Choom™ Cannabis Co.

Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 2020 and 2019

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

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Unaudited Condensed Consolidated Interim Financial Statements

CHOOM HOLDINGS INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2020 AND 2019
(Unaudited, expressed in Canadian Dollars)

	Note		December 31, 2020		June 30, 2020
ASSETS					
Current assets					
Cash and cash equivalents	6	$	**648,639**	$	461,100
Marketable securities	10		**759**		1,133
Short-term investments	7		**95,228**		46,000
Trade and accounts receivable	8		**424,636**		365,559
Inventory	11		**995,361**		1,002,217
Prepaid expenses and deposits	27		**326,573**		469,411
Assets held for sale	12		**124,949**		600,558
			2,616,145		2,945,978
Non-current assets					
Long-term lease deposits	27		**413,719**		540,274
Property and equipment	12		**7,217,381**		7,131,547
Right of use assets	14		**10,315,812**		8,096,315
Intangible assets	13		**12,665,428**		7,934,688
Investment	24		**1,904,947**		1,904,947
Notes receivable and deposits	9		**943,749**		912,951
Goodwill	5, 13		**2,181,521**		3,154,571
Total assets		$	**38,258,702**	$	32,621,271
LIABILITIES					
Current					
Trade and other payables	15,17, 22	$	**4,503,195**	$	3,982,739
Current portion of convertible debenture	17		**3,722,280**		-
Lease liabilities	14		**2,495,984**		1,350,201
Notes payable	16		**87,500**		1,092,500
Taxes payable	5		**-**		210,295
Advances from shareholders	24		**4,000**		4,000
			10,812,959		6,639,735
Non-Current					
Lease liabilities	14		**7,902,095**		6,589,536
Notes payable	16		**1,250,000**		-
Government assistance	28		**406,025**		240,000
Convertible debentures	17		**14,965,483**		17,606,912
Deferred income tax liability	5		**961,740**		961,740
Total liabilities			**36,298,302**		32,037,923
SHAREHOLDERS' EQUITY					
Share capital	18		**128,876,364**		121,460,291
Obligation to issue shares	18		**385,950**		771,900
Equity portion of convertible debenture	17		**5,739,326**		5,739,326
Contributed surplus	5, 19		**9,495,043**		8,801,591
Accumulated other comprehensive loss			**(4,356)**		-
Accumulated deficit			**(142,531,927)**		(136,189,760)
Total equity			**1,960,400**		583,348
Total liabilities and equity		$	**38,258,702**	$	32,621,271

Approved by the Board of Directors:

"Stephen Tong" | *"Christopher Bogart"*

Stephen Tong | Christopher Bogart

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

CHOOM HOLDINGS INC.
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited, expressed in Canadian Dollars)

	Note		Three months ended December 31 2020	2019		Six months ended December 31 2020	2019
Retail revenue		$	**6,077,523**	1,349,704	$	**12,062,938**	1,349,704
Retail cost of sales			**(3,867,299)**	(972,905)		**(7,730,638)**	(972,905)
Gross profit			**2,210,224**	376,799		**4,332,300**	376,799
Expenses							
Administrative and general	20, 22	$	**856,241**	1,285,636	$	**1,762,265**	2,933,250
Salary, wages, benefits	22, 28		**1,107,617**	666,872		**2,152,401**	785,969
Depreciation and amortization	12,13,14		**633,217**	391,867		**1,210,236**	603,569
Foreign exchange			**2,345**	-		**2,329**	4,332
Marketing, website and media design			**67,507**	258,015		**165,018**	470,328
Share-based payments	19		**440,305**	344,974		**559,067**	689,983
Operating expenses			**(3,107,232)**	(2,947,364)		**(5,851,316)**	(5,487,431)
Loss from operations			**(897,008)**	(2,570,565)		**(1,519,016)**	(5,110,632)
Other items							
Interest income	9		**13,478**	106,480		**13,914**	222,769
Licensing income	5		**-**	75,000		**-**	125,000
Rental income	12		**8,048**	126,376		**17,711**	254,328
Other income	21		**31,593**	-		**50,828**	-
Gain on sale of property and equipment	12		**-**	-		**2,342**	-
Gain on derecognition of lease agreements	14		**40,018**	-		**40,018**	-
Loss on sale of inventory	11		**(100,218)**	-		**(100,218)**	-
Gain/(loss) on settlement of debt	18		**-**	3,030		**(54,132)**	3,030
Fair value gain/(loss) on marketable securities	10		**(74)**	1,567		**(374)**	1,467
Impairment on development permits	13		**-**	(4,169,939)		**-**	(4,169,939)
Impairment of property and equipment	12		**(35,595)**	-		**(151,030)**	-
Termination of agreement costs	27		**4,317**			**(45,683)**	(3,904)
Financing costs	9,14,16,17		**(1,422,400)**	(859,898)		**(2,481,447)**	(1,526,883)
Other expenses	21		**(722,248)**	-		**(769,795)**	-
Loss from continuing operations			**(3,080,089)**	(7,287,949)		**(4,996,882)**	(10,204,763)
Loss from discontinued operations	24		**(282,938)**	(92,793)		**(1,345,285)**	(155,578)
Net loss for the period			**(3,363,027)**	(7,380,742)		**(6,342,167)**	(10,360,341)
Other comprehensive loss	10		**(6,034)**	(31,887)		**(4,356)**	(58,992)
Net loss and comprehensive loss		$	**(3,369,061)**	(7,412,629)	$	**(6,346,523)**	(10,419,333)
Net loss per share							
Continuing operations, basic and diluted	23	$	**(0.01)**	(0.04)	$	**(0.02)**	(0.05)
Discontinued operations, basic and diluted	23	$	**(0.00)**	(0.00)	$	**(0.01)**	(0.00)

CHOOM HOLDINGS INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited, expressed in Canadian Dollars)

	Note	Share Capital	Obligation to Issue Shares	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
June 30, 2019		115,673,380	1,929,749	5,419,751	7,418,488	-	(115,843,334)	14,598,035
Net loss for the year		-	-	-	-	-	(10,360,341)	(10,360,341)
Convertible debentures		-	-	522,971	-	-	-	522,971
Shares issued for cash		1,000,000	-	-	-	-	-	1,000,000
Share commitments issued		771,900	(771,900)	-	-	-	-	-
Shares issued for consulting fees		25,800	-	-	-	-	-	25,800
Shares issued for debt		46,970	-	-	-	-	-	46,970
Shares issued for acquisition		1,659,032	-	-	-	-	-	1,659,032
Marketable securities		-	-	-	-	(58,992)		(58,992)
Share-based payments		-	-	-	689,983	-	-	689,983
Share issue costs		(145,639)	-	-	-	-	-	(145,639)
December 31, 2019		119,031,443	1,157,849	5,942,722	8,108,471	(58,992)	(126,203,675)	$ 7,977,819

	Note	Share Capital	Obligation to Issue Shares	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
June 30, 2020		121,460,291	771,900	5,739,326	8,801,591	-	(136,189,760)	583,348
Net loss for the year		-	-	-	-	(4,356)	(6,342,167)	(6,346,523)
Share commitments issued	18	385,950	(385,950)	-	-	-	-	-
Shares issued for consulting fees	18	262,083	-	-	-	-	-	262,083
Shares issued for debt	18	312,603	-	-	-	-	-	312,603
Shares issued for acquisition	5	6,460,819	-	-	134,384	-	-	6,595,203
Share-based payments	19	-	-	-	559,068	-	-	559,068
Share issue costs	18	(5,382)	-	-	-	-	-	(5,382)
December 31, 2020		**128,876,364**	**385,950**	**5,739,326**	**9,495,043**	**(4,356)**	**(142,531,927)**	**$ 1,960,400**

CHOOM HOLDINGS INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, expressed in Canadian Dollars)

	Note		Six months ended December 31, 2020	2019
OPERATING ACTIVITIES				
Net loss for the year from continuing operations		$	**(4,996,882)**	(10,204,763)
Items not affecting cash:				
Depreciation and amortization	12,13,14		**1,210,236**	603,569
Share-based payments	19		**559,067**	689,983
Shares issued for consulting fees	18		**520,553**	75,800
Financing costs	9,14,16,17		**1,591,684**	667,841
Decrease/(increase) in fair value of marketable securities	10		**374**	(1,467)
Impairment of development permits	13		**-**	4,169,939
Accretion income	9		**(30,799)**	-
(Gain)/Loss on settlement of debt	18		**54,132**	(3,030)
Gain on sale of property and equipment	12		**(2,342)**	-
Loss on sale of inventory	11		**100,218**	-
Gain on derecognition of lease agreements	14		**(40,018)**	-
Impairment of property and equipment	12, 21		**333,558**	-
Net cash used in operations prior to changes in working capital			**(700,219)**	(4,002,128)
Changes in non-cash working capital:				
Trade and accounts receivable	8		**61,798**	143,183
Inventory	11		**71,338**	(516,742)
Trade and other payables	15,20		**62,062**	(445,881)
Prepaid expenses and advances	27		**98,825**	1,869,961
Net cash used in operating activities from continuing operations			**(406,196)**	(2,951,607)
Net cash provided by/(used in) discontinued operations	24		**(48)**	(109,608)
Net cash used by operating activities			**(406,244)**	(3,061,215)
INVESTING ACTIVITIES				
Short-term investments	7		**-**	(39,100)
Deposits	27		**(6,807)**	(83,385)
Loans and deposits to acquisition targets	5, 9		**-**	(608,738)
Purchase of property and equipment	12		**(249,495)**	(1,700,953)
Purchase of intangibles	13		**(8,081)**	(403,625)
Acquisition of Phivida	5		**1,438,249**	-
Acquisition of other assets			**-**	(50,000)
Loan receivable	5		**-**	(96,530)
Proceeds from sale of property and equipment	12		**469,426**	-
Net cash provided by/(used in) investing activities			**1,643,292**	(2,982,331)
FINANCING ACTIVITIES				
Proceeds from convertible debentures	17		**-**	4,100,000
Notes payable payments	16		**(105,000)**	-
Lease liability payments	14		**(1,289,127)**	(452,738)
Promissory note	16		**350,000**	-
Private placement			**-**	1,000,000
Share issue costs	18		**(5,382)**	(145,639)
Net cash provided by/(used in) financing activities			**(1,049,509)**	4,501,623
Increase/(decrease) in cash and cash equivalents from continuing operations			**187,587**	(1,432,315)
Increase/(decrease) in cash and cash equivalents from discontinued operations	24		**(48)**	(109,608)
Cash and cash equivalents, beginning of year			**461,100**	4,816,164
Cash and cash equivalents, end of year		$	**648,639**	3,274,241
Composition of cash and cash equivalents				
Cash		$	**648,639**	3,264,919
Cash equivalents	6		**-**	74,870
Cash and cash equivalents, end of the year		$	**648,639**	3,339,789

Supplemental cash flow information – Note 26

1. CORPORATION INFORMATION

Choom Holdings Inc. (the "Company" or "Choom") was incorporated in the province of British Columbia on September 18, 2006 under the *Business Corporations Act*. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "SGH" as a Tier 2 issuer.

During the year ended June 30, 2019, the Company re-directed its focus from the cultivation aspect of the cannabis industry to the retail sector. The Company's shares are listed on the Canadian Securities Exchange under the symbol "CHOO" and on the OTC Markets Group under the symbol "CHOOF".

The Company's corporate office and principal place of business is located at #208 – 1525 West 8th Avenue, Vancouver, British Columbia V6J 1T5.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all disclosures included in the Annual Consolidated Financial Statements for the year ended June 30, 2020. Accordingly, these Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements. Certain prior period amounts have been reclassified to conform with the current period's presentation.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 1, 2021.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The preparation of the condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these condensed consolidated interim financial statements are disclosed in Note 4.

Going Concern

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss from continuing operations of $4,996,882 and a loss from discontinued operations of $1,345,285 for the six-month period ended December 31, 2020 (2019 - $10,204,763 from continuing operations and $155,578 from discontinued operations) and as at that date has accumulated a deficit of $142,531,927 (June 30, 2020 - $136,189,760) and is expected to continue to incur losses. The Company will continue to have to raise funds beyond its current working capital balance in order to finance future development of potential retail license acquisitions, meet its debt obligations until such time as future profitable revenues are achieved. Although it has been successful in raising capital in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary approvals and financing to meet the Company's obligations. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis. No adjustments to the carrying values of the assets and liabilities have been made in these condensed consolidated interim financial statements.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

(Unaudited, expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

Going Concern (cont'd)

On December 21, 2020, the Government of Ontario announced a new provincewide lockdown in efforts to combat COVID-19. Following the order, Choom's Ontario retail location was only allowed to provide curbside pickup and delivery services. Customers were allowed back inside the store location beginning February 16, 2021 in a limited capacity.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company's following wholly-owned subsidiaries:

Name of Subsidiary	Jurisdiction
Medi-can Health Solutions Inc. ("Medi-Can")	British Columbia
Arbutus Brands Inc. ("Arbutus")	British Columbia
Island Green Cure ("IGC")	British Columbia
102047851 Saskatchewan Ltd.	Saskatchewan
2660837 Ontario Ltd	Ontario
2668667 Ontario Ltd.	Ontario
2688412 Ontario Inc. ("2688412 Ontario")	Ontario
2151414 Alberta Ltd.	Alberta
2150639 Alberta Ltd.	Alberta
2150647 Alberta Ltd.	Alberta
2168698 Alberta Ltd.	Alberta
Universal Cannabis Coaching Inc. ("UCC")	British Columbia
Western Cannabis Coaching Centre Inc. ("WCC")	British Columbia
1165962 BC Ltd. ("1165962 BC")	British Columbia
Concord Medical Centre Inc. ("Concord Medical")	British Columbia
Choom BC Retail Holdings Inc.	British Columbia
Choom Holdings USA Inc. ("Choom US")	Delaware
835148 Yukon Inc.	Yukon
Phivida Holdings Inc. ("Phivida")	British Columbia
Phivida Organics Inc.	Delaware
Wikala.com Inc.	Ontario
Wikala Holdings Inc.	San Diego
Platform WD DOO	Serbia

These consolidated financial statements include the operating results of these subsidiaries from the date of acquisition or formation through to December 31, 2020 and 2019.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing these condensed consolidated interim financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Asset Acquisitions Versus Business Combinations

Management had to apply judgment with respect to whether the acquisition of the Medical Centre, the Clarity Retail Acquisition, the Niagara Acquisition, the Green Room Retail Acquisition, the Medical Centre Acquisition, Phivida Transaction (as defined in Note 5), were asset acquisitions or business combinations. The assessments required management to assess the inputs, processes and outputs of the companies acquired at the time of acquisition.

Pursuant to the assessment, the Clarity Retail Acquisition and Phivida Transaction were considered asset acquisitions and the Medical Centre and Niagara Acquisition were considered business combinations.

Determination of Purchase Price Allocations and Contingent Consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Income Taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumptions be inappropriate.

Convertible Debentures

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Interest Rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures, the fair value of the notes receivable and the fair value of the right of use assets and lease liabilities. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

Assets Held for Sale and Discontinued Operations

The Company uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Company also uses its judgment to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Assets Held for Sale and Discontinued Operations (cont'd)

The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

Valuation of Share-Based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Impairment of Property and Equipment, Intangible Assets and Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exist requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

The Company will perform an annual impairment test for its property, equipment, and intangible assets at the end of fiscal year ending June 30, 2021.

Estimated Useful Lives and Depreciation/Amortization of Property and Equipment and Intangible Assets

Depreciation/amortization of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair Value Measurements

Certain of the Company's assets such as share purchase options, share purchase warrants, marketable securities, short-term investments, other assets, loan receivable and investment are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

Recoverability of Trade and Accounts Receivable, Deposits, Notes Receivable and Loan receivable

Estimates and judgments are inherent in the on-going assessment of the recoverability of trade and accounts receivable, deposits, notes receivable and loan receivable. The Company maintains an allowance for doubtful accounts to reflect expected credit losses. The Company is not able to predict changes in financial conditions of its customers and note holders and the Company's judgment related to the recoverability of trade and accounts receivable, notes and loan receivable may be material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Application of IFRS 16

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. Lease term reflect the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilizes. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances.
Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and right of use assets, for which the lease term is the basis for determining useful life.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Modification versus Extinguishment of Financial Liability

Judgment is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the convertible debentures are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original convertible debenture.

5. ACQUISITIONS

Phivida Transaction

On June 2, 2020, the Company and Phivida entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Choom will acquire all of the issued and outstanding common shares of Phivida (the "Phivida Shares") in exchange for common shares of Choom (the "Choom Shares") in an arm's length all-share transaction.

On July 23, 2020, in connection with the Arrangement Agreement, Choom received a $500,000 in bridge financing (the "Bridge Financing") from Phivida. The Bridge Financing is evidenced by a convertible secured promissory note (the "Promissory Note") bearing interest at a rate of 15% per annum on the outstanding principal sum. The aggregate principal amount of the Bridge Financing and accrued and unpaid interest thereon is, in certain circumstances, convertible into common shares of Choom (the "Choom Shares") at a conversion price of $0.115 per share. Certain of Choom's subsidiaries have also agreed to guarantee Choom's obligations under the Bridge Financing. Pursuant to the terms of the Promissory Note, Choom and the guarantor subsidiaries thereof have granted Phivida a third ranking security interest over all of their respective present and after-acquired property. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and the guarantors and Phivida, dated July 23, 2020. The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation.

In connection with the Bridge Financing, Choom also granted Phivida 4,347,826 non-transferable common share purchase warrants (the "Warrants"). Each Warrant entitles Phivida to acquire one Choom Share at an exercise price of $0.115 per share for a period of three years from the date of issuance (subject to automatic earlier expiry immediately prior to the consummation of the transactions contemplated by the Arrangement Agreement). The Warrants were only exercisable from and after the termination of the Arrangement Agreement for any reason other than as a result of a breach of the Arrangement Agreement by Phivida.

The parties also amended the Arrangement Agreement in order to provide that the closing condition in favour of Choom that Phivida have not less than $2,000,000 in working capital surplus be reduced to $1,500,000, on account of the funds advanced to Choom under the Bridge Financing.

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Phivida Transaction *(cont'd)*

On September 16, 2020, Choom received the necessary regulatory, court and stock exchange approval to complete the acquisition of Phivida resulting in a total of 64,608,187 Choom Shares issued to the former holders of Phivida Shares, resulting in former Phivida shareholders holding approximately 28.6% of the total number of issued and outstanding Choom Shares (based on 225,753,870 Choom Shares issued and outstanding immediately after closing). In addition, the outstanding options to purchase Phivida Shares have been replaced with 7,881,837 options to purchase Choom Shares on the same terms and conditions, other than necessary adjustments to take into account the Exchange Ratio, as set out in the Plan of Arrangement.

Under IFRS 3, the substance of the acquisition does not constitute a business combination and the transaction was accounted for as an asset acquisition. The purchase price is based on the fair value of the common shares issued at acquisition, capitalized transaction costs and replacement options issued. The value of the assets and liabilities was based on management's assessment of the fair value at the date of acquisition and applying the initial measurement requirements of each applicable standard to the identifiable assets and liabilities assumed. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Fair value of 64,608,187 Choom common shares issued	$	**6,460,819**
Transaction Costs		**285,499**
Replacement Options		**134,384**
Total Purchase Price	$	**6,880,701**
Choom Bridge Financing Loan		**500,000**
Cash		**1,232,885**
Term Deposit		**50,236**
Prepaid Expenses		**89,419**
Inventory		**164,700**
Accounts Receivable		**110,341**
Property and equipment		**508,515**
Intangible asset		**4,776,257**
Accounts Payable		**(379,837)**
Government Assistance		**(171,815)**
Net assets acquired	$	**6,880,701**

Consideration for acquisition of the Phivida Transaction included:

a) the issuance of an aggregate 64,608,187 common shares to the former holders of Phivida valued at the market rate on the day of closing at $0.10 per share;
b) the Company's professional fees to complete the transaction of $285,499;
c) the adjusted fair value measurement of Phivida options that were replaced with Company options. The fair value measurement difference of $134,384 was added to the purchase price and recognized in Contributed Surplus.

The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation. The Intangible assets acquired are attributed to the proprietary technology platforms which will be re-purposed and integrated with the Company.

Niagara Option and Purchase Agreement

On February 13, 2019, the Company entered into an option and cooperation agreement, as amended and restated on February 26, 2019 and July 19, 2019 (the "Niagara Option") between the Company and a retail cannabis lottery winner (the "Vendor") under the Alcohol and Gaming Commission of Ontario ("AGCO"), pursuant to which the parties agreed to assist and cooperate with each other to, among other things, facilitate the realization of the acquisition of a retail store located in Niagara, Ontario operating under the Choom™ brand (the "Niagara Store") and satisfy the conditions for the Company to be able to realize its option to purchase the assets relating to the Niagara Store subject to all the necessary provincial and municipal governmental approvals.

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Niagara Option and Purchase Agreement *(cont'd)*

Consideration for the Niagara Option included:

a) $500,000 upon receipt of a Retailer Operator License ("ROL") issued by the AGCO received on April 29, 2019, (paid);
b) $500,000 upon receipt of a Retail Store Authorization ("RSA") issued by the AGCO received on April 29, 2019 (paid); (collectively the "Option Payment")

Additionally, consideration for the exercise of the Niagara Option consisted of $2,000,000 cash payment and $2,000,000 in Choom Shares (the "Choom Payment Shares"). The number of Choom Payment Shares to be determined by dividing $2,000,000 by the 10-day volume weighted average trading price (the "VWAP") preceding date of closing of the purchase (the "Current Market Price"). The Choom Payment Shares issued will be held in escrow for a period of twelve months.

Effective November 25, 2019, the parties entered into a share purchase agreement wherein Choom would acquire the issued and outstanding shares of 2688412 Ontario, which was wholly owned by the Vendor and the assets and business of the Niagara Store. On April 1, 2020, the Company completed the acquisition of 2688412 Ontario (the "Niagara Transaction"). The acquisition of 2688412 Ontario provides the Company with access to an operating cannabis retail store in Niagara Falls, Ontario and furthers the Company's continued nationwide rollout.

As described hereinabove, consideration for the Niagara Transaction, included cash of $2,000,000, of which $1,450,000 was paid from the cumulative operating cash flow from the Niagara Store and the remainder was settled by a promissory note for $550,000 (the "Niagara Note") to the Vendor. Additionally, the Company issued 22,126,066 common shares. Also included the purchase consideration is the amounts paid for the Niagara Option of $1,000,000.

In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), the substance of a transaction constitutes a business combination as the business of 2688412 Ontario meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued and cash consideration paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate the fair value of net assets acquired of the Niagara Store.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Fair value of 22,126,066 Choom common shares issued	$	2,000,000
Cash payment and promissory note		2,000,000
Option payment		1,000,000
Total purchase price	$	5,000,000
Cash	$	1,528,890
Taxes recoverable and other receivables		33,083
Prepaid expenses		1,257
Inventory		227,213
Property and equipment		754,886
Licenses		3,562,000
Goodwill		2,181,521
Trade payables		(136,239)
Long-term debt		(1,980,576)
Taxes payable		(210,295)
Deferred income tax liability		(961,740)
Net assets acquired	$	5,000,000

Goodwill is attributed to the workforce and profitability of the acquired business. It is not deductible for tax purposes. A pre-tax discount rate of 61% was used in the fair value assumptions for the licenses acquired.

5. ACQUISITIONS (cont'd)

Niagara Option and Purchase Agreement *(cont'd)*

Effective August 1, 2019, the Company entered into a licensing agreement wherein the Niagara Store utilized the Choom brand "Choom Cannabis Co." for consideration of $25,000 per month effective August 1, 2019. Subsequent to the acquisition, the licensing income became an intercompany transaction and eliminated on consolidation.

For the six months ended December 31, 2020, the Company recognized licencing income of $Nil (2019 –$125,000).

Aggregate loans and investments in the amount of $1,980,576 advanced in connection with the Niagara Option were included in the net assets acquired. Subsequent to the acquisition, this amount is an intercompany transaction and is eliminated on consolidation. For the six months ended December 31, 2020, interest income of $Nil (2019 - $148,000) for the period up to the acquisition was included in interest revenue.

On May 28, 2020, the Niagara Note was extinguished by way of the proceeds from the sale of property (see Note 12).

Clarity Cooperation and Option Agreement

Pursuant to the terms of a cooperation and option agreement (the "Cooperation Agreement") effective February 26, 2019 and further amended on October 10, 2019, with Clarity Cannabis MD Holdings Inc. ("Clarity") and the shareholders of Clarity (collectively the "Optionors"), the Company agreed to acquire all assets held by Clarity in connection with 9 operating retail cannabis stores and further 18 in-progress retail opportunities including leasehold improvements and deposits, equipment, and retail cannabis municipal development permits issued thereto (the "Retail Opportunities"). On October 1, 2019, the Company exercised its right to acquire the Retail Opportunities. Subsequent to the Company receiving approvals on its applications for the 9 operating locations from the Alberta Gaming, Liquor and Cannabis ("AGLC"), the acquisition was completed on October 28, 2019. The Company submitted and received AGLC approval on a further 4 applications for retail locations forming part of the Retail Opportunities.

Consideration for option included:

a) A cash payment of $2,000,000 (paid);
b) The issuance of 5,000,000 common shares (the "Option Shares") to all of the Optionors, pro-rata (issued), subject to escrow release over two years (Note 18);
c) The issuance of an additional 1,000,000 common shares to a certain shareholder (issued); and
d) The issuance of 200,000 common shares for Clarity's legal services (the "Counsel Shares"). The Counsel Shares do not form part of the option price or the purchase price.

The Option Shares were valued at $2,880,000 and the Counsel Shares were valued at $96,000 as determined by the market price when issued being $0.48 per share.

Consideration for acquisition of the Retail Opportunities included:

e) A cash payment, subject to a statement of adjustments of $500,000[1] ($250,000 paid) and $100 (paid) to Clarity;
f) The issuance of an aggregate 6,103,608 common shares (the "Acquisition Shares") to the Optionors based on each of the Optionors' pro-rata holdings of Clarity shares (issued) subject to escrow release over two years;
g) $300,000 cash payment and $107,600 in reimbursement of realtor commissions due the earlier of six-month from closing (April 28, 2020 – unpaid as of September 30, 2020) or in the event Choom completes one or more equity financings for gross proceeds greater than $6,000,000; and
h) 10% of the first $100,000 in net proceeds plus 50% of all net proceeds in excess of $100,000 in the event Choom should sell certain retail locations included in the Cooperation Agreement.

The Acquisition Shares were valued at $1,342,794 as determined by the market price when issued being $0.22 per share (Note 18).

In connection with acquisition of the Retail Opportunities, the Company had advanced $5,894,836. These advances formed part of the consideration paid for the Retail Opportunities.

[1] Pursuant to the acquisition of the Retail Opportunities, certain advances made to Clarity in connection with leasehold improvements and inventory may be adjusted against remaining amounts due to Clarity. As at December 31, 2020, the final adjustment statement remained outstanding.

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Clarity Cooperation and Option Agreement *(cont'd)*

Under IFRS 3, the substance of the acquisition does not constitute a business combination as no processes were acquired and was accounted for as an asset acquisition recognized in property and equipment and the acquired development permits were recognized in intangible assets (Notes 12 and 13). The Option Shares were included in the purchase price of the Retail Opportunities and the Counsel Shares were included in the consolidated statements of loss and comprehensive loss during the year ended June 30, 2019.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Option Payment		
Fair value of 6,000,000 Choom common shares issued	$	2,880,000
Cash payment		2,000,000
Acquisition of Retail Opportunities		
Fair value of 6,103,608 Choom common shares issued		1,342,794
Cash payment, advances and promissory note		6,802,436
Transaction costs		176,527
Total purchase price	$	13,201,757
Deposits	$	86,245
Inventory		860,488
Property and equipment		3,616,512
Store permits		8,638,512
Right of use assets		5,067,815
Lease liabilities		(5,067,815)
Net assets acquired	$	13,201,757

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

7. SHORT-TERM INVESTMENTS

At December 31, 2021 the Company held $95,228 (June 30, 2020 - $46,000) in guaranteed investment certificates ("GIC"s) and term deposits as follows:

i) $39,100 earning interest at prime less 2.20% withdrawable on demand;
ii) $6,900 earning interest at prime less 2.25% maturing on July 23, 2021;
iii) $49,500 earning interest at 0.35% maturing March 15, 2021.

For the six months ended December 31, 2020, the Company recorded $272 (December 31, 2019 - $Nil) foreign exchange loss on short-term investments.

The short-term investments are held as security for corporate credit cards and renewed automatically. As such, it has been reported as a short-term investment on the consolidated statements of financial position.

(Unaudited, expressed in Canadian Dollars)

8. TRADE AND ACCOUNTS RECEIVABLE

The Company's trade and other receivables were comprised of the following:

		December 31 2020		June 30 2020
Trade accounts receivable	$	**164,156**	$	143,009
Sales tax receivable [1]		**158,501**		129,434
Interest on promissory notes receivable		**30,799**		14,310
Other receivables		**71,180**		78,806
Total trade and other receivables	$	**424,636**	$	365,559

[1] Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

9. NOTES RECEIVABLE AND DEPOSITS

Non-current		December 31 2020		June 30 2020
Promissory note receivable	$	**600,582**	$	556,550
Discount on promissory note receivable		**343,168**		356,401
Total	$	**943,749**	$	912,951

In connection with certain agreements in pursuing other retail opportunities, as at December 31, 2020, the Company had made advances of $875,000 (June 30, 2020 - $875,000) which are to be used in developing a specified location into a cannabis retailer and secure certain retail opportunities in Canada. Repayment of these loans is secured by rental revenue generated by the recipient from this specified location from tenancy of any licensed cannabis retailer. In the event that the recipient is unable to secure tenancy by a licensed cannabis retailer, the loan is also secured by leasehold improvements and any proceeds from the sale of the location. The advances bear annual interest rates of 3% and mature on October 15, 2024.

The fair value of these loans was calculated by discounting the cash flows of the loan receivable over their term at an estimated market rate of comparable loans of 15%.

Pursuant to notes receivable described above, the Company recognized $13,233 (December 31, 2019 - $5,538) of interest income in the consolidated statements of loss and comprehensive loss and $30,799 (2019 - $10,660) of accretion income net against financing costs in the consolidated statements of loss and comprehensive loss.

10. MARKETABLE SECURITIES

Marketable securities consist of an investment in 6,667 common shares of YDreams Global Interactive Technologies Inc. (formerly Apple Capital Inc.). As at December 31, 2020, the fair value of these common shares was $759 (June 30, 2020 - $1,133). During the period ended December 31, 2020, the Company recorded a $374 fair value loss (2019 - $1,467 fair value gain) of marketable securities.

The fair value of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

As at December 31, 2019, marketable securities also included an investment in 318,878 common shares of High Tide Inc. During the period ended December 31, 2019, the Company recorded a fair value loss of $58,992 on the investment, which was recognized in other comprehensive loss. Subsequent to December 31, 2019 the Company sold its investment in Hightide for net proceeds of $66,779, recognized in other comprehensive loss.

(Unaudited, expressed in Canadian Dollars)

11. INVENTORY

Inventory is comprised of the following:

		December 31 2020		June 30 2020
Cannabis	$	**952,860**	$	932,935
Accessories		**42,501**		69,282
Total Inventory	$	**995,361**	$	1,002,217

With the acquisition of Phivida (Note 5) in September of 2020, the Company acquired USD $125,000 in inventory consisting of capsules, tinctures, and face serum and USD $62,630 in prepaid expenses relating to the procurement of inventory. During the period, USD $12,814 was paid for inventory commitments incurred prior to the Phivida Transaction, and USD $3,959 in cost of goods sold was incurred and recognized in Other Expenses (Note 21).

On October 19, 2020, the Company sold the remaining Phivida inventory for USD $119,816 to a third party in an arm's length transaction, incurring a loss of USD $76,669 or CAD $100,218 on the sale. The loss has been recognized in Other Items in the consolidated interim statement of loss and comprehensive loss for the period ended December 31, 2020.

12. PROPERTY AND EQUIPMENT

Cost		Leasehold Improvements		Land & Building		Furniture & Fixtures		Total
June 30, 2019	$	528,885	$	4,035,000	$	52,547	$	4,616,432
Assets acquired on acquisition		2,869,102		-		1,618,534		4,487,636
Assets acquired		2,582,048		-		409,441		2,991,489
Disposition of assets		-		(3,242,500)		-		(3,242,500)
Property and equipment classifed as assets held for sale		-		(615,400)		-		(615,400)
June 30, 2020	$	5,980,035	$	177,100	$	2,080,522	$	8,237,657
Assets acquired on acquisition		**-**		**-**		**508,515**		**508,515**
Assets acquired		**226,799**		**-**		**22,695**		**249,495**
Property and equipment classifed as assets held for sale		**-**		**-**		**(335,362)**		**(335,362)**
December 31, 2020	**$**	**6,206,834**	**$**	**177,100**	**$**	**2,276,370**	**$**	**8,660,305**
Depreciation and impairment losses								
June 30, 2019	$	109,072	$	-	$	23,423	$	132,495
Depreciation		111,078		97,719		260,448		469,245
Disposition of assets		-		(82,877)		-		(82,877)
Property and equipment classified as assets held for sale		-		(14,842)		-		(14,842)
Impairment		408,369		177,100		16,620		602,089
June 30, 2020	$	628,519	$	177,100	$	300,491	$	1,106,111
Depreciation		**149,000**		**-**		**48,627**		**197,627**
Property and equipment classified as assets held for sale		**-**		**-**		**(27,884)**		**(27,884)**
Impairment		**162,877**		**-**		**4,193**		**167,070**
December 31, 2020	**$**	**940,395**	**$**	**177,100**	**$**	**325,427**	**$**	**1,442,924**
Carrying amounts								
June 30, 2020	$	5,351,516	$	-	$	1,780,031	$	7,131,547
December 31, 2020	**$**	**5,266,439**	**$**	**-**	**$**	**1,950,943**	**$**	**7,217,381**

(Unaudited, expressed in Canadian Dollars)

12. PROPERTY AND EQUIPMENT (cont'd)

During the six months ended December 31, 2020, the Company completed the sale of certain buildings that were recognized as assets held for sale as at June 30, 2020. A gain of $2,342 was recognized for the period ended December 31, 2020 (September 2019 - $Nil).

As part of the Phivida Transaction (Note 5), the Company acquired a Bottling Machine. At December 31, 2020, the Company is actively looking to locate a buyer to sell the Bottling Machine. The Company recognized impairment of $182,528 in Other Expense (Note 21) to reduce the carrying amount of the Bottling Machine to its fair market value, as estimated based on the fair value less cost of disposal. $124,949 was classified as assets held for sale at December 31, 2020.

During the period ended December 31, 2020, the Company acquired $508,515 in equipment in connection with the Phivida Transaction as described in Note 5. Additionally, the company acquired $22,695 in Furniture and Fixtures for new and existing retail and corporate locations. Depreciation of $48,627 was recorded for in use Furniture and Fixtures as at December 31, 2020 (December 31, 2019 - $3,508).

During the period ended December 31, 2020, the Company acquired $226,799 in additional leasehold improvements (June 30, 2020 - $2,582,048) related to improvements for various leasehold premises for the purposes of building out retail locations in advance of approval of various retail license applications. Depreciation of $149,000 was recorded for in use leasehold locations as at December 31, 2020 (December 31, 2019 - $10,628).

During the period ended December 31, 2020, the Company impaired capital assets in connection with the divestiture of Medical Clinics (Note 24) and closure of store locations that the Company does not intend to re-open. The total impairment of $167,070 was recorded in the six months ended December 31, 2020 (December 31, 2019 - $109,072), $162,877 of which can be attributed to Leasehold Improvements and $4,193 to Furniture and Fixtures. $16,040 in impairment related to the Medical Clinics divestiture and was recorded in discontinued operations.

During the period ended December 31, 2020, the Company recognized rental income of $17,711 (2019 - $254,328) from sub-lease agreements.

13. INTANGIBLE ASSETS

	Store Permits	Patient List	Intellectual Property	Total
June 30, 2019	$ -	$ 60,300	$ 796,693	$ 856,993
Additions	12,400,512	-	24,394	12,424,906
Impairment	(4,627,511)	-	(713,000)	(5,340,511)
Depreciation	-	(6,700)	-	(6,700)
June 30, 2020	$ 7,773,001	$ 53,600	$ 108,087	$ 7,934,688
Acqusitions	**-**	**-**	**4,776,257**	**4,776,257**
Additions	**-**	**-**	**8,081**	**8,082**
Impairment	**-**	**(51,925)**	**-**	**(51,925)**
Depreciation	**-**	**(1,675)**	**-**	**(1,675)**
December 31, 2020	**$ 7,773,001**	**$ -**	**$ 4,892,425**	**$ 12,665,428**

Store Permits

Niagara Acquisition

During the year ended June 30, 2020, pursuant to the Niagara Option and acquisition of the Niagara Store, the Company acquired a Retail Operator License and Retail Store Authorization License in connection with the business combination as described in Note 5. Management used a combination of market values and cost-based measurements to estimate fair value for the licenses of $3,562,000 (2019 - $Nil) in accordance with Level 3 of the fair value hierarchy.

Clarity Retail Acquisition

During the year ended June 30, 2020, pursuant to the Cooperation Agreement and acquisition of the Retail Opportunities as described in Note 5, the Company acquired 27 municipal development permits with a fair value of $8,638,512. During the year ended June 30, 2020, 13 retail locations were opened and operating with one further application before the AGLC, that were included in the Retail Opportunities.

(Unaudited, expressed in Canadian Dollars)

13. INTANGIBLE ASSETS (cont'd)

Green Room Retail Acquisition (cont'd)

The remaining 13 retail development permits are currently on hold. Accordingly, the Company has recorded an impairment of $4,627,511 (2019 - $Nil) as at June 30, 2020 with a balance remaining of $4,011,001. Management used a combination of market values and cost-based measurements to estimate fair value for the permits of $4,011,001 (2019 - $Nil) in accordance with Level 3 of the fair value hierarchy.

During the year ended June 30, 2020 pursuant to the Green Room Retail Acquisition as described in Note 5, the Company acquired one municipal development permit and recognized $200,000 in intangible assets.

No amortization has been taken during for the period ended December 31, 2020 and 2019 as the development permits and retail licenses ("Store Permits") are considered to have an indefinite life. Management used a combination of market values and cost-based measurements to estimate fair value for the permits of $200,000 (2019 - $Nil) in accordance with Level 3 of the fair value hierarchy.

Patient Lists

On October 31, 2020 through a divesture for a nominal amount, the Company disposed of the Medical Clinic assets, including the Patient List (Note 24). These intangible assets were in use for three months during the period, therefore amortization of $1,675 was recorded (December 31, 2019 - $3,350). Impairment of $51,925 has been recognized in discontinued operations for the six months ended December 31, 2020 (December 31, 2019 – $Nil).

Intellectual Property

Phivida Transaction

During the period ended December 31, 2020, the Company acquired $4,776,257 in intellectual property as part of the Phivida Transaction (Note 5). The intellectual property relates to the development of Phivida's proprietary e-commerce technology platforms which will be re-purposed and integrated with the Company. No amortization has been taken date as the re-purposed platform was not released or in use during the period.

Website

For the year ended June 30, 2020, the Company recorded an impairment of $713,000 (2019 - $Nil) in connection with website and intellectual property acquired in 2018 that was not integrated into the Company's systems. No amortization has been taken during the year ended December 31, 2020 as the website is considered to have an indefinite life.

Trademarks

During the period ended December 31, 2020, the Company recorded $8,081 (June 30, 2019 - $24,394) for development of Choom's trademarks. No amortization has been taken during the period ended December 31, 2020 and 2019 as the trademarks are considered to have an indefinite life.

Goodwill

		Medical Centre		Niagara Store		Total
Balance June 30, 2019	$	973,050	$	-	$	973,050
Additions on acquisition		-		2,181,521		-
June 30, 2020	**$**	**973,050**	**$**	**2,181,521**	**$**	**3,154,571**
Impairment		**(973,050)**		**-**		**(973,050)**
December 31, 2020	**$**	**-**	**$**	**2,181,521**	**$**	**2,181,521**

In 2018 the Company recognized goodwill of $973,050 in connection with the acquisition of the Medical Centre. All goodwill was allocated to the Medical Centre. During the period ended December 31, 2020, the Medical Centre assets were sold for a nominal amount (Note 24). Impairment of $973,050 against goodwill was recorded in discontinued operations for the six months ended December 31, 2020 (December 31, 2019 - $Nil).

In 2019 the Company recognized goodwill of $2,181,521 in connection with the acquisition of the Niagara Store, as described in Note 5. All goodwill was allocated to Niagara Store.

(Unaudited, expressed in Canadian Dollars)

Intellectual Property (cont'd)

Goodwill (cont'd)

The carrying amount of goodwill has been tested for impairment annually, and when events or changes in circumstances indicate that the related carrying amount may not be recoverable. Goodwill impairment testing compares the recoverable amount of the CGU to its carrying amount, with any deficiency recognized as goodwill impairment. Impairment losses relating to goodwill cannot be reversed in future periods.

14. RIGHT-OF-USE ASSET AND LEASE LIABLITY

June 30, 2019	$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Initial direct costs		415,561
Acquired on acquisition		5,138,737
Depreciation		(1,290,066)
Terminations		(532,101)
June 30, 2020	$	**8,096,315**
Additions		**3,611,593**
Depreciation		**(1,038,086)**
Terminations		**(354,010)**
December 31, 2020	$	**10,315,812**

Lease Liability

June 30, 2019	$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Acquired on acquisition		5,138,737
Lease interest expense		620,945
Payments		(1,687,445)
Terminations		(496,685)
June 30, 2020	$	**7,939,737**
Additions		**3,611,593**
Lease interest expense		**510,833**
Payments		**(1,289,127)**
Terminations		**(374,955)**
December 31, 2020	$	**10,398,079**

Short-term portion	$	2,495,984
Long-term portion		7,902,095
Total Lease Liabilities	$	**10,398,079**

Amortization of the right of use asset is calculated over the term of the lease. Interest expense of $510,833 (December 31, 2019 - $620,945) is included in financing costs and payments are applied against the lease liability. $23,391 of total amortization and $6,271 of total lease interest expense, related to Medical Clinics, divested in the period, and has been included in discontinued operations for the six months ended December 31, 2020 (Note 24).

During the six months ended December 31, 2020, the Company entered into three new lease agreements for retail space in the province of Ontario, Canada. The Company makes fixed payments during the contract period. In the period, the Company recognized $3,611,593 in right-of-use assets and related lease liability.

During the same period, the Company terminated four lease agreements, two of which related to the divestiture of Medical Clinics (Note 24). The Company derecognized $354,010 in lease assets, $374,955 in lease liabilities, and $26,095 in related payables, that were settled as part of the termination agreement, resulting in a total gain of $47,040, of which $7,022 was recognized in discontinued operations. For the six months ended December 31, 2020, the Company paid $97,600 in payments to terminate the leases, of which $15,600 has been recognized in discontinued operations.

(Unaudited, expressed in Canadian Dollars)

15. TRADE AND OTHER PAYABLES

	Note		December 31 2020		June 30 2020
Trade payables		$	**2,272,682**	$	1,976,852
Sales tax payable			**455,731**		212,155
Interest payable on convertible debenture & notes	16,17		**1,743,782**		1,695,324
Due to related parties	22		**31,000**		98,408
Total		$	**4,503,195**	$	3,982,739

16. NOTES PAYABLE

In June 2020, the Company entered into a promissory note agreement with an arm's length individual, for proceeds of $900,000. The note payable was due June 4, 2021, unsecured and bear interest at 15% per annum.

The note was amended and increased to $1,250,000 in December 2020 with a revised maturity date of December 31, 2022. The note remains unsecured and bears interest at 15% per annum with interest payable bi-annually. The $1,250,000 has been reclassified to long-term Notes Payable.

As at December 31, 2020, $77,671 in interest is included in accounts payable (June 30, 2020 - $9,616) and $68,055 has been recognized as interest in Financing costs (December 30, 2019 - $Nil).

In June 2020, the Company entered into a promissory note agreement with an arm's length company, as consideration for a purchase of a lease assignment. The total consideration paid was $365,000, of which $210,000 was a note payable. The consideration was included as an addition to right-of-use assets (Note 14). The Company is required to make monthly payments of $17,500 beginning on June 1, 2020. As a December 31, 2020, the remaining balance of the note was $87,500 (June 30, 2020 - $192,500). The note payable is unsecured and bears interest at 15% per annum.

17. CONVERTIBLE DEBENTURES

December 2019 Financing

On December 23, 2019, the Company completed a non-brokered private placement of debenture units at $250,000 per unit for gross proceeds of $4,100,000 (the "December 2019 Debentures").

The December 2019 Debentures will mature on December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months and will accrue interest at the rate of 10% per annum, payable semi-annually. At a holder's option, the December 2019 Debentures may be converted into common shares of Choom at a conversion price of $0.15 per share. Under the Offering, the Company also issued 1,666,666 transferable common share purchase warrants per debenture unit for an aggregate 27,333,330, each such warrant to be exercisable to acquire one common share for a four-year period at an exercise price of $0.20 per share.

The December 2019 Debentures are secured by certain property of the Company, and rank pari passu in right of payment of principal and interest and may be redeemed by the Company on certain conditions. The maximum amount of principal secured may be increased with the consent of the December 2019 Debenture holders representing the majority of the outstanding principal.

The Company determined the conversion feature and warrants components of the December 2019 Debentures meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the December 2019 Debenture between the liability and equity components. The Company valued the debt component of the December 2019 Debenture by calculating the present value of principal and interest payments, discounted at a rate of 18.5% which represents management's best estimate of the rate that a non-convertible secured debenture with similar terms and risk would earn.

As at December 31, 2020, interest in connection with the December 2019 Debentures of $206,685 (June 30, 2020 - $204,438) is included in trade and other payables.

17. CONVERTIBLE DEBENTURES (cont'd)

Aurora

On November 2, 2018, the Company completed a non-brokered private placement of a debenture (the "Aurora Debenture") in the principal amount of $20,000,000 in Choom with Aurora Cannabis Inc. ("Aurora"), convertible into common shares of Choom at a conversion price of $1.25 per share and will mature on November 2, 2022.

Aurora has also secured the right to acquire up to 40% of the Company at $2.75 per common share through the issuance of warrants described below.

The Aurora Debenture is non-transferrable and bears an annual interest rate of 6.5% calculated semi-annually, payable annually in arrears on the anniversary date. Aurora may elect to receive interest payments in common shares in lieu of cash at a price per common share equal to the VWAP of the common shares for the 20 trading days ending prior to the date on which such interest payment is due.

In connection with the Aurora Debenture, the Company also issued to Aurora, for no additional consideration, 95,760,367 common share purchase warrants at an exercise price of $2.75, subject to adjustments in accordance with the terms thereof, to allow Aurora to increase its pro rata equity interest in Choom to approximately 40% expiring on November 2, 2020. Additionally, the Company issued 703,881 pro-rata warrants to Aurora at an exercise price of $1.25 which expired on November 2, 2020 (Note 18).

The Company determined the conversion feature, warrants and pro-rata warrants components of the Aurora Debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the Aurora Debenture between the liability and equity components. The Company valued the debt component of the Aurora Debenture by calculating the present value of principal and interest payments, discounted at a rate of 21.9% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn.

On June 24, 2020, the parties amended the terms of the Aurora Debenture (the "Amended and Restated Aurora Debenture") wherein Choom, among other things granted to Aurora a second ranking security interest over all of its present and after-acquired property of Choom. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and Aurora dated June 24, 2020. Among other amendments, the Amended and Restated Aurora Debenture includes amendments reflecting (i) a 90-day exclusivity period during which the Aurora has agreed not to sell, transfer or assign its indebtedness to any third party, (ii) a right of first refusal in favour of Choom in respect of any future proposed sale, transfer or assignment of the indebtedness by Aurora, and (iii) a reduction of the conversion price of the debenture from $1.25 to $0.65 per share.

The Amended and Restated Aurora Debenture is, as at December 31, 2020, a secured convertible debenture maturing on November 2, 2022 (the "Maturity Date"), convertible into common shares: (i) at the option of Aurora, any time prior to the Maturity Date at a conversion price of $0.65 per common share, subject to a minimum conversion amount of $5,000,000, and (ii) at the option of Choom any time after the hold period has expired and the volume weighted average trading price ("VWAP") of the common shares is $3.00 or more for a period of 10 consecutive trading days.

Interest due on November 2, 2019 in the amount of $1,354,173 was settled pursuant to the Amended and Restated Aurora Debenture in two instalments of $677,086 on June 24, 2020 and $677,087 on July 24, 2020. As at December 31, 2020, interest in connection with the Aurora Debenture of $1,459,526 (2019 - $1,481,273) is included in trade and other payables.

In accordance with IFRS 9, the Company determined that the changes within the Amended and Restated Aurora Debenture is not significant enough to be considered an extinguishment of the initial convertible debenture, and as such, has been accounted for as a modification of financial liability. The cash flows under the Amended and Restated Aurora Debenture were rediscounted at the original effective interest rate on the modification date, and as a result, a gain of modification of debt of $83,747 was recorded on the consolidated statements of loss and comprehensive loss in the last quarter of the year ended June 30, 2020.

(Unaudited, expressed in Canadian Dollars)

17. CONVERTIBLE DEBENTURES (cont'd)

Summary of Convertible Debentures

The following table summarizes the accounting for the convertible debentures and the amounts recognized in respect of the liability and equity components for the six months ended December 31st and the year ended June 30, 2020 and 2019 is as follows:

		Liability Portion		Equity Portion
June 30, 2019	$	12,680,128	$	5,419,751
Issuance of the convertible debenture		3,597,900		502,100
Transaction Costs		(156,390)		(16,001)
Gain on modification of debt		(83,747)		-
Accretion expense		1,569,021		-
Deferred income tax recovery		-		(166,524)
June 30, 2020	**$**	17,606,912	$	5,739,326
Accretion expense		**1,080,851**		**-**
December 31, 2020	**$**	**18,687,763**	**$**	**5,739,326**

Short-term portion	$	3,722,280
Long-term portion		14,965,483
Total Liability Portion	$	**18,687,763**

As at December 31, 2020, accretion and interest of $1,942,879 (December 31, 2019 - $1,323,182) is recorded as financing costs in the consolidated statements of loss and comprehensive loss.

18. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company's authorized share capital is an unlimited number of common shares with no par value.

The following is a summary of changes in share capital from July 1, 2019 to December 31, 2020:

	Number	Issue Price		Total
June 30, 2019	191,666,813	-	$	115,673,380
Issued shares pursuant to Share Commitments	1,124,127	$1.03		1,157,850
Issued for private placement	2,500,000	$0.40		1,000,000
Residual value allocated for warrants	-	-		(62,500)
Issued compensation shares	60,000	$0.43		25,800
Issued for Clarity acquistion	6,103,608	$0.22		1,342,794
Issued for Green Room acquisition	1,860,226	$0.17		316,238
Issued for Niagara acquisition	22,126,066	$0.09		2,000,000
Issued shares for debt	303,030	$0.155		46,970
Issued shares for debt	10,000	$0.090		900
Share issue costs	-	-		(41,141)
June 30, 2020	225,753,870	-	$	121,460,291
Issued for Phivida Transaction	**64,608,187**	**$ 0.10**		**6,460,819**
Issued shares for debt	**3,126,025**	**$ 0.10**		**312,603**
Issued shares for debt	**1,111,111**	**$ 0.09**		**100,000**
Issued shares for debt	**629,722**	**$ 0.08**		**50,000**
Issued shares for debt	**1,276,042**	**$ 0.08**		**102,083**
Issued shares pursuant to Share Commitments	**374,709**	**$ 1.03**		**385,950**
Issued shares for debt	**142,857**	**$ 0.07**		**10,000**
Share issue costs	**-**	**-**		**(5,382)**
December 31, 2020	**297,022,523**	**-**	**$**	**128,876,364**

(Unaudited, expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (cont'd)

a) Common Shares (cont'd)

During the six months ended December 31, 2020, the Company issued the following:

The Company issued 64,608,187 common shares pursuant to the Phivida Transaction as described in Note 5 on September 16, 2020.

On September 16, 2020, the Company settled trade payables of $258,470 through the issuance of 3,126,025 common shares. The common shares were valued at $312,603 as determined by the market price when issued being $0.10 per share, resulting in a loss of $54,132 on settlement of debt.

On September 29, the Company settled employment severance through the issuance of 1,111,111 common shares. The common shares were valued at $100,000 as determined by the market price when issued being $0.09 per share.

In connection with these share issuances, the Company incurred $5,382 of share issuance costs that is recorded as a reduction against share capital.

On October 16, the Company settled trade payables of $50,000 through the issuance of 629,722 common shares. The common shares were valued at $50,000 as determined by the market price when issued being $0.0794 per share.

On November 12, the Company settled employment severance through the issuance of 1,276,042 common shares. The common shares were valued at $102,083 as determined by the market price when issued being $0.08 per share.

On December 24, the Company settled employment severance through the issuance of 142,857 common shares. The common shares were valued at $10,000 as determined by the market price when issued being $0.07 per share.

b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2019 to December 31, 2020:

	Number	Weighted Average Price
June 30, 2019	99,866,748	$2.69
Expired	(900,000)	$0.75
Issued	28,583,330	$0.22
June 30, 2020	127,550,078	$2.13
Expired	**98,816,748**	**$2.69**
Issued	**-**	**$0.00**
December 31, 2020	**28,733,330**	**$0.22**

As at December 31, 2020, the share purchase warrants have a weighted average remaining contractual life of 2.65 years (June 30, 2020 – 1.02) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Price Per Share	Expiry Date
150,000	**$0.42**	**18-Jan-24**
1,250,000	**$0.60**	**20-Mar-21**
27,333,330	**$0.20**	**23-Dec-23**
28,733,330		

18. SHARE CAPITAL AND RESERVES (cont'd)

c) Escrow Shares

As at December 31, 2020, there were 20,635,359 (June 30, 2020 – 28,870,072) common shares held in escrow as follows:

i) Nil common shares (June 30, 2020 – 1,875,000) held in escrow in connection with the Medi-can Acquisition. Every six months, 1,875,000 common shares are released from escrow;
ii) 86,250 common shares (June 30, 2020 – 172,500) held in escrow in connection with the purchase of intangible assets. Every six months 86,250 are released from escrow;
iii) 2,000,000 common shares (June 30, 2020 – 3,000,000) held in escrow in connection with the Clarity Option as described in Note 5. Every six months 1,000,000 shares are released from escrow;
iv) 383,201 common shares (June 30, 2020 – 766,394) held in escrow in connection the Medical Clinic acquisition as described in Note 5. Every six months 383,193 shares are released from escrow;
v) 465,055 common shares (June 30, 2020 – 930,112) held in escrow in connection with the Green Room Retail Acquisition. Every six month 465,057 shares are released from escrow; and
vi) 17,700,853 common shares (June 30, 2020 – 21,126,066) held in escrow in in connection with the Niagara acquisition as described in Note 5. These shares held in escrow are released as follows: 10% four months after closing of the Niagara acquisition, 10% on December 31, 2020, and the balance 12 months after closing of the Niagara acquisition.

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(Unaudited, expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company adopted a stock option plan (the “Plan”) to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date.

The following is a summary of changes in options from July 1, 2020 to December 31, 2020:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled/ Expired	Closing Balance	Vested and Exercisable	Unvested
16-Nov-17	16-Nov-22	$0.17	2,900,000	-	-	-	**2,900,000**	**2,900,000**	-
27-Feb-18	27-Feb-23	$0.75	100,000	-	-	-	**100,000**	**100,000**	-
13-Apr-18	13-Apr-23	$0.91	110,000	-	-	-	**110,000**	**110,000**	-
15-Jun-18	15-Jun-23	$0.35	1,000,000	-	-	-	**1,000,000**	**1,000,000**	-
07-Nov-18	07-Nov-23	$0.91	100,000	-	-	-	**100,000**	**100,000**	-
10-Dec-18	10-Dec-23	$0.465	200,000	-	-	-	**200,000**	**200,000**	-
11-Mar-19	11-Mar-24	$0.69	75,000	-	-	-	**75,000**	**75,000**	-
4-Nov-19	4-Nov-24	$0.235	200,000	-	-	-	**200,000**	**60,000**	**140,000**
30-Dec-19	30-Dec-24	$0.165	8,755,000	-	-	**(300,000)**	**8,455,000**	**4,227,500**	**4,227,500**
18-Feb-20	18-Feb-25	$0.145	300,000	-	-	-	**300,000**	**150,000**	**150,000**
16-Sep-20	23-Nov-20	$0.145		**145,132**	-	**(145,132)**	-	-	-
16-Sep-20	23-Nov-20	$0.290		**72,566**	-	**(72,566)**	-	-	-
16-Sep-20	23-Nov-20	$0.849		**725,660**	-	**(725,660)**	-	-	-
16-Sep-20	5-May-22	$0.145		**798,226**	-		**798,226**	**798,226**	-
16-Sep-20	18-Dec-22	$0.290		**816,368**	-	-	**816,368**	**816,368**	-
16-Sep-20	26-Jan-23	$0.065		**781,780**	-	-	**781,780**	**781,780**	-
16-Sep-20	5-Feb-23	$0.856		**507,962**	-	-	**507,962**	**507,962**	-
16-Sep-20	19-Feb-23	$0.849		**18,142**	-	-	**18,142**	**18,142**	-
16-Sep-20	28-Feb-23	$0.805		**18,142**	-	-	**18,142**	**18,142**	-
16-Sep-20	30-Apr-23	$0.668		**507,962**	-	-	**507,962**	**507,962**	-
16-Sep-20	6-Jun-23	$0.639		**362,830**	-	-	**362,830**	**362,830**	-
16-Sep-20	5-Jul-23	$0.544		**326,547**	-	-	**326,547**	**326,547**	-
16-Sep-20	31-Jul-23	$0.602		**72,566**	-	-	**72,566**	**72,566**	-
16-Sep-20	2-Aug-23	$0.581		**72,566**	-	-	**72,566**	**72,566**	-
16-Sep-20	17-Aug-23	$0.602		**18,142**	-	-	**18,142**	**18,142**	-
16-Sep-20	20-Aug-23	$0.617		**90,708**	-	-	**90,708**	**90,708**	-
16-Sep-20	9-Sep-23	$0.900		**72,566**	-	-	**72,566**	**72,566**	-
16-Sep-20	4-Oct-23	$0.718		**108,849**	-	-	**108,849**	**108,849**	-
16-Sep-20	15-Oct-23	$0.065		**86,864**	-	-	**86,864**	**86,864**	-
16-Sep-20	17-Oct-23	$0.617		**362,830**	-	-	**362,830**	**362,830**	-
16-Sep-20	20-Dec-23	$0.435		**145,132**	-	-	**145,132**	**145,132**	-
16-Sep-20	8-Feb-24	$0.065		**41,021**	-	-	**41,021**	**41,021**	-
16-Sep-20	24-Apr-24	$0.624		**55,433**	-	-	**55,433**	**55,433**	-
16-Sep-20	14-May-24	$0.080		**770,764**	-	-	**770,764**	**770,764**	**770,764**
16-Sep-20	28-May-24	$0.406		**725,660**	-	-	**725,660**	**725,660**	-
16-Sep-20	12-Jun-24	$0.080		**104,856**	-	-	**104,856**	**104,856**	**104,856**
16-Sep-20	17-Jun-24	$0.308		**72,566**	-	-	**72,566**	**72,566**	-
2-Oct-20	2-Oct-25	$0.090		**100,000**	-	-	**100,000**	**30,000**	**70,000**
			13,740,000	**7,981,837**	-	**(1,243,358)**	**20,478,479**	**15,890,979**	**5,463,120**
Weighted Average Share Price			$0.64	**$0.41**	-	**$0.57**	**$0.26**	**$0.29**	**$0.15**
Weighted Average Life Remaining (years)			3.45	**2.20**	-	-	**3.07**	**2.80**	**3.19**

Replacement Options granted September 16, 2020 are part of the Phivida Transaction (Note 5).

(Unaudited, expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (cont'd)

The following is a summary of changes in options from July 1, 2019 to June 30, 2020:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled/ Expired	Closing Balance	Vested and Exercisable	Unvested
16-Nov-17	16-Nov-22	$0.17	2,900,000	-	-	-	2,900,000	2,900,000	-
27-Feb-18	27-Feb-23	$0.75	600,000	-	-	(500,000)	100,000	100,000	-
19-Mar-18	19-Mar-23	$1.06	500,000	-	-	(500,000)	-	-	-
11-Apr-18	11-Apr-23	$0.84	50,000	-	-	(50,000)	-	-	-
13-Apr-18	13-Apr-23	$0.91	110,000	-	-	-	110,000	110,000	-
10-May-18	10-May-23	$0.84	100,000	-	-	(100,000)	-	-	-
15-Jun-18	15-Jun-23	$0.35	1,000,000	-	-	-	1,000,000	1,000,000	-
19-Jun-18	19-Jun-23	$1.26	700,000	-	-	(700,000)	-	-	- -
20-Jun-18	20-Jun-23	$1.41	250,000	-	-	(250,000)	-	-	-
01-Aug-18	01-Aug-23	$1.28	250,000	-	-	(250,000)	-	-	-
17-Aug-18	17-Aug-23	$1.07	100,000	-	-	(100,000)	-	-	-
07-Nov-18	07-Nov-23	$0.91	1,560,000	-	-	(1,460,000)	100,000	100,000	-
10-Dec-18	10-Dec-23	$0.47	200,000	-	-	-	200,000	200,000	-
11-Mar-19	11-Mar-24	$0.69	1,085,000	-	-	(1,010,000)	75,000	75,000	-
15-Mar-19	15-Mar-24	$0.69	100,000	-	-	(100,000)	-	-	-
26-Aug-19	26-Aug-24	$0.41	-	5,000,000	-	(5,000,000)	-	-	-
10-Sep-19	10-Sep-24	$0.43	-	300,000	-	(300,000)	-	-	-
07-Oct-19	07-Oct-24	$0.32	-	300,000	-	(300,000)	-	-	-
04-Nov-19	04-Nov-24	$0.24	-	200,000	-	-	200,000	40,000	160,000
30-Dec-19	30-Dec-24	$0.17	-	9,242,500	-	(487,500)	8,755,000	3,697,000	5,058,000
18-Feb-20	18-Feb-25	$0.15	-	300,000	-	-	300,000	120,000	180,000
			9,505,000	15,342,500	-	(11,107,500)	13,740,000	8,342,000	5,398,000
Weighted Average Share Price			$0.64	$0.25	-	$0.64	$0.20	$0.23	$0.17
Weighted Average Life Remaining (years)			3.45	4.38	-	-	3.89	3.49	4.5

b) Fair Value of Options Issued During the Period

During the period ended December 31, 2020, the weighted average fair value at grant date of options granted was $0.41 (June 30, 2020 - $0.25) per option. During the period ended December 31, 2020, there were 7,981,837 options granted (June 30, 2020 – 15,342,500). As at December 31, 2020, 20,478,479 (June 30, 2020 – 13,740,000) options were outstanding of which 15,890,979 (June 30, 2020 – 8,342,000) were exercisable under the Plan with a weighted average contractual life of 2.80 years.

c) Expenses Arising from Share-based Payment Transactions

The model inputs for options granted or vested during the period ended December 31, 2020 and 2019 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
2-Oct-20	**2-Oct-25**	**$ 0.09**	**$ 0.09**	**0.36%**	**5**	**135.70%**	**0%**
1-Aug-18	1-Aug-23	$ 1.25	$ 1.28	2.25%	5	147.48%	0%
17-Aug-18	17-Aug-23	$ 1.07	$ 1.07	2.25%	5	147.48%	0%
10-Dec-18	10-Dec-23	$ 0.51	$ 0.47	1.93%	5	146.73%	0%
26-Aug-19	26-Aug-24	$ 0.39	$ 0.41	1.17%	5	144.00%	0%
10-Sep-19	10-Sep-24	$ 0.43	$ 0.43	2.25%	5	147.48%	0%
7-Oct-19	7-Oct-24	$ 0.30	$ 0.32	1.46%	5	141.76%	0%
4-Nov-19	4-Nov-24	$ 0.24	$ 0.24	1.51%	5	142.16%	0%
30-Dec-19	30-Dec-24	$ 0.17	$ 0.17	1.64%	5	141.26%	0%
18-Feb-20	18-Feb-25	$ 0.15	$ 0.15	1.21%	5	140.33%	0%

(Unaudited, expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS (cont'd)

c) Expenses Arising from Share-based Payment Transactions (cont'd)

The risk-free rate of periods within the expected life of the stock option is based on the Canadian government bond rate. The forfeiture rate assumption is based on historical results, which is estimated to be nil, and the annualized volatility is based on the Company's historical share prices.

The total fair value of options issued during the period ended December 31, 2020 was $657,142 (2019 - $1,668,640) of which $238,694 (2019 - $689,983) has been recorded as a share-based payment expense in the consolidated statements of loss and comprehensive loss with a corresponding increase in contributed surplus. The remaining amount of $418,448 (2019 - $978,657) will be expensed as the remaining unvested options vest.

The Company adopted a restricted share unit plan (the "RSU Plan") to grant RSU's to directors, senior officers, employees and consultants of the Company. The aggregate outstanding RSU's are limited to 20% of the outstanding common shares provided that at no time may the number of RSUs issuable under the RSU Plan, together with the number of common shares issuable under options that are outstanding under the Plan, exceed 20% of the issued and outstanding common shares as at the date of a grant under the RSU Plan or the Plan, as the case may be.

The fair value of the RSU's has been calculated using the share price at the time of the grant and recognized over the vesting schedule.

On September 4, 2020, the Company granted an aggregate of 4,000,000 RSUs is accordance with the RSU Plan. The RSU's were measured at $0.10, the share price at the time of the grant. As at December 31, 2020, $320,373 has been recognized as a share-based payment expense (December 31, 2019 - $Nil).

The total share-based payment expense recognized for the six months ended December 31, 2020, for RSU's and options, was $559,067 (2019 - $689,983).

20. ADMINISTRATIVE AND GENERAL EXPENSES

			Three Months Ended December 31		Six Months Ended December 31	
	Note		**2020**	2019	**2020**	2019
Accounting and legal		$	**133,331**	297,750	**292,833**	602,735
Business licenses and permits			**1,499**	57,045	**11,980**	57,045
Conferences			**-**	2,589	**1,894**	18,725
Consulting	22		**193,459**	443,020	**385,055**	1,098,020
Insurance			**192,097**	51,506	**309,104**	82,928
Interest and service charges			**75,478**	41,910	**151,076**	41,910
Office and administration fees			**110,422**	215,761	**229,549**	290,898
Property taxes			**-**	-	**11,282**	-
Realtor commissions and fees			**-**	73,989	**22,807**	185,742
Regulatory fees			**9,917**	38,335	**13,667**	42,790
Rent, utilties & security, net of rent received			**46,119**	(22,932)	**177,022**	81,982
Shareholder communications			**16,489**	21,542	**20,676**	65,960
Transfer agent fees			**1,333**	3,055	**1,756**	5,355
Travel			**24,788**	108,972	**51,056**	157,068
Bad debt expense			**339**	-	**339**	-
Terminated lease agreements			**50,970**	(46,906)	**82,169**	202,092
Total administrative and general expenses		$	**856,241**	1,285,636	**1,762,265**	2,933,250

(Unaudited, expressed in Canadian Dollars)

21. OTHER INCOME AND EXPENSES

The following expenses, included in Other Items on the consolidated interim Statement of Loss and Comprehensive Loss, relate to the Phivida Transaction and do not relate to the main retail business operations of the Company:

		December 31 2020
Other Expenses		
Cost of sales		(100,604)
Interest and service charges		(8,293)
Marketing, website and media design		(9,606)
Insurance		(13,700)
Office and administration		(6,058)
Professional fees		(34,005)
Rent, utilities & security		(2,721)
Shareholder communication		(1,150)
Transfer agent		(19,562)
Bad debt expense		(106,031)
Wages and severance		(285,537)
Impairment on the Bottling Machine (Note 12)		(182,528)
Total Other Expenses	$	**(769,795)**

For the six months ended December 31, 2020, the Company incurred $50,828 in revenue, generated primarily from the web platform, Wikala.com, and $769,795 in related expenses. The Company does not expect these revenues and expenses to be ongoing and has recognized them in Other Income and Other Expenses. There are no prior period comparatives as the Phivida Transaction was completed September 16, 2020 (Note 5).

22. RELATED PARTY TRANSACTIONS

Key Management Compensation

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

		December 31 2020	December 31 2019
Key management personnel compensation comprised:	$		
Consulting fees		191,348	195,459
Administration		54,381	77,625
Wages		93,429	105,682
Share based payments		495,214	571,919
Total Compensation	$	834,371	950,685

Included in trade and other payables are amounts due to officers, directors and former officers, directors and related parties for fees and expenses of $31,000 (June 30, 2020 – $98,408) (Note 15).

(Unaudited, expressed in Canadian Dollars)

23. LOSS PER SHARE

		December 31 2020		December 31 2019
Loss from continuing operations attributable to ordinary shareholders	$	**(4,996,882)**	$	(10,204,763)
Weighted average number of common shares		**266,189,296**		196,049,570
Basic and diluted loss per share from continuing operations	$	**(0.02)**	$	(0.05)
Loss from discontinued operations attributable to ordinary shareholders	$	**(1,345,285)**	$	(155,578)
Weighted average number of common shares		**266,189,296**		196,049,570
Basic and diluted loss per share from discontinued operations	$	**(0.01)**	$	(0.00)

24. DISCONTINUED OPERATIONS

During the prior year ended June 30, 2019, management changed the Company's strategic plan to focus on becoming a retail cannabis applicant and developing a network of retail cannabis stores. Accordingly, the Company made the decision not to pursue the cultivation sector of the cannabis industry. As a result, the Company divested and sold its 90.2% interest in Sitkwa Weedworks Inc. ("SMP") to the original key shareholders during the year ended June 30, 2019.

Medi-Can and IGC were in the business of cultivating and selling marijuana for medical purposes and related products under the ACMPR that the Company acquired during the year ended June 30, 2018. With the change in the Company's strategic plan, the cultivation licenses were fully impaired during the year ended June 30, 2019.

Sitka Weedworks Inc.

The Company, via its wholly owned subsidiary, Arbutus, acquired Sitka Weedworks Inc. (formerly Specialty Medijuana Products) by way of a share exchange agreement during the year ended June 30, 2018. On October 17, 2018, SMP received its cultivation license from Health Canada. Accordingly, management estimated the fair value of the Choom Share Commitments owed to the selling shareholders of SMP based market share price of $1.03 to be $41,167,957 being the share price on the date the cultivation license was granted and recorded it as an addition to the Arbutus intangible asset.

On December 10, 2018, the Company entered into a share purchase agreement with the original key shareholders of SMP whereby Arbutus divested 90.2% of its interest in SMP in exchange for the cancellation of 37,970,445 Share Commitments (the "SMP Divesture"). Choom completed the SMP Divesture resulting in Choom indirectly holding an indirect 9.8% interest in SMP through Arbutus.

For the six months ended December 31, 2020, 374,707 (2019 – 749,418) common shares were issued pursuant to the Choom Share Commitments at a value of $385,950 (2019 - $771,900). As at December 31, 2020, 374,707 (June 30, 2020 – 749,416) Choom Share Commitments remained outstanding at an aggregate value of $385,950 (2019 - $771,900) as determined by the market price of $1.03 on October 17, 2018.

The Company has recorded $1,732,665 (June 30, 2020 - $1,732,665) as long-term investments representing the 9.8% interest in SMP. As at December 31, 2020 the Company advanced a total of $172,282 (2019 - $172,282) in loans for the development of facilities which are recorded as loan receivable. The loan has no stated terms of repayment and is callable only if all shareholders of SMP agree to call on the loan. The Company does not expect repayment within 12 months and has classified this loan as a long-term receivable accordingly.

Outstanding advances from shareholders acquired in connection with the SMP transactions remain outstanding at December 31, 2020 of $4,000 (2019 - $4,000).

Medical Clinics

On October 31, 2020 through a divesture for a nominal amount, the Company disposed of the Medical Clinic assets to a former employee of the Company. The Company sold the patient lists and other assets of 1165962 B.C. Ltd., Concord Medical Centre Inc., Universal Cannabis Coaching Clinic Inc. and Western Cannabis Coaching Centre Ltd. for a nominal amount.

(Unaudited, expressed in Canadian Dollars)

24. DISCONTINUED OPERATIONS (cont'd)

Medical Clinics (cont'd)

The Company determined that in order to focus on cannabis retail this was the most cost-effective way of disposing of the Medical Clinics, which had historically operated at a loss.

Upon divestiture, the Company terminated two lease agreements recognizing a $7,022 gain on derecognition of lease agreements and accruing $15,600 in lease termination costs. Impairment of $16,040 related to leasehold improvements was recognized during the period.

As at December 31, 2020, Goodwill of $973,050 and intangible assets of $51,925 were written off and impairment recognized in discontinued operations.

Island Green Cure

During the six months ended December 31, 2020 the Company terminated the Island Green Cure lease agreement. The balance of the lease deposits held in escrow, less $17,309 to be returned to the Company, were released to the landlord as consideration resulting in a $204,961 loss on derecognition which was recorded in discontinued operations.

The results of the operations of SMP, Medical Clinics, and IGC are presented as discontinued operations for the three and six months ended December 31, 2020 and 2019 are as follows:

		Three Months Ended December 31			Six Months Ended December 31	
		2020	2019		**2020**	2019
Revenue from clinic services	$	**61,155**	137,640	$	**196,977**	326,180
Cost of Sales						
Doctor and coaching fees		**(9,841)**	(47,387)		**(44,133)**	(108,851)
Medical supplies		**-**	(2,720)		**-**	(6,139)
Gross profit		**51,314**	87,533		**152,844**	211,190
General and administrative costs						
Administrative and general	$	**85,364**	87,663	$	**158,770**	181,372
Salary, wages, benefits		**20,456**	67,039		**68,656**	157,139
Depreciation and amortization		**11,700**	22,281		**25,477**	22,281
Loss before other items		**(66,207)**	(89,450)		**(100,060)**	(149,602)
Other items						
Interest Income		**-**	-		**-**	4
Impairment of goodwill		**-**	-		**(973,050)**	-
Impairment of intangible assets		**-**	-		**(51,925)**	-
Impairment of property and equipment		**(16,040)**	-		**(16,040)**	-
Financing costs		**(2,751)**	(3,343)		**(6,271)**	(5,980)
Gain/(loss) on derecognition of lease agreements		**(197,939)**	-		**(197,939)**	-
Total loss for the period	$	**(282,938)**	(92,793)	$	**(1,345,285)**	(155,578)

(Unaudited, expressed in Canadian Dollars)

24. DISCONTINUED OPERATIONS (cont'd)

Cash flows from discontinued operations for the six and three months ended December 31, 2020 and 2019 are as follows:

	Three Months Ended December 31		Six Months Ended December 31	
	2020	2019	**2020**	2019
Operating activities: $				
Net loss from discontinued operations	**(282,938)**	(92,793)	**(1,345,285)**	(155,578)
Items not affecting cash				
Depreciation	**11,700**	22,281	**25,477**	22,281
Loss on derecognition of lease agreements	**197,939**	-	**197,939**	-
Impairment of goodwill	**-**	-	**973,050**	-
Impairment of intangible assets	**-**	-	**51,925**	-
Impairment of property and equipment	**16,040**	-	**16,040**	-
Changes in non-cash working capital items:				
Trade and accounts receivable	**40,352**	11,453	**6,775**	(21,194)
Trade and other payables	**29,163**	-	**29,506**	91
Prepaid expense	**22,227**	771	**44,524**	44,792
Net cash provided by/(used in) discontinued operations	**34,484**	(58,288)	**(48)**	(109,608)

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(Unaudited, expressed in Canadian Dollars)

25. SEGMENT REPORTING

Operating segments are components of the Company that engage in business activities from which they earn revenues and incur expenses and can be clearly distinguished. As at December 31, 2020, the Company had two reportable operating segments – Retail Cannabis and Corporate Operations. As the Company continues to expand organically and through acquisition, the segmented information will expand. Business segments are regularly reviewed by senior management for the purpose of allocating resources and performance assessment.

					Six Months Ended December 30,	
					2020	2019
Operating Segments	**Retail Cannabis**	**Corporate**	**Patient Counselling**	**Cannabis Cultivation**	**Total**	**Total**
Recreational Retail Revenue	12,062,938	-	-	-	$ **12,062,938**	$ **1,349,704**
Cost of sales	(7,730,638)	-	-	-	**(7,730,638)**	**(972,905)**
Gross Profit	4,332,300	-	-	-	**4,332,300**	**376,799**
Expenses						
Administrative and general	461,659	1,300,605	-	-	**1,762,264**	**2,933,250**
Salary, wages, benefits	1,252,854	899,547	-	-	**2,152,401**	**785,969**
Depreciation and amortization	1,119,162	91,074	-	-	**1,210,236**	**603,569**
Foreign exchange	4,215	(1,886)	-	-	**2,329**	**4,332**
Marketing, website and media design	39,387	125,631	-	-	**165,018**	**470,328**
Share-based payments	-	559,067	-	-	**559,067**	**689,983**
	2,877,276	2,974,039	-	-	**5,851,315**	**5,487,431**
Loss before other items	1,455,024	(2,974,039)	-	-	**(1,519,015)**	**(5,110,632)**
Other items						
Interest income	-	13,914	-	-	**13,914**	**222,769**
Licensing income	-	-	-	-	**-**	**125,000**
Rental income	16,066	1,645	-	-	**17,711**	**254,328**
Other Income	-	50,828	-	-	**50,828**	**-**
Gain on sale of property and equipment	-	2,342	-	-	**2,342**	**-**
Gain on derecognition of lease agreements	40,018	(0)	-	-	**40,018**	**-**
Loss on sale of inventory	-	(100,218)	-	-	**(100,218)**	**-**
Gain/(loss) on settlement of debt	-	(54,132)	-	-	**(54,132)**	**3,030**
Fair value gain/(loss) on marketable securities	-	(375)	-	-	**(375)**	**1,467**
Impairment on store permits	-	-	-	-	**-**	**(4,169,939)**
Impairment of property and equipment	(151,030)	-	-	-	**(151,030)**	**-**
Termination of agreement costs	-	(45,683)	-	-	**(45,683)**	**(3,904)**
Financing costs	-	(2,481,447)	-	-	**(2,481,447)**	**(1,526,883)**
Other expenses	-	(769,795)	-	-	**(769,795)**	**-**
	(94,945)	(3,382,922)	-	-	**(3,477,867)**	**(5,094,132)**
Net loss from continuing operations	1,360,079	(6,356,961)	-	-	$ **(4,996,882)**	$ **(10,204,763)**
Net loss from discontinued operations	-	-	(1,017,113)	(328,173)	**(1,345,285)**	**(155,578)**
Net Loss for the period	1,360,079	(6,356,961)	(1,017,113)	(328,173)	**(6,342,167)**	**(10,360,341)**
Assets	22,590,456	15,529,906	84,111	54,229	$ **38,258,702**	$ **39,387,092**
Liabilities	(22,129,816)	(13,944,411)	(224,075)	-	**(36,298,302)**	**(31,409,274)**

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(Unaudited, expressed in Canadian Dollars)

26. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended December 31, 2020 and 2019 the following transactions were excluded from the statements of cash flows:

i) The $500,000 Bridge Financing Loan received July 23, 2020 as part of the Phivida Transaction (Note 5) is eliminated upon consolidation;
ii) On September 16, 2020, the Company settled trade payables of $258,470 through the issuance of 3,126,025 common shares. The common shares were valued at $312,603 as determined by the market price when issued being $0.10 per share, resulting in a loss of $54,132 on settlement of debt (Note 18);
iii) On September 29, 2020 the Company settled employment severance through the issuance of 1,111,111 common shares. The common shares were valued at $100,000 as determined by the market price when issued being $0.09 per share. In connection with these share issuances, the Company incurred $5,382 of share issuance costs that is recorded as a reduction against share capital (Note 18);
iv) On October 16, 2020 the Company settled trade payables of $50,000 through the issuance of 629,722 common shares. The common shares were valued at $50,000 as determined by the market price when issued being $0.0794 per share (Note 18);
v) During the six months ended December 31, 2020 the Company settled severance charges of $112,083 through issuance of 1,276,042 shares at price of $0.08 per share on November 12, 2020 and 142,857 shares valued at $0.07 per share on December 24, 2020 (Note 18);
vi) On December 30, 2020, pursuant to the SMP Acquisition, the Company issued 374,709 common shares pursuant to the Choom Share Commitments. The amount reclassified from obligation to issue shares to share capital was $385,950 (Note 18);
vii) A compensation charge of $Nil (2019 - $25,800) associated with the issuance of 60,000 (2019 – 100,000) common shares was recorded as consulting fees (Note 18);
viii) During the period ended December 31, 2020, the Company recorded a $374 fair value loss (2019 - $1,467 fair value gain) of marketable securities (Note 10);
ix) During the six months ended December 31, 2020, the Company completed the sale of certain buildings that were recognized as assets held for sale as at June 30, 2020. A gain of $2,342 was recognized for the six months ended December 31, 2020 (2019 - $Nil) (Note 12);
x) During the period ended December 31, 2020, the Company sold the Phivida inventory for USD $119,816 in an arm's length transaction and recognized a loss of USD $76,669 or CAD $100,218 on the sale (2019 - $Nil) (Note 11);
xi) During the six months ended December 31, 2020, the Company paid income taxes of $Nil (2019 - $Nil);
xii) In the six months ended December 31, 2020 the Company recognized $30,799 (2019 - $10,660) of accretion income on promissory notes receivable (Note 9);
xiii) In the period ended December 31, 2020 the Company terminated four lease agreements and derecognized $354,010 in lease assets and $374,955 in related lease liabilities resulting in a $47,040 gain, of which $7,022 was recognized in discontinued operations;
xiv) During the period ended December 31, 2020, the Company accrued interest of $862,027 (2019 - $862,027) in trade and other payables and paid interest of $881,525 (2019 - $677,086) (Note 17).

27. COMMITMENTS

Leases

The Company has entered into arrangements for office, clinic and retail spaces. Cash commitments for minimum lease payments in relation to these commitments are payable as follows:

		December 31 2020	June 30 2020
Not later than 1 year	$	2,495,984	2,178,097
Later than 1 year and not later than 5 years		7,394,182	6,351,983
Later than 5 years and not later than 10 years		4,907,404	2,767,459
Total Lease Commitments	$	14,797,570	11,297,539

27. COMMITMENTS (cont'd)

Leases (cont'd)

As at December 31, 2020, the Company has $566,229 (June 30, 2020 - $574,310) in lease deposits of which $152,510 (June 30, 2020 - $211,852) is classified as current and $413,719 (June 30, 2020 - $362,458) is classified as non-current.
The Company has prepaid expenses of $174,063 (June 30, 2020 - $435,375) of which $174,063 (June 30, 2020 - $257,559) is classified as current and $Nil (June 30, 2020 - $177,816) is classified as non-current.

Coastal Green

On July 10, 2020, the parties terminated the Coastal Green Note for consideration of a $50,000 cash payment. This has been included in Termination of agreement costs for the six months ended December 31, 2020.

28. GOVERNMENT ASSISTANCE

In connection to the COVID-19 pandemic, the Company and its subsidiaries received $240,000 in Canada Emergency Business Account ("CEBA") loans from the Government of Canada. These CEBA loans are non-interest bearing and mature on December 31, 2022. Repaying the loan balance on or before December 31, 2022 will result in loan forgiveness of 25%. The principal balance of $240,000 (June 30, 2020 - $240,000) is included in government assistance payable at December 31, 2020 on the consolidated statements of financial position.

The Company also qualified for the Canada Emergency Wage Subsidy ("CEWS"), a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. On July 10, 2020, the Company received $66,475 (June 30, 2020 - $Nil), which was credited to salary, wages and benefits in the consolidated statements of loss and comprehensive loss. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

As part of the Phivida Transaction, the Company assumed a deferred payment loan of US $130,400 from the federal U.S. agency, bearing annual interest of 1%, and maturing on May 4, 2022. Principal and interest payments began November 4, 2020. The loan is subject to partial or full forgiveness according to the terms under the Paycheck Protection Program loan in the United States. As at December 31, 2020, $1,415 in interest and accretion was recognized and recorded in Other Expenses (June 30, 2020 - $Nil) (Note 21).

29. CONTINGENCIES

On January 21, 2020, the Company received a Statement of Claim from a non-related party for damages of $4,654,390 due to a wrongful termination of an asset purchase agreement.

On August 31, 2020 and on September 18, 2020, the Company received two Statement of Claims from non-related parties, for damages of $1,093,098 and $562,973 due to a breach of lease agreements.

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

30. EVENTS AFTER THE REPORTING DATE

Non-Brokered Private Placement

On February 4, 2021, the Company completed a non-brokered private placement for gross proceeds of $1,950,000 through the issuance of 27,857,143 units ("Units") at a price of $0.07 per unit. Each Unit consists of one common share and one-half of one non-transferrable warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase an additional common share at an exercise price of $0.12 per share until February 3, 2023.

30. EVENTS AFTER THE REPORTING DATE (cont'd)

Stock Option Grant

On February 4, 2021, the Company granted 1,000,000 options with an exercise price of $0.10 per share. These options expire on February 4, 2026 and vest 30% on grant, 10% every six months thereafter and 20% three years from the grant date.