PUREKANA, LLC

FINANCIAL STATEMENTS

For the year ended December 31, 2019
and the year ended December 31, 2018

(Expressed in US Dollars)

PUREKANA, LLC

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Members of PureKana
LLC

Opinion on the Financial Statements

We have audited the financial statements of PureKana, LLC (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of comprehensive income, members' equity and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Marcum LLP

New York, NY
April 10, 2020

PUREKANA, LLC

BALANCE SHEETS
(EXPRESSED IN US DOLLARS)
AS OF DECEMBER 31, 2019 AND 2018

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash		$ 1,061,746	$ 1,326,174
Accounts receivable, credit card processor, net	*4*	864,938	1,042,736
Inventory	*5*	1,274,943	492,162
Prepaid expenses and deposits	*6*	367,155	370,533
		3,568,782	3,231,605
Property and Equipment		11,886	11,886
Security Deposits		10,050	-
Right of Use Asset	*7*	127,815	-
Total Assets		$ 3,718,533	$ 3,243,491
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	*8*	$ 1,136,151	$ 552,972
Deferred revenue		45,721	341,220
Lease Short Term	*7*	42,347	-
Total Current Liabilities		1,224,219	
Long Term Liabilities			
Lease Long Term	*7*	86,380	
Total Liabilities		1,310,599	894,192
Members' Equity	*9*	2,407,934	2,349,299
Total Liabilities and Members' Equity		$ 3,718,533	$ 3,243,491
NATURE OF OPERATIONS	*1*		
COMMITMENTS AND CONTINGENCIES	*14*		

Approved on Behalf of the Members and authorized for issuance on April 10, 2020:

Heavenly RX	Cody Alt	Jeff Yauck
Member	Member	Member
"Signed"	"Signed"	"Signed"

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

PUREKANA, LLC
STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN US DOLLARS)

	Note	**For the Year ended December 31, 2019**	**For the Year ended December 31, 2018**
REVENUE		**$ 25,307,553**	**$ 15,476,945**
Cost of sales	*5*	**(8.492,500)**	**(5,457,050)**
Gross profit		**16,815,053**	**10,019,895**
EXPENSES			
Marketing expense		8,067,303	4,400,594
Recovery of allowance for bad debts		(124,656)	452,984
Salaries and wages		670,370	406,333
Professional fees		1,223,250	405,546
Customer service support		501,734	143,650
Sales tax expense		191,596	112,775
General and administrative expenses		360,011	220,129
Travel and entertainment		146,200	9,889
Interest Expense		1,539	
Amortization Expense		4,123	
		(11,041,470)	**(6,151,900)**
Operating profit		**5,773,583**	**3,867,995**
Other income:			
Other income		864	75,158
Total other income		**864**	**75,158**
Net and comprehensive income		**$ 5,774,447**	**$ 3,943,153**

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

PUREKANA, LLC
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
AND THE YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN US DOLLARS)

Balance - December 31, 2017	$ 226,278
Members' distributions	(1,820,132)
Net income	3,943,153
Balance - December 31, 2018	**2,349,299**
Members' distributions	(5,715,812)
Net income	5,774,447
Balance - December 31, 2019	**$ 2,407,934**

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

PUREKANA, LLC
STATEMENTS OF CASH FLOWS
(EXPRESSED IN US DOLLARS)

	For the Year ended December 31, 2019	For the Year ended December 31, 2018
Cash flows from operating activities:		
Net income	**$ 5,774,447**	**$ 3,943,153**
Recovery of Allowance for bad debts	(124,656)	452,984
Impairment of Inventory	166,296	-
Amortization Expense from ROU Asset	4,123	-
Changes in non-cash working capital:		
Accounts receivable, credit card processor	302,455	(1,123,739)
Inventory	(949,077)	(474,027)
Prepaid expenses and deposits	3,378	(328,895)
Accounts payable and accrued liabilities	583,179	421,740
Deferred revenue	(295,499)	279,602
Cash provided by operating activities	**5,464,646**	**3,170,818**
Cash flows from investing activities:		
Purchase of property and equipment	(10,050)	(11,886)
Cash used in investing activities:	**(10,050)**	**(11,886)**
Cash flows from financing activities:		
Principal payments on leases	3,211	-
Member distributions	(5,715,812)	(1,820,132)
Repayment of notes payable to Member	-	(13,200)
Cash used in financing activities	**(5,719,023)**	**(1,833,332)**
Net decrease (increase) in cash	**(264,427)**	**1,325,600**
Cash, beginning of the year	**1,326,174**	**574**
Cash, end of the year	**$ 1,061,746**	**$ 1,326,174**

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

1. NATURE OF OPERATIONS

Purekana, LLC (the "Company" or "Purekana") was organized as a limited liability company in Arizona on May 31, 2017. The Company converted to a Delaware LLC on December 27th, 2019. On that day, 50.1% controlling interest was sold by the founding members to Heavenly Rx Ltd. The Company's registered and records office is located at 6710 N Scottsdale Road, Paradise Valley, AZ, 85253.

Revenues from sale of cannabidiol related products were principally generated in the United States.

The Company operates in one reportable segment being the sale of hemp-based cannabidiol ("CBD") related products with sales principally generated from the United States. Hemp extracts are produced from Industrial Hemp, which is defined by Cannabis with less than 0.3% THC. The Company works closely with manufacturers who have the licenses required to manufacture CBD consumer products and e-commerce partners for the sale and distribution of its products.

The Financial Statements for the year ended December 31, 2019 were approved and authorized for issue by the Managing Members of the Company on April 10, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the years ended December 31, 2019 and 2018.

Accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the amounts reported in the combined financial statements and related notes to the financial statements.

Financial Statement items subject to significant management estimates and judgements include:

Inventory

In calculating the value of inventory, management is required to make a number of estimates. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Accounts receivable

Accounts receivable represents amounts due from the credit card processor for sales completed but not yet remitted to the Company. The Company records an allowance for uncollectable amounts based on an estimate of chargebacks and product returns. At December 31, 2019, the Company recorded a provision for bad debt of $328,328 representing a charge for uncollectable amounts due from the credit card processor (see Note 4).

Cash

Cash includes cash deposits in financial institutions.

Foreign currencies

Functional currency

The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency of the Company was determined to be the US dollar, by conducting an analysis of the factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"), based on the relevant economic substance of the transactions.

Translation of foreign transactions and balances into the functional currency.

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Financial Instruments

From organization on May 31, 2017, the Company has adopted and implemented a policy for financial instruments in line with IFRS 9, *Financial Instruments*.

<u>Financial Assets</u>

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at amortized cost

Financial assets, which include cash and accounts receivable, at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

<u>Financial Liabilities</u>

Financial liabilities, which include accounts and notes payable, are initially recorded at fair value and are subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Revenue from Contracts with Customers

The Company adopted IFRS 15, revenue from contracts with customers. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- allocate the transaction price to the performance obligation(s) in the contract; and
- recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Deferred Revenue

Deferred revenue represents cash received from credit card transactions for which product has not yet been shipped.

Marketing Expense

The Company has an arrangement with a third party to provide website marketing services to generate sales. Pursuant to the agreement, the Company pays the marketing firm a fee equal to 27% of gross revenues for online sales and 12.5% for offline sales.

Inventory

Inventories of finished goods and packing materials are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. The Company reviews inventory for obsolete and slow-moving goods and any such inventory are written-down to net realizable value.

Income Taxes

The Company has elected to be taxed as a partnership and is not subject to any material income taxes in any jurisdiction. Each member is responsible for the income tax liability, if any, related to its proportionate share of the Company's taxable income. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Although the Company is generally not subject to income taxes, selected types of transactions, as well as certain jurisdictions, can cause the Company to be responsible to report income taxes. The Company does not believe it has uncertain tax positions that will have a material effect on the consolidated financial condition or results of operations of the Company. The

Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as operating expenses.

Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing. The current and prior three years remain subject to examination as of December 31, 2019.

On November 2, 2015, the Bipartisan Budget Act ("the Act") of 2015 was signed into law. Among other things, the Act made significant changes to the rules for partnership audits and adjustments for taxable years beginning after January 1, 2018. Under these new rules, the partnership is liable for the tax, interest and penalties resulting from adjustments in the event of an IRS examination. Certain qualifying partnerships may make an election to opt-out of these new rules. The Company is eligible to make this election but has not yet made a determination whether such election will be made.

Leases

On January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). The Company adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
- ◦ the Company has the right to operate the asset; or
- ◦ the Company has designed the asset in a way that predetermines how and for what purpose it will be used.

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 real estate, 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.

Policy applicable before January 1, 2019

There are no lease contracts prior to January 1, 2019.

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

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 remeasured 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 remeasured 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 and lease liabilities in the liabilities section in the balance sheet.

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

Members' Equity

Membership units are classified as members' equity. Incremental costs directly attributable to the issue of membership units and other equity instruments are recognized as a deduction from members' equity. Membership units issued for consideration other than cash are valued based on their fair value at the date the membership units are issued.

3. BASIS OF PRESENTATION

Basis of Measurement

These financial statements have been prepared on a historical cost basis except for cash. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

These financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International

(EXPRESSED IN US DOLLARS)

Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods.

Adoption of IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16. IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability are required to be recognized for leases identified, with limited exceptions for short-term leases and leases of low value assets. (Details of these new lease requirements are described in the Company's new accounting policy set out in Note 2).

The Company has adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated as permitted under the specific transitional provisions in IFRS 16. No reclassifications or adjustments arising from the new leasing rules were necessary to the opening consolidated balance sheet on January 1, 2019 as the Company had no leases prior to January 1, 2019.

4. ACCOUNTS RECEIVABLE – CREDIT CARD PROCESSOR

		December 31, 2019		December 31, 2018
Accounts receivable – credit card processor	$	1,193,266	$	1,495,720
Allowance for doubtful accounts		(328,328)		(452,984)
Accounts receivable – credit card processor - net	$	864,938	$	1,042,736

			Past Due but not Impaired		
	Total	**Neither Past Due nor Impaired**	**< 90 days**	**91-180 days**	**>180 days**
December 31, 2019	$ 864,938	$ 864,938	-	-	-

			Past Due but not Impaired		
	Total	**Neither Past Due nor Impaired**	**< 90 days**	**91-180 days**	**>180 days**
December 31, 2018	$1,042,736	$ 1,042,736	-	-	-

As at December 31, 2019, accounts receivable was comprised almost entirely from amounts from credit card processors for sales made to customers.

Sales processed on credit are remitted to the Company within 2 days from processing.

In February 2019, the Company changed its payment processors for improved access to additional credit cards and lower processing fees. Its previous payment processor ceased remitting payments due to the Company on both current receivables and also for amounts in the reserve fund. The previous payment processor, according to the contract rights, may withhold payments for up to six months. Certain of these amounts have not been remitted to the Company within the required time limits. The Company pursued the amounts owed to it, and in February, 2020 a settlement of $750,000 was reached between the two parties against the outstanding balance owed to the Company of $1,078,328. The $750,000 was received subsequent to the year end. The Company recorded a recovery of $124,656 in 2019 against the impairment charge recorded for the year ended December 31, 2018 of $452,984.

(EXPRESSED IN US DOLLARS)

5. INVENTORIES

Inventories are comprised substantially of packaged finished goods ready for sale. Cost of sales is comprised of the cost of inventory sold. Management has determined $166,296 of product inventories were impaired in 2019 and have been reflected in the cost of goods sold.

6. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses consist of the following:

	December 31, 2019	December 31, 2018
Prepaid expenses – vendor deposits	$ 367,155	$ 370,533

7. LEASE OBLIGATION

On December 1, 2019, Purekana LLC entered into a lease of approximately three years in respect of office space. Upon inception of the lease, The Company recognized a right-of-use asset of $131,938 with an offsetting lease liability of the same amount. The lease obligation was calculated using a discount rate of 14% based on fixed payments required under the lease. We expense annual operating and tax payments as incurred and include them within office and administration. The Company depreciates the right-of-use asset on a straight-line basis over the term of the lease.

	December 31, 2019	December 31, 2018
Current Portion	$ 42,347	$ -
Long Term Portion	$ 86,380	$ -

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable and accrued liabilities consist of the following:

	December 31, 2019	December 31, 2018
Accounts payable	$ 733,129	$ 408,208
Payroll liabilities	-	34,493
Sales tax payable	332,777	84,278
Direct deposit payable and credit card	70,245	25,993
Accounts payable and accrued liabilities	$ 1,136,151	$ 552,972

9. MEMBERS’ EQUITY

The Company was organized as a limited liability company. The Company has three operating partners. No class of units have been issued since organization on May 31, 2017.

(EXPRESSED IN US DOLLARS)

10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, credit card processor, accounts payable and accrued liabilities, and lease liability.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured at cost. The carrying values of cash, accounts receivable, credit card processors, accounts payable and accrued liabilities, and lease liability approximate their respective fair values due to the short-term nature of these instruments.

The following table summarizes the Company's financial instruments at December 31, 2019:

	Financial assets at amortized cost	Other financial liabilities	Total
Financial Assets:			
Cash	$ 1,061,746	$ -	$ 1,061,746
Accounts receivable, credit card processor	864,938	-	864,938
	$ 1,926,684	**$ -**	**$ 1,926,684**
Financial Liabilities:			
Accounts payable and accrued liabilities	$ -	$ 1,136,151	$ 1,136,151
Lease Liability	-	128,727	128,727
	$ -	**$ 1,264,878**	**$ 1,264,878**

The following table summarizes the Company's financial instruments at December 31, 2018:

	Financial assets at amortized cost	Other financial liabilities	Total
Financial Assets:			
Cash	$ 1,326,174	$ -	$ 1,326,174
Accounts receivables, credit card processor	1,042,736	-	1,042,736
	$ 2,368,910	**$ -**	**$ 2,368,910**
Financial Liabilities:			
Accounts payable and accrued liabilities	$ -	$ 552,972	$ 552,972
	$ -	**$ 552,972**	**$ 552,972**

(EXPRESSED IN US DOLLARS)

Financial instrument risk management

The Company's financial instrument exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

As at December 31, 2019, the Company's aging of accounts receivable, credit card processor is as follows:

Days		December 31, 2019
0-30[1]	$	864,938
31-90		-
90-180		-
> 180		-
	$	**864,938**

[1] Balance was collected in full subsequent to the period ended December 31, 2019.

As at December 31, 2018, the Company's aging of accounts receivable, credit card processor is as follows:

Days		December 31, 2018
0-30[1]	$	1,042,736
31-90		-
90-180		-
> 180		-
	$	**1,042,736**

[1] Balance was collected in full subsequent to the period ended December 31, 2018.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019 the Company's financial liabilities consist of accounts payable and accrued liabilities, and lease liability, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company regards liquidity risk to be low as it has sufficient working capital to for at least the next twelve months.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

11. CAPITAL RISK MANAGEMENT

The Company defines capital as members' equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the period presented. The Company is not subject to externally imposed capital requirements.

12. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

There was no key management compensation in 2019 or 2018.

Two related party transactions were entered into during the year ended December 31, 2019 with a company owned by one of the Members. These transactions were entered into as commercial transactions to purchase inventory by the Company in the amount of $149,190.

13. CUSTOMER AND VENDOR CONCENTRATION

For the periods ended December 31, 2019 and 2018, three vendors make up over 90% of inventory purchases.

During the periods ended December 31, 2019 and 2018, there were no significant customers which made up more than 10% of sales.

14. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Company may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. After consulting legal counsel, the Company does not believe any adverse judgments will have a material effect on the operations of the Company.

15. SUBSEQUENT EVENTS

The recent outbreak of the corona virus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the corona virus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the corona virus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.