USD. Per the LOI, Vext and APP1803, has executed a convertible loan agreement. The convertible loan agreement will transfer the ownership of the license, per Ohio State regulations in 2022. Through March 31, 2021 Vext has made payments \$3.4 million USD. The balance of \$600,000 was remitted on April 6, 2021 and delayed funding fees at the rate of 10% have been paid.

In or around March 30, 2020, Vapen agreed, and subsequently advanced to App Pharms, \$500,000 in two equal installments of \$250,000 for the exclusive purpose of App Pharms for the manufacturing and production of cannabis products as well as associated expenses from ongoing operations.

The members of APP1803 and Appalachian Pharms Processing, LLC are essentially the same.

8. INVESTMENT

On August 2, 2019, the Company entered into Restricted Unit Grant Agreement with Legacy Ventures Hawaii, LLC ("Legacy"), whereby the Company subscribed for 350,000 units of Legacy for \$350,000. As at March 31, 2021, the Company had paid \$425,350. In addition to the 350,000 units subscribed, the Company will be granted an additional 350,000 units for services to be provided by the Company to Legacy. 175,000 of these units were issued on August 2, 2020, with the remaining 175,000 to be issued during the year ended December 31, 2021. As a result of the subscription and the units received for services, as at March 31, 2021, the Company had a 19.62% interest in Legacy.

9. JOINT VENTURES

As of March 31, 2021, the Company was a 50% member to Vapen Kentucky, LLC ("Vapen KY"), 25% member to Vapen Oklahoma, LLC ("Vapen OK"), and had 50% voting rights to Happy Travels, LLC ("Happy Travels"). Refer to Note 10 for further details.

Joint Ventures

Vapen Kentucky, LLC

On February 1, 2020, an operating agreement of Vapen Kentucky, LLC ("Vapen KY") was signed for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution activities. The Company holds 50% membership ownership of Vapen KY with Emerald Pointe Hemp, LLC ("EPH") owning the other 50%. As at March 31, 2021, the Company loaned Vapen KY \$1,195,520 for working capital. The working capital loan is interest free.

Vapen-Oklahoma, LLC

On February 12, 2020, the Company entered into a joint venture term sheet with Texoma Processing and Extraction, LLC ("TPE") regarding Vapen-Oklahoma, LLC ("Vapen OK"). The Company is a minority

9. JOINT VENTURES (CONTINUED...)

member of Vapen OK holding 25% membership ownership, whereas TPE is a majority member owning 75% membership ownership of Vapen-OK and both parties have equal voting rights. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. As at March 31, 2021, the Company loaned Vapen OK \$877,426 for working capital. The working capital loan is interest free.

Vapen Mass, LLC

At March 31, 2021 the Company held 50% membership interest in Vapen Mass, LLC, with the remaining held by Caregiver Patient Connection, LLC. As at March 31, 2021, Vapen Mass was inactive and no investments were made in the joint venture

As at March 31, 2021, the balance of contributions in joint ventures comprised of the followings:

	Vapen KY	Vapen OK	Total
Balance as at December 31, 2019	\$ —	\$ —	\$ —
Contributions	925,974	877,426	1,803,400
Share of loss of the joint ventures during the year	(286,719)	(234,083)	(520,802)
Balance as at December 31, 2020	\$ 639,255	\$ 643,343	\$ 1,282,598
Balance as at December 31, 2020	\$ 639,255	\$ 643,343	\$ 1,282,598
Contributions	269,546	—	269,546
Share of loss of the joint ventures during the year	(239,911)	(63,247)	(303,157)
Balance as at March 31, 2021	\$ 668,891	\$ 580,096	\$ 1,248,987

Summarized financial information for equity accounted investees for the three months ended March 31, 2021, is as follows:

	Vapen KY	Vapen OK
Ownership %	50%	25%
Current assets	\$ 1,479,978	\$ 1,021,222
Non-current assets	12,256	245,097
Total assets	1,492,234	1,266,319
Total liabilities	(2,548,078)	(2,455,639)
Net assets	(1,055,844)	(1,189,320)
Revenue	118,623	365,546
Cost of goods sold	(344,498)	(337,438)
Expenses	(253,946)	(281,094)
Net loss	\$ (479,821)	\$ (252,986)
Ownership % Loss	\$ (239,911)	\$ (63,247)

10. JOINT OPERATIONS

Happy Travels, LLC

On June 10, 2020, the Company entered into a joint operation agreement with Green Goblin, Inc. (“GG”) to operate Happy Travels, LLC (“Happy Travels”), which GG holds 100% membership interest. The Company and GG have equal voting rights. The terms of the initial joint arrangement will be three years, with automatic successive renewal terms of additional two-year period. As at March 31, 2021, the Company advanced \$215,849 in the joint operation.

The Company advanced the following amounts to the above joint operation:

	March 31, 2021		December 31, 2020	
Happy Travels	\$	215,849	\$	69,013
	\$	215,849	\$	69,013

11. LINE OF CREDIT

On January 1, 2020, the Company entered into a \$5,000,000 line of credit secured promissory note ("Promissory Note") with Herbal Wellness Center, Inc. ("HWC"). Any amounts advanced by the Company to HWC, including all interest accrued, will become due and payable 36 months from the effective date of the Promissory Note with an annual interest rate of 10%. As at March 31, 2021, \$2,142,637 had been drawn from this line of credit by HWC (Note 7).

Upon closing of the Acquisition (Note 14), the Company entered into a \$3,000,000 line of credit secured promissory note ("Promissory Note") with Organica Patient Group, Inc. ("Organica"). Any amounts advanced by the Company to Organica pursuant to the line of credit contains a 36-month term with one-third (1/3) of such advance to be paid each year of the balance at a 10% interest rate. As at March 31, 2021, Organica has drawn down a total of \$2,296,151 pursuant to the line of credit (Note 7).

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Leasehold improvements	Construction in progress	Automobile	Total
Cost							
Balance at December 31, 2019	\$ 340,779	\$ 1,323,369	\$ 5,836,775	\$ 2,746,003	\$ 294,446	\$ 98,746	\$ 10,640,118
Disposals	—	—	(484,513)	—	—	(19,750)	(504,263)
Additions	—	112,700	4,168,725	165,201	1,138,720	21,711	5,607,057
Balance at December 31, 2020	\$ 340,779	\$ 1,436,069	\$ 9,520,987	\$ 2,911,204	\$ 1,433,166	\$ 90,796	\$ 15,733,001
Disposals	—	—	—	—	—	—	—
Additions	—	—	360,323	—	1,658,664	25,500	2,044,487
Balance at March 31, 2021	\$ 340,779	\$ 1,436,069	\$ 9,881,310	\$ 2,911,204	\$ 3,091,830	\$ 116,296	\$ 17,777,488
Balance at							
Accumulated Amortization							
Balance at December 31, 2019	\$ —	\$ 207,454	\$ 770,222	\$ 1,103,277	\$ —	\$ 32,537	\$ 2,113,490
Disposals	—	—	(323,995)	—	—	(6,304)	(330,299)
Amortization	—	87,196	967,588	418,946	—	18,513	1,492,243
Balance at December 31, 2020	\$ —	\$ 294,650	\$ 1,413,815	\$ 1,522,223	\$ —	\$ 44,746	\$ 3,275,434
Disposals	—	—	—	—	—	—	—
Amortization	—	24,176	339,234	133,475	—	5,302	502,187
Balance at March 31, 2021	\$ —	\$ 318,826	\$ 1,753,049	\$ 1,655,698	\$ —	\$ 50,048	\$ 3,777,621
Balance at							
Net Book Value							
December 31, 2020	\$ 340,779	\$ 1,141,419	\$ 8,107,172	\$ 1,388,981	\$ 1,433,166	\$ 46,050	\$ 12,457,567
March 31, 2021	\$ 340,779	\$ 1,117,243	\$ 8,128,261	\$ 1,255,506	\$ 3,091,830	\$ 66,248	\$ 13,999,867

Of the total amortization expense during the three months ended March 31, 2021 - \$443,833 (March 31, 2020 - \$212,115) was included in the cost of sales and \$58,354 (March 31, 2020 - \$49,601) was included in operating expense.

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13. INTANGIBLE ASSETS AND GOODWILL

Identifiable intangible assets consist of the following:

	Management Service Agreement	Brand Name	Patent	Total
At December 31, 2020	\$ —	\$ —	\$ —	\$ —
Additions	7,093,825	226,950	225,000	7,545,775
Amortization	(191,725)	(13,350)	(3,750)	(208,825)
At March 31, 2021	\$ 6,902,100	\$ 213,600	\$ 221,250	\$ 7,336,950

Goodwill consists of the following:

	Goodwill
At December 31, 2019 and 2018	\$ —
Additions	461,752
At December 31, 2020	\$ 461,752
Additions	—
At March 31, 2021	\$ 461,752

There was no goodwill impairment as at December 31, 2020.

14. ACQUISITION

On April 6, 2020, the Company acquired 100% membership interest of RDF Management, LLC (“RDF”) and Firebrand, LLC (“Firebrand”). RDF provides management services related to the administration, management and operation of the dispensary, cultivation facility, and kitchen facility on behalf of Organica Patient Group, Inc., an Arizona non-profit corporation (“Organica”) pursuant to a management services agreement (“MSA”). Firebrand owns, holds and controls certain intellectual property in relation to Organica’s operations.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was 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 closing date for the acquisition was April 6, 2020. Consideration of this acquisition is \$9,183,508 in common shares of the Company and cash, payable as follows:

	Face value	Present Value	
	\$	\$	
Multiple voting shares	1,934,222	1,934,222	(a)
Promissory note	5,154,512	4,473,741	(b)
Cash	3,105,000	2,775,545	(c)
	10,193,734	9,183,508	

(a) Share Consideration: The Company issued 67,000 multiple voting shares.

(b) Promissory note: The Company issued a promissory note of \$5,154,512 (the “Promissory Note”). The Promissory note shall bear no interest for the first 18 months following the closing date. Commencing 30 days following the effective date of the Promissory Note, the Company shall pay monthly payments of at least \$30,000 towards the principal balance until the expiration of the interest free period. In the event there is any remaining balance on the note after the expiration of the interest free period, such balance will begin accruing interest at a rate of 10% per annum. The present value of the Promissory Note on April 6, 2020 is \$4,473,741.

(c) Cash consideration: An undertaking to assist RDF in settling and resolving certain existing liabilities, allocating a total maximum of \$3,105,000 in funds to settle such liabilities. A total of \$2,415,545 present value was allocated for these liabilities. Other current liabilities allocated for are \$360,000 (Note 16) per the 1st year promissory note payments for a total of \$2,775,545.

14. ACQUISITION (*CONTINUED...*)

The allocation of the purchase price to the total fair value of net assets acquired is as follows:

	\$
Fair value of net assets acquired	
Cash	2,744
Accounts receivable	2,500
Property, plant and equipment	1,521,000
	1,526,244
Current liabilities	(555,488)
Long-term liabilities	(185,000)
Identifiable net assets acquired	785,756
Management service agreement (Note 13)	7,669,000
Brand name (Note 13)	267,000
Goodwill	461,752
	9,183,508

The resulting goodwill represents the sales and growth potential of RDF and Firebrand in the cannabis industry and is not deductible for tax purposes.

Since the acquisition date and up to March 31, 2021, the Company has received gross revenue of \$nil from RDF and Firebrand respectively due to the fact the MSA with Organica was transferred to New Gen Holdings, Inc., a wholly owned subsidiary of the Company, and recorded a loss of approximately \$776,953, which was mainly from amortization of the intangibles and equipment, and \$nil from operations from RDF and Firebrand respectively.

As part of the business combination described above the Company acquired an intangible asset in the form of the MSA, the “Firebrand” brand name, and goodwill. The Company will amortize the MSA on a straight-line basis over the next ten years and amortize the “Firebrand” brand name on a straight-line basis over the next five years. Goodwill will be tested for impairment on an annual basis.

Preliminary Fair Value Estimates

The purchase price allocations for the acquisition, as set forth in the tables above, reflect various preliminary fair value estimates and analyses that are subject to change within the measurement period. The primary areas of the preliminary purchase price allocations relate to the valuation of deferred tax liabilities, intangible assets acquired and residual goodwill.

The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company’s consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

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15. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

	March 31, 2021	December 31, 2020
Trade payables (Note 19)	\$ 1,318,697	\$ 495,272
Contributions payable	204,176	—
Credit card payable	152,877	94,461
Interest payable	129,306	19,269
Sales tax payable	37,070	32,961
Payroll liabilities	517,222	738,626
Accrued liabilities (Note 19)	898,477	1,192,386
	\$ 3,257,825	\$ 2,572,975

16. NOTES PAYABLE

Current notes payable are made up of the following:

	March 31, 2021	December 31, 2020
Maturing on October 1, 2021 with an interest rate of 12% per annum	\$ 182,250	\$ 182,250
Current portion of a loan, of which the total amount matures in December 2021 with an interest rate of 3.65% per annum	8,723	11,578
Maturing on Maturing on January 5, 2022 with an interest rate of 15% per annum	175,000	175,000
Maturing on February 1, 2022 with an interest rate of 12% per annum	272,000	272,000
Maturing on March 1, 2022 with an interest rate of 12% per annum	280,000	280,000
	\$ 917,973	\$ 920,828

Current notes payable from the acquisition of RDF are made up of the following:

	March 31, 2021	December 31, 2020
Current portion of promissory note from acquisition ⁽¹⁾	\$ 360,000	\$ 360,000
Current portion of liabilities settlement from acquisition ⁽²⁾	1,012,500	588,750
	\$ 1,372,500	\$ 948,750

Non-current notes payable are made up of the following:

	March 31, 2021	December 31, 2020
Maturing on December 31, 2026, with an interest rate of 13% per annum, from related parties (Note 19)	\$ 64,763	\$ 64,763
	\$ 64,763	\$ 64,763

16. NOTES PAYABLE (*CONTINUED*...)

Non-current notes payable from the acquisition of RDF are made up of the following:

	March 31, 2021	December 31, 2020
Promissory note from acquisition ⁽¹⁾	\$ 3,637,060	\$ 3,727,060
Liabilities settlement from acquisition ⁽²⁾	40,515	627,515
Other notes payable with no maturing date and nil interest	171,250	175,000
	\$ 3,848,825	\$ 4,529,575

⁽¹⁾ On April 6, 2020, the Company acquired 100% of membership interest and assets in RDF Management, LLC and Firebrand, LLC from HSD Holdings, LLC ("HSD") (Note 14). In consideration for the acquisition, the Company issued a promissory note of \$4,473,741 present value. The promissory note bears no interest for the first 18 months following the closing date (the "Interest Free Period"). The Company shall pay monthly payments of at least \$30,000 to HSD, which will be accredited towards the principal balance until the expiration of the Interest Free Period. In the event there is any remaining balance on the promissory note after the expiration of the Interest Free Period, such balance will begin accruing interest at a rate of ten percent (10%) per annum.

⁽²⁾ Furthermore, as part of the consideration, the Company will be settling and resolving certain existing liabilities of RDF Management, LLC. A total of \$2,775,545 present value was allocated to settle such liabilities (Note 14).

17. LEASES

Leases on transition:

On January 1, 2019, the Company adopted IFRS 16, Leases. At this date, the Company had two building leases affected by the transition to IFRS 16, Leases. Of the two building leases held at January 1, 2019, one was being subleased by the Company. The second lease was subsequently subleased after transition, during the year ended December 31, 2019, and derecognized from the ROU assets.

The adjustments to record the cumulative effect of the initial application of the new accounting policy on January 1, 2019 are as follows:

a) Set up of Right of use asset ("ROU") and lease liability:

	December 31, 2020
Right-of-use assets	\$ 970,458
Accumulated depreciation	(272,145)
Lease liability	(800,031)
Adjustment to retained earnings	\$ (101,718)

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17. LEASES (CONTINUED...)

- b) Adjustment to recognize the cumulative effect of the derecognition of the ROU for the property that was being subleased as of January 1, 2019:

Net Investment in sub-lease	\$	619,561
Right-of use asset derecognized		(766,881)
Accumulated depreciation derecognized		223,673
Adjustment to retained earnings	\$	76,353

The fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the Company's incremental borrowing rate of 13% and a weighted average lease term of 8.31 years.

The two leases that were recognized as ROU assets on January 1, 2019 were subsequently subleased during the year and derecognized from the ROU assets.

During the year ended December 31, 2020, income of \$39,440 from subleasing was included in property leasing.

Right-of-use assets as at March 31, 2021:

As at December 31, 2020, the Company has three lease agreements for its leased premises, consisting of office and warehouse space. Of these three leases, two have terms expiring April 30, 2024, while the third expires September 30, 2029. The two leases ending April 30, 2024 are being subleased by the Company as at December 31, 2020.

	ROU	
Cost		
As at December 31, 2019 and December 31, 2020	\$	295,272
Accumulated Amortization		
As at December 31, 2020	\$	(36,909)
Amortization	\$	(7,382)
As at As of March 31, 2021	\$	(44,291)
Net book value		
December 31, 2020	\$	258,362
March 31, 2021	\$	250,981

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17. LEASES (CONTINUED...)

Right-of-use assets as at March 31, 2021:

	Total ROU
Total ROU at January 1, 2019	\$ 970,458
Less accumulated amortization at January 1, 2019	(272,145)
Derecognition of subleased ROU at January 1, 2019	(766,881)
Derecognition of amortization of subleased ROU at January 1, 2019	223,673
Opening book value of ROU upon adoption of IFRS 16 on January 1, 2019	\$ 155,105
Additions	295,272
Amortization	(21,922)
Derecognition of ROU for the recognition of net investment in sublease	(140,565)
At December 31, 2019	\$ 287,890
Amortization	(29,528)
At December 31, 2020	\$ 258,362
Amortization	(7,382)
Balance at At March 31, 2021	\$ 250,981

The total amortization expense during the year ended March 31, 2021 was included in operating expense.

Lease liability as at March 31, 2021:

The following table presents lease obligations for the Company as at March 31, 2021:

	Total lease liability
Opening balance as at January 1, 2020	\$ 991,158
Lease payments	(253,944)
Interest expense (included in cost of sales – property and equipment leasing)	93,669
Interest expense (included in bank charges and interest in operating expenses)	27,621
At December 31, 2020	858,504
Less: current portion	\$ (156,694)
Long-term lease liability	\$ 701,810
Opening balance as at January 1, 2021	\$ 858,504
Lease payments	(64,404)
Interest expense (included in cost of sales – property and equipment leasing)	18,483
Interest expense (included in bank charges and interest in operating expenses)	9,022
At March 31, 2021	821,605
Less: current portion	\$ (162,449)
Long-term lease liability	\$ 659,156

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17. LEASES (CONTINUED...)

The following table discloses the undiscounted cash flow for lease obligations as at March 31, 2021:

Less than one year	\$	259,816
One to five years		667,415
More than five years		208,455
Total undiscounted lease obligations	\$	1,135,686

The following table provides a summary of the lease expenses recognized in the statement of operations for the three months ended March 31, 2021.

Interest expense (included in cost of sales – property and equipment leasing)	\$	93,669
Interest expense (included in bank charges and interest in operating expenses)	\$	27,261
Amortization (included in operating expenses)	\$	29,528

Net investment in subleases as at March 31, 2021:

The Company has two sublease arrangements with its main customer for office and warehouse space. Both subleases expire on the same day the head lease expires, which is on April 30, 2024. The following table presents sublease payments receivable for the Company for the three months ending March 31, 2021.

Opening balance as at December 31, 2019	\$	698,914
Lease payments received		(205,944)
Finance income (included in revenue from property leasing)		83,917
At December 31, 2020	\$	576,888
Short-term net investment in sub-lease	\$	144,601
Long-term term net investment in sub-lease	\$	432,287
Opening balance as at December 31, 2020	\$	576,888
Lease payments received		(52,404)
Finance income (included in revenue from property leasing)		18,383
At March 31, 2021	\$	542,866
Short-term net investment in sub-lease	\$	149,958
Long-term term net investment in sub-lease	\$	392,909

17. LEASES (CONTINUED...)

The following table discloses the undiscounted cash flow for lease payments receivable as at March 31, 2021:

Less than one year	\$	207,816
One to five years		451,056
Total undiscounted sublease payments receivable	\$	658,872

The following table discloses the profit and loss on the sublease:

Finance income (included in revenue from property leasing)	\$	102,300
Interest expense (included in cost of sales – property and equipment leasing)		(46,026)
Total undiscounted sublease payments receivable	\$	56,274

18. CURRENT LOAN PAYABLE

On December 31, 2019, the Company completed a financing comprising of secured non-convertible debentures (the “Loan”) of \$5,500,000. The Loan is secured by a security interest in all of the Company’s assets. The Loan accrues interest at an annual rate of 10%, payable quarterly beginning July 1, 2020 and matures on December 31, 2021. The lenders also received warrants to purchase 980,210 subordinated voting shares of the Company at an exercise price of CAD\$1.00 (the “Loan Warrants”) as an incentive. The Loan Warrants can be exercised for two years after closing, subject to the Company’s right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than CAD\$3.35 for the any five 5 consecutive trading days.

The fair value of the Loan was determined to be \$5,496,728 using an annual effective interest rate of 10%. The fair value of the Loan Warrants was determined to be \$216,261 using the Black Scholes option pricing model and the following assumptions: Share Price: CAD\$0.70; Exercise Price: CAD\$1.00; Expected Life: 2 years; Annualized Volatility: 93.50%; Dividend yield: 0%; Discount Rate: 1.69%.

On December 16, 2020, the Loan Warrants’ exercise price of CAD\$1.00 were amended to CAD\$0.64. The fair value of the Loan Warrants increased by \$131,902 and was determined by using the Black Scholes option pricing model and the following assumptions: Share Price: CAD\$0.95; Exercise Price: CAD\$0.64; Expected Life: 1.04 years; Annualized Volatility: 89.07%; Dividend yield: 0%; Discount Rate: 0.24%.

As of March 3, 2021, the loan balance was \$4,220,927 and increase of \$55,893 due to IFRS related transaction and a decline in the exchange rate.

Gross proceeds received	\$	5,500,000
Less: Transaction costs		(216,261)
Less: Loan discount		(3,272)
December 31, 2019	\$	5,280,467
Less: Transaction costs		(232,265)
Less Loan Discount		(2,971)
Less Partial Conversion to shares		(1,100,000)
Effect of change in exchange rate		219,803
December 31, 2020	\$	4,165,034
Less: Transaction costs		(176,372)
Less Loan Discount		(2,971)
Effect of change in exchange rate		235,236
March 31, 2021	\$	4,220,927

19. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the three months ended March 31, 2021 and 2020 is summarized as follows:

	March 31, 2021	March 31, 2020
Share-based compensation	\$ 25,221	\$ 16,582
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman	106,173	95,314
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	—	80,595
Eric Offenberger, CEO, COO, and Director	65,769	39,736
Jonathan Shelton, Director	—	3,800
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman	5,588	5,017
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	—	4,242
Eric Offenberger, CEO, COO, and Director	3,462	2,091
Jonathan Shelton, Director	—	200
Former officer and director settlement included in operating expenses	—	500,000
Consulting fees included in operating expenses:		
Denise Lok, Former CFO	3,934	—
Brian Cameron, Former Corporate Secretary	10,000	—
Vahan Ajamian, CFO	7,615	—
	\$ 227,762	\$ 747,577

Other related parties

Other related parties include close family members of the Company's Executive Chairman, former CFO, President, Corporate Secretary and Director and a company that is controlled by a Director. Remuneration attributed to other related parties for the quarter ended March 31, 2021 and 2020 is summarized as follows:

	March 31, 2021	March 31, 2020
Salaries and wages included cost of sales	\$ —	\$ 42,019
Salaries, wages and commissions included in operating expenses	—	2,212
Consulting fees included in operating expenses	25,166	49,418
	\$ 25,166	\$ 93,649

19. RELATED PARTY TRANSACTIONS (CONTINUED...)

Balances with related parties:

Due from related parties:

The current portion of balances due from related parties is as follows:

	March 31, 2021	March 31, 2020
Non-interest bearing, due on December 31, 2021 from Jason Nguyen, Executive Chairman	\$ 537,151	\$ —
	\$ 537,151	\$ —

The non-current portion of balances due from related parties is as follows:

	March 31, 2021	March 31, 2020
Non-interest bearing, due on December 31, 2021 from Jason Nguyen, Executive Chairman	\$ —	\$ 537,151
Non-interest bearing, due on December 31, 2022 from Jason Nguyen, Executive Chairman	316,251	316,251
Non-interest bearing, due on December 31, 2023 from Jason Nguyen, Executive Chairman	1,328,383	1,328,383
	\$ 1,644,634	\$ 2,181,785

Due to related parties:

Amounts due to related parties as at March 31, 2021 and March 31, 2020 included the following:

- Included in payables and accrued liabilities as at March 31, 2021 is \$562,884 (2020 - \$338,049) owing to Jason Nguyen, the Executive Chairman, companies controlled by him, and his close family members. Most of this amount is made up of accrued salary and a patent transfer fee (Note 15).
- Included in payables and accrued liabilities as at March 31, 2021 is \$13,359 (2020 - \$11,900) owing to a company controlled by David Eaton, a director; \$nil (2020 - \$114,583) owing to Robert Brilon, the former CFO, President, Corporate Secretary, and Director of the Company (Note 15); and \$2,245 (2020 - \$nil) owing to Denise Lok, the former CFO.
- Included in the payables and accrued liabilities as at March 31, 2021 is \$161 (2020 - \$nil) for Eric Offenberger, CEO.
- Included in the long-term loans payable as at March 31, 2021 is \$64,763 (2020 - \$80,466) due to Jason Nguyen, the Executive Chairman of the Company, his spouse, and a company controlled by him. These loans bear interest of 13% per annum and are due between 2022 – 2026 (Note 16).
- Included in the long-term loans payable as at March 31, 2021 is \$nil (2020 - \$250,000) due to due to Robert Brilon, the former CFO, President, Corporate Secretary, and Director of the Company. This obligation bears no interest and is due the earlier of any change of control of the Company, a debt or equity financing greater than \$10 million of the Company on or after February 7, 2020, or no later than February 27, 2022.

20. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue the following shares:

- Unlimited subordinated voting common shares (“Subordinated Voting Shares” or “Common Shares”) without par value; and
- Unlimited super voting shares with multiple voting rights (“Multiple Voting Shares”), each convertible into 100 Subordinated Voting Shares.

Period ended March 31, 2021:

- On February 8, 2021, the Company closed a public offering of 18,515,000 units of the Company (the “Units”) at a price of CAD\$1.12 per Unit for aggregate gross proceeds of \$16,259,725 (CAD\$20,736,800) (the “Offering”). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$1.40 until February 8, 2024. As compensation, the Company paid to the Agents a cash fee of \$1,113,530 (CAD\$1,420,138) and issued to the Agents an aggregate of 1,357,980 share purchase warrants (the “Agents’ Warrants”). Each Agents’ Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of CAD\$1.12 per Subordinated Voting Share until February 8, 2024. The Agents’ warrants were valued at \$950,753 (CAD\$1,212,540) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.24%; dividend yield of 0%; expected volatility of 94.12% and expected life of three years.

In addition, the Company closed a concurrent non-brokered private placement of 1,395,000 units (the “Units”) at a price of CAD\$1.12 per Unit for a total of \$1,254,560 (CAD\$1,600,000) (the “Concurrent Private Placement”). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$1.40 until February 8, 2024.

The fair values of the Warrants issued pursuant to the Offering and Concurrent Private Placement have been estimated at the issue date using the residual method valuation. Given the market price of the Company’s Subordinated Voting Shares on the date of closing of the Offering and Concurrent Private Placements was in excess of the unit offering price, the residual value assigned to the Warrants is \$nil.

In addition to the amounts above, a further \$957,786 was incurred in share issuance costs for the above transactions.

- During the period ended March 31, 2021, 419,200 warrants and 979,933 warrants were exercised at CAD\$0.45 and CAD\$0.36 respectively for a total of \$427,670 (CAD\$541,416). In relation to the exercise of the 979,933 warrants, the proportionate fair value of \$182,753 (CAD\$231,362) was relieved from reserves.
- During the period ended March 31, 2021, 250,000 stock options were exercised at CAD\$0.75 for a total of \$146,681 (CAD\$187,500).

20. SHARE CAPITAL (CONTINUED...)

(a) Share Capital (continued...)

Fiscal year ended December 31, 2020:

- On March 18, 2020, 4,885 Multiple Voting Shares were converted into 488,500 Subordinated Voting Shares.
- On April 6, 2020, the Company completed the acquisition of RDF Management, LLC and Firebrand, LLC and issued 67,000 Multiple Voting Shares as consideration shares (Note 14).
- On May 26, 2020, 2,931 Multiple Voting Shares were converted to 293,100 Subordinated Voting Shares.
- On November 2, 2020, the Company closed a public offering of 17,777,165 units of the Company (the "Units") at a price of CAD\$0.36 per Unit for aggregate gross proceeds of \$4,827,354 (CAD\$6,399,779) (the "Offering"). Each Unit is comprised of one Subordinated Voting Share and one share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$0.45 until November 2, 2023. As compensation, the Company paid to the Agents a cash fee of \$330,786 (CAD\$438,534) and issued to the Agents an aggregate of 1,218,151 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of CAD\$0.36 per Subordinated Voting Share until November 2, 2023. The Agents' warrants were valued at \$225,885 (CAD\$287,606) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.27%; dividend yield of 0%; expected volatility of 96.83% and expected life of three years.

In addition, the Company closed a non-brokered private placement of units, with economic terms identical to the Units, pursuant to which the Company issued 4,064,500 units for gross proceeds of \$1,100,000 (CAD\$1,463,220) (the "Concurrent Private Placement"). Two holders of the 10% secured non-convertible debentures of the Company due December 31, 2021 (Note 18) redeemed 20% of the principal amount (an aggregate amount of \$1,100,000) and used the proceeds to participate in the Concurrent Private Placement. Accordingly, the proceeds from the Concurrent Private Placement retired \$1,100,000 (CAD\$1,463,220) of the principal amount of the Loan.

The fair values of the Warrants issued pursuant to the Offering and Concurrent Private Placement have been estimated at the issue date using the residual method valuation. Given the market price of the Company's Subordinated Voting Shares on the date of closing of the Offering and Concurrent Private Placements was in excess of the unit offering price, the residual value assigned to the Warrants is \$nil.

- On December 1, 2020, further to the Offering of Units which closed on November 2, 2020, the agents have further exercised their over-allotment option (the "Over-Allotment Option") in full to purchase an additional 1,389,500 Units at a price of CAD\$0.36 per Unit for gross proceeds of \$386,220 (CAD\$500,220). Each Unit is comprised of one common share (each, a "Subordinated Voting Share") and one share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$0.45 until November 2, 2023. The Company paid the Agents a cash fee of \$32,930 (CAD\$35,015) and issued to the Agents an aggregate of 97,265 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of \$0.36 per Subordinated Voting Share until November 2, 2023. The Agents' warrants were valued at \$32,372 (CAD\$41,928) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.30%; dividend yield of 0%; expected volatility of 95.95% and expected life of 2.92 years.

20. SHARE CAPITAL (CONTINUED...)

The fair values of the Warrants issued pursuant to the Offering have been estimated at the issue date using the residual method valuation. Given the market price of the Company's Subordinated Voting Shares on the date of closing of the Offering was in excess of the unit offering price, the residual value assigned to the Warrants is \$nil.

- During the year ended December 31, 2020, 826,000 warrants and 33,000 warrants were exercised at CAD\$0.45 and CAD\$0.36 respectively for a total of \$301,185 (CAD\$383,580). In relation to the exercise of the 33,000 warrants, the proportionate fair value of \$6,099 was relieved from reserves.

In addition to the amounts above, a further \$347,686 was incurred in share issuance costs for the above transactions.

(b) Share purchase warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2021.

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2019	1,022,910	CAD\$1.01
Issued	24,546,581	CAD\$0.43
Expired	(42,700)	CAD\$1.30
Exercised	(859,000)	CAD\$0.45
Outstanding, December 31, 2020	24,667,791	CAD\$0.47
Issued	11,312,980	CAD\$1.37
Exercised	(1,399,133)	CAD\$0.39
Outstanding, March 31, 2021	34,581,638	CAD\$0.75

As at March 31, 2021 the Company had the following share purchase warrants outstanding::

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
980,210	CAD\$0.64	0.75	December 31, 2021
21,985,965	CAD\$0.45	2.59	November 2, 2023
302,483	CAD\$0.36	2.59	November 2, 2023
1,357,980	CAD\$1.12	2.86	February 8, 2024
9,955,000	CAD\$1.40	2.86	February 8, 2024
34,581,638	CAD\$0.76		

On December 16, 2020, the Company repriced 980,210 warrants issued on December 31, 2019 from CAD \$1.00 to CAD \$0.64.

20. SHARE CAPITAL (CONTINUED...)

(c) Stock options

The Company has adopted a Stock Option Plan (the “Plan”) pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding Common Shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the Common Shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the year ended March 31, 2021 is as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2019	1,043,000	CAD\$1.00
Granted	1,458,334	CAD\$0.75
Cancelled	(66,000)	CAD\$1.00
Outstanding, December 31, 2020	2,435,334	CAD\$0.85
Granted	885,000	CAD \$1.31
Exercised	(250,000)	CAD \$0.75
Cancelled	(2,000)	CAD \$1.00
Outstanding, December 31, 2020	3,068,334	CAD\$0.99

As at March 31, 2021 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
775,000	566,687	CAD\$1.00	7.77	January 3, 2029
200,000	133,335	CAD\$1.00	8.12	May 13, 2029
833,334	833,334	CAD\$0.75	9.12	May 12, 2030
375,000	375,000	CAD\$0.75	9.66	November 26, 2030
285,000	235,000	CAD\$1.22	9.78	January 31, 2031
500,000	—	CAD\$1.43	9.90	February 19, 2031
100,000	—	CAD\$0.96	9.95	March 9, 2031
3,068,334	2,143,356	CAD\$0.85	8.99	

During the year ended December 31, 2019, the Company granted 1,109,000 stock options with a weighted average fair value of CAD\$0.42 per option. During the period ended March 31, 2021, the Company recorded \$12,188 as share-based compensation.

During the year ended December 31, 2020, the Company granted 1,458,334 stock options with a weighted average fair value of CAD\$0.48 per option and \$528,298 was recorded as a share-based compensation.

During the period ended March 31, 2021, the Company granted 885,000 stock options with a weighted average fair value of CAD\$1.14 per option and \$365,955 was recorded as a share-based compensation.

Total share-based compensation for the period ended March 31, 2021 for options was \$378,143. Additionally, the Company recognized \$46,810 and \$18,900 of share-based compensation related to warrants restricted shares units respectively, for a total of \$424,953 share-based compensation.

20. SHARE CAPITAL (CONTINUED...)

(c) Stock options (continued...)

The fair value of the options granted during the period was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2021	December 31, 2020
Expected volatility	113.45%-114.05%	113.86%-123.09%
Expected option life (years)	10	10
Risk-free interest rate	0.75%-1.45%	0.55%-0.69%
Expected dividend yield	0 %	0 %

(d) Restricted Share Units

The Company approved the implementation of a restricted share units (the “RSU”) plan on November 12, 2020, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSU may be exercised by any holder of RSU to receive an award payout of either: (a) Subordinated Voting Share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the Subordinated Voting Share on the grant date multiplied by the number of RSUs granted and taking into account market conditions. The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the RSU reserve.

As at December 31, 2020, there were no RSUs outstanding.

On January 6, 2021, the Company granted 140,000 RSUs to employees of the Company, in which one-third can be converted into common shares on January 1, 2022, 2023 and 2024. The RSUs will expire on January 6, 2024. As at March 31, 2021, the Company recognized a fair value of \$18,900 and during the period ended March 31, 2021, 10,000 RSUs were cancelled. As at March 31, 2021 130,000 RSUs were outstanding.

(e) Special Advisory Warrants

On May 13, 2019, the Company granted 1,000,000 special advisory warrants (the “Advisory Warrants”) to consultants of the Company. The Advisory Warrants are exercisable at CAD\$1.00 and expire on December 31, 2024. The fair value of the special advisory warrants was calculated to be CAD\$0.82 per warrant. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the Advisory Warrants using the following assumptions: risk free interest rate of 1.54%; dividend yield of 0%; expected volatility of 111.51%; and expected life of 5.5 years. The Company recorded a share-based compensation expense of \$244,868 during the year ended December 31, 2020 for warrants vested. During the period ended March 31, 2021, the Company recorded \$46,810 as share-based compensation for warrants. Additionally, the Company recognized \$378,143 and \$18,900 of share-based compensation related to stock options and RSUs respectively, for a total of \$424,953 share-based compensation.

(f) Escrow Securities

As at March 31, 2021, the Company had 827,491 Subordinated Voting Shares (2020 – 827,491), 281,379 Multiple Voting Shares (2020 – 281,379), and 67,500 stock options (2020 – 67,500) held in escrow.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2021.

22. ECONOMIC DEPENDENCE

The Company had two main customers for the year ended March 31, 2021 which accounted for 97% of the Company's revenues, and 86% of the Company's accounts receivable as at March 31, 2021. As the majority of the Company's income is derived from the sale of services and products, its ability to continue operations is dependent upon the relationship with and the sustainability of the customers. Any significant disruption in the customers' businesses could result in a material adverse effect on the operations of the Company. The loss of these significant customers would adversely impact the operations of the Company.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, current notes receivable, advances to joint ventures and operation, deposits and other receivables, payables, accrued liabilities, and amount due to Legacy Ventures Hawaii, LLC, approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes receivable and amount due from related parties approximate fair value. The fair values of the investment in sublease, right of use asset, and lease liability have been recorded as discussed in Note 17. The long-term loan payable is recorded at fair value as discussed in Note 18. The Company's cash and investment in Legacy are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at March 31, 2021, the Company was dependent on two major customers from its consulting business segment (Note 24). The majority of the Company's accounts receivable are from these two customers.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (*CONTINUED...*)

The Company is of the opinion that it is not exposed to significant credit risk from these customers as at March 31, 2021 as it continues to collect accounts receivable routinely. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 21. As at March 31, 2021, the Company had cash, accounts receivable and short-term notes receivable of \$37,208,736 to settle its current liabilities of \$9,977,308. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As at March 31, 2021, the Company had CAD\$14,389,861 net financial assets denominated in Canadian currencies. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately \$1,000,390 in other comprehensive income.

24. CONTINGENCIES

As part of the acquisition of RDF and Firebrand (Note 14), the Company agreed to assist in settling and fund the following lawsuits that were against RDF:

- a) RDF was named as a defendant in a lawsuit in Superior Court of Arizona, County of Pima for certain loan agreement and promissory note. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for \$425,000 on behalf of RDF. During the year ended December 31, 2020, the Company paid \$200,000 for the settlement and the Company entered a secured promissory note with the defendant for the remainder \$225,000 with nil interest rate and due on October 10, 2021. As at March 31, 2020, \$112,500 has been included in notes payables related to the claim settlement.
- b) The former principals of RDF were named in a lawsuit in the United States District Court, District of Arizona for certain claims prior to the RDF acquisition. The plaintiff has assigned it rights, title, and interest to the claims to a third party pursuant to a separation agreement. The Company and the third party have agreed to settle this claim for \$480,000. Subsequent to the three months ended March 31, 2020, this claim was paid in full.

25. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

	March 31, 2021	December 31, 2020
Net income for the year before taxes	\$ 1,537,977	\$2,639,068
Federal statutory tax rate	21% (CAD 27%)	21% (CAD 27%)
State statutory tax rate	4.9%	4.9 %
State statutory tax rate	4.9%	4.9 %
Expected income tax expense at statutory rate	\$ 398,900	\$ 514,000
Income tax expense	\$ 398,900	\$ 514,000
Income tax expense consists of:		
Current income tax expense	\$ —	—
Deferred tax expense	398,900	514,000
	\$ 398,900	\$ 514,000

Significant components of the Company's future tax liabilities, after applying enacted corporate income tax rates, are as follows: The majority of the deferred tax liability is related to cash accounting method for tax purposes.

	March 31, 2021	December 31, 2020
Deferred tax liabilities	\$ 5,411,900	\$ 5,013,000

Tax attributes are subject to review and potential adjustment by taxation authorities.

26. SUBSEQUENT EVENTS

- On April 6, 2021, the Company announced that it has entered three separate purchase and sales agreements to acquire: a vacant industrial facility located in Eloy, Arizona; the Company's managed indoor cultivation facility in Phoenix; and its managed indoor cultivation facility in Prescott Valley. The Company will pay approximately \$6.55 million in aggregate cash consideration upon closing of the Transactions, representing the outright purchase of the Eloy facility, and deposits on the Phoenix and Prescott Valley facilities. The Company will enter vendor financing arrangements for the balance of the Phoenix and Prescott Valley facilities. The acquisition of the Phoenix facility closed in May 2021. The acquisitions of the Eloy and Prescott Valley facilities are expected to close in June 2021.
- On May 11, 2021, the Company announced that in connection with the aforementioned acquisition, it received approval from the City of Eloy to build and operate a state-of-the-art medical cannabis cultivation facility. The Company expects to build the facility out to approximately 34,000 square feet under canopy within nine months of the closing of the acquisition. The Eloy facility also includes ample land for future expansion.
- On May 17, 2021, the Company settled a lawsuit against the former principals of RDF for certain claims prior to the RDF Acquisition. The plaintiff has assigned its rights, title, and interest in the claims to a third party pursuant to a separation agreement. The Company and the third party settled this claim for \$480,000 which was accrued for at time of acquisition.
- On May 20, 2021, the Company received approval from the State of Arizona to begin operations in its recently expanded, dedicated extraction and manufacturing facility located at 4215 N 40th Avenue, Phoenix (the "Facility"). To date, the Company has been conducting extraction and manufacturing operations in space co-located with one of its cultivation facilities. As part of the move to a dedicated footprint, Vext increased overall space by four times and built additional automation into its processes. The expansion includes: additional extract and concentrates production space; a tripling of the Company's kitchen capacity in order to meet growing demand for edibles as the Arizona adult-use market develops; a re-designed finished goods area to support increased efficiency and throughput; and a dedicated product development lab, which the Company will utilize to continue innovating the Vapen line of branded products.