IGNITE
INTERNATIONAL BRANDS, LTD.

CSE: BILZ, OTCQX: BILZF
WWW.IGNITE.CO

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Ignite International Brands, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ignite International Brands, Ltd. (formerly Ignite International, Ltd.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates there are uncertainties regarding the Company's ability to achieve profitable operations and raise additional capital funding. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Ignite International Brands, Ltd. (formerly Ignite International, Ltd.) for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on January 31, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

June 15, 2020

IGNITE INTERNATIONAL BRANDS, LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Canadian Dollars)

	As at December 31, 2019	As at December 31, 2018
	$	**$**
Assets		
Current assets		
Cash and equivalents	15,138,092	13,277,577
Accounts receivable (note 9)	1,456,618	257,509
Inventory (note 10)	6,069,264	-
Short term deposits (note 11)	1,779,498	-
Prepaid expenses (note 12)	280,462	1,483,056
Total current assets	**24,723,934**	**15,018,142**
Non-current assets		
Long term deposits (note 11)	66,734	-
Investments (note 13)	750,000	-
Due from related parties (note 27)	-	4,908
Property, plant and equipment, net (note 14)	6,461,951	440,394
Intangible assets, net (note 15)	236,301	244,783
Option to purchase (note 17)	6,494,000	6,821,000
Total assets	**38,732,920**	22,529,227
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 19)	5,591,154	2,141,385
Coupon Interest Payable (note 8)	193,333	-
Note payable (note 19)	4,126,937	5,294,460
Due to related parties (note 27)	67,990	2,022,965
Short-term lease obligations (note 18)	4,025,502	-
Total current liabilities	14,004,916	9,458,810
Convertible Debenture Liability (note 8)	18,008,555	-
Long-term lease obligations (note 18)	1,739,024	-
Total liabilities	**33,752,495**	9,458,810
Shareholders' equity		
Share capital (note 20)	82,824,059	25,805,378
Warrants reserve (note 20)	726,863	-
Option Reserve (note 20)	1,260,785	-
Contributed surplus (note 20)	1,262,131	-
Other comprehensive income	3,348,826	3,548,085
Non-controlling interests	(788,676)	-
Accumulated deficit	(83,653,563)	(16,283,046)
Total shareholders' equity	**4,980,425**	13,070,417
Total liabilities and shareholders' equity	**38,732,920**	22,529,227

Nature of operations and going concern (note 1)
Commitments and contingencies (note 28)
Subsequent events (note 30)

Approved by the Board

/s/ *"Dan Bilzerian" Director*

/s/ *"Lester Lee" Director*

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

IGNITE INTERNATIONAL BRANDS, LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(In Canadian Dollars)

	For the year ended December 31, 2019	For the year ended December 31, 2018
	$	$
Sales revenue (note 22)	9,661,083	2,448,891
Cost of goods sold	7,523,746	1,742,323
Gross Profit	**2,137,337**	706,568
Operating expenses		
General and administrative (note 26)	18,461,642	6,441,395
Share-based compensation (note 20)	1,170,520	-
Marketing and promotion	22,262,079	10,613,327
Depreciation (note 14)	3,361,364	32,469
Amortization (note 15)	106,647	1,080
Bad debt expense (note 9)	430,567	-
Total operating expenses	**45,792,819**	17,088,271
Loss from operations	**(43,655,482)**	(16,381,703)
Other income		
Interest income	231,989	371,319
Other income	184,585	-
Total other income	416,574	371,319
Other expenses		
Transaction costs (note 7)	666,391	-
Interest expense	796,232	272,662
Interest accretion, leases (note 18)	597,434	-
Convertible debenture interest accretion (note 8)	264,328	-
Fair value adjustment on investment (note 13)	750,000	-
Exchange gain/loss	494,622	-
Loss on disposal of assets (note 14)	211,994	-
Inventory impairment (note 10)	3,454,482	-
Goodwill impairment (note 16)	18,355,408	-
Total other expenses	25,590,891	272,662
Net loss	**(68,829,799)**	(16,283,046)
Cumulative translation adjustment	(199,259)	3,548,085
Net loss and comprehensive loss	**(69,029,058)**	(12,734,961)
Net loss attributed to:		
Ignite International Brands, Ltd.	**(67,370,517)**	(16,283,046)
Non-controlling interests	**(1,459,282)**	-
Net loss per share, basic and diluted (note 21)	**(0.45)**	(0.16)

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

IGNITE INTERNATIONAL BRANDS, LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

	Number of Shares	Share capital	Other comprehensive income	Option Reserve	Warrant reserve	Contributed surplus	Non-controlling interests	Deficit	Total equity
	#	$	$	$	$	$	$	$	$
Balance, December 31, 2017	86,100,000	46,288,010	-	-	-	-	-	-	46,288,010
Capital contributions (note 20)	14,016,000	44,157,939	-	-	-	-	-	-	44,157,939
Stock repurchase (note 20)	(12,500,000)	(64,640,571)	-	-	-	-	-	-	(64,640,571)
Net loss for the year	-	-	3,548,085	-	-	-	-	(16,283,046)	(12,734,961)
Balance at December 31, 2018	**87,616,000**	**25,805,378**	**3,548,085**	**-**	**-**	**-**	**-**	**(16,283,046)**	**13,070,417**
Shares exchanged on reversed takeover (note 7)	(87,616,000)	-	-	-	-	-	-	-	-
Subordinate shares issued on reverse takeover (note 7)	67,681,000	-	-	-	-	-	-	-	-
Proportionate shares issued on reverse takeover (note 7)	151,251,400	-	-	-	-	-	-	-	-
Share exchange for Ignite Canada shares (note 7)	20,717,090	31,075,635	-	-	-	-	-	-	31,075,635
Replacement warrants issued on reverse takeover (note 7)	-	-	-	-	20,399	-	-	-	20,399
Replacement stock options issued on reverse takeover (note 7)	-	-	-	90,265	-	-	-	-	90,265
Shares issued in private placement, net of costs (note 7)	17,200,000	25,761,340	-	-	-	-	-	-	25,761,340
Non-controlling interests on acquisition of subsidiary (note 24)	-	-	-	-	-	-	670,606	-	670,606
Share-based compensation (note 20)	-	-	-	1,170,520	-	-	-	-	1,170,520
Exercise of Warrants (note 20)	78,764	181,706	-	-	(12,363)	-	-	-	169,343
Convertible debenture issuance, net of costs (note 8)	-	-	-	-	726,862	1,254,096	-	-	1,980,958
Expired warrants (note 20)	-	-	-	-	(8,035)	8,035	-	-	-
Net loss for the year	-	-	(199,259)	-	-	-	(1,459,282)	(67,370,517)	(69,029,058)
Balance at December 31, 2019	**256,928,254**	**82,824,059**	**3,348,826**	**1,260,785**	**726,863**	**1,262,131**	**(788,676)**	**(83,653,563)**	**4,980,425**

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

IGNITE INTERNATIONAL BRANDS, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash flow from operating activities:		
Net loss for the year	(68,829,799)	(16,283,048)
Items not involving cash:		
Interest on Tahoe Loan	85,753	-
Accrued interest on leases	597,434	-
Amortization of intangible assets	106,647	1,080
Depreciation of property, plant and equipment	3,361,364	32,469
Loss on disposals of property, plant and equipment	211,994	-
Share-based payments	1,170,520	-
Accrued coupon interest on convertible debentures	193,333	-
Accrued interest on convertible debentures	264,328	-
Accrued interest on note payable	-	162,411
Write-down of investment	750,000	-
Inventory impairment	3,454,482	-
Write-down of goodwill	18,355,408	-
Interest on short term promissory note	400,560	-
Changes in non-cash working capital items:		
Accounts receivable	(961,090)	(198,741)
Prepaid expenses	1,721,064	(1,144,598)
Accounts payable and accrued liabilities	2,799,673	1,652,686
Due from related parties	4,908	(3,788)
Deposits	(1,787,095)	-
Due to related parties	(2,033,545)	(1,561,291)
Inventory	(9,609,063)	-
Coupon interest payable	(193,333)	-
Net cash provided by (used in) operating activities	**(49,936,457)**	(17,342,820)
Cash flows from investing activities		
Acquisition of Intangible assets	(109,608)	(233,572)
Long term deposits	(66,734)	-
Cash acquired on RTO (note 7)	4,543,808	-
Acquisition of property, plant and equipment	(999,893)	(450,750)
Option to purchase property	-	(6,500,500)
Non controlling interest in subsidiary	670,606	-
Note receivable	-	5,000,000
Repayment of Tahoe loan	938,802	-
Net cash provided by (used in) investing activities	**4,976,981**	(2,184,822)
Cash flow from financing activities:		
Capital contributions (note 20)	-	41,654,161
Stock repurchase (note 20)	-	(1,672,153)
Proceeds from issuance of shares, net of costs	25,761,340	-
Issuance of convertible debt, net of costs	19,918,518	-
Proceeds from issuance of shares for warrants exercised	169,343	-
Principal payments on lease obligations	(2,908,949)	-
Interest payments on lease obligations	(597,434)	-
Short term promissory note received	23,766,300	-
Repayment of short term promissory note	(19,650,000)	-
Interest paid on short term promissory note	(400,560)	-
Net cash provided by (used in) financing activities	**46,058,558**	39,982,008
Foreign exchange affecting cash	761,433	(7,176,789)
Change in cash during the year	1,860,515	13,277,577
Cash, beginning of year	13,277,577	-
Cash, end of year	**15,138,092**	13,277,577

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

1. NATURE OF OPERATIONS AND GOING-CONCERN

Ignite International Brands, Ltd. ("Ignite Pubco", "Ignite" or the "Company") is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "BILZ" and on the OTCQX trading under the symbol "BILZF". The Company was originally incorporated in the Province of British Columbia on February 25, 1985 under the name "Info-Stop Communications Inc." by articles of incorporation pursuant to the provisions of the *Ministry of Consumer and Corporate Affairs Company Act*. On May 30, 2019, the Company completed a business combination constituting a reverse takeover transaction ("RTO Transaction") (note 7) and acquired all of the shares of Ignite International, Ltd. ("Ignite US"). The RTO Transaction was in response to business realities and market demand to operate the businesses of Ignite US and the Company together and, as a result, the Company was required to change its business focus from being an investment company to a consumer goods company leveraging the IGNITE brand engaging in the business of cultivation, development, extraction and distribution of consumer packaged goods. Subsequent to the RTO transaction, the Company continued under the name Ignite International Brands, Ltd. The registered and records office is located at 700 West Georgia Street, 25th floor, Vancouver, British Columbia V7Y 1B3, Canada.

The Company leverages the IGNITE brand via multiple product platforms in the cannabidiol ("CBD"), cannabis, and beverage sectors. Throughout 2019, the Company expanded its business to include branding, marketing, licensing, sales and distribution, across the United States, Canada and other key international jurisdictions including but not limited to the United Kingdom and Mexico by employing multiple IGNITE branded product platforms. The Company continues to affect this expansion through brand leverage, product development, targeted marketing, and strategic supply chain partnerships in each of its active and target jurisdictions.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2019, the Company had net loss of $67,370,517 attributed to shareholders, negative cash flow from operations of $49,936,457, and positive working capital of $10,719,018. As at December 31, 2019, the Company had an accumulated deficit of $83,653,563.

The Company will need to raise capital in order to fund its operations and continue its existing and prospective expansion into strategic markets. This need may be adversely impacted by uncertain capital market conditions, including those created by the COVID—19 pandemic, an inability to secure strategic partnerships in key markets, and an unfavorable perception of the IGNITE brand. Management has taken steps to mitigate the risks due to the pandemic (note 30).

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The uncertainty of the Company's ability to achieve profitable operations and its success in raising additional capital funding may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future.

These consolidated financial statements were authorized for issuance by Board of Directors of the Company (the "Board of Directors") on June 15, 2020.

2. BASIS OF PRESENTATION

A) STATEMENT OF COMPLIANCE

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

The preparation of financial statements requires the use of certain critical accounting estimates, which 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 the financial statements have been set out in note 5.

B) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared and presented in Canadian dollars; the functional and presentation currency of the Company and, have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting except for cash flow information. As a result of the completion of the RTO Transaction on May 30, 2019 (note 7), the comparative information within these financial statements are that of Ignite US, the accounting acquirer.

C) FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these consolidated financial statements are reflected in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company’s foreign currency and foreign currency translation accounting policies (note 6). Functional currencies of subsidiaries included in these consolidated financial statements can be found in note 3.

3. BASIS OF CONSOLIDATION

A) SUBSIDIARIES AND INVESTMENTS WITH CONTROLLING INTERESTS

Subsidiaries are those entities which the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect these returns through its power over the investee. The Company has applied the full consolidation method for entities that meet the criteria for consolidation. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Company.

Investments, when applicable, held by non-controlling shareholders in the Company’s equity and results are respectively presented in the “non-controlling interests” item of the consolidated statement of financial position and of the consolidated statement of loss and comprehensive loss. The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or until to the effective date of disposal, as appropriate.

(In Canadian Dollars)

Subsidiaries and investments included within these consolidated financial statements include:

Name of Subsidiary and investments	Place of Incorporation	Ownership Interest	Functional Currency	Activity
Ignite International, Ltd.	Wyoming, United States	100%	USD	Active
Ignite Beverages, Inc.	Delaware, United States	100%	USD	Active
Ignite International Brands (U.K.) Ltd.	London, United Kingdom	100%	GBP	Active
Ignite International Brands (Canada), Ltd.	Ontario, Canada	100%	CAD	Active
Ignite International Brands (Ireland), Limited	Dublin, Ireland	100%	EUR	Active
Ignite Distribution, LLC.	New York, United States	50.1%	USD	Active
Ignite Internacional Marcas de Mexico, SA de CV	Guadalajara, Jalisco, Mexico	100%	MXN	Active

See segmented information (note 29) for a description of the operational activities for each subsidiary.

B) BUSINESS COMBINATIONS

The Company applies the purchase method to account for acquisitions. Consideration is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Transaction costs directly attributable to the business combination are expensed as incurred. Identifiable net assets are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded by the Company as goodwill. In circumstances where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

Non-controlling interest in the acquiree are initially measured at the non-controlling shareholder's fair value. The measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statements of loss and comprehensive loss.

4. ADOPTION OF NEW STANDARDS AND ACCOUNTING INTERPRETATIONS

A) IFRS 16 - LEASES

On January 1, 2019, the Company adopted IFRS 16. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"), the accounting for onerous lease liabilities which were previously measured under IAS 37 Provisions ("IAS 37") and other related IFRS interpretations. IFRS 16 prescribes a single recognition and measurement model for lease contracts and requires the recognition of a right-of-use asset and corresponding lease liability for most leases, including subleases.

(In Canadian Dollars)

The Company elected to adopt IFRS 16 using the simplified method by recognizing an opening balance sheet adjustment for the Company's discounted right-of-use assets and corresponding lease liabilities as at January 1, 2019. The Company has elected to account for short-term leases taking no practical expedients. Accordingly, there was no opening adjustment to retained earnings and the comparative 2018 statements of comprehensive income and cash flows have not been restated to reflect the accounting presentation prescribed under IFRS 16.

The adoption of the new standard resulted in the recognition of a right-of-use asset and corresponding lease obligation of $7,940,001 recorded in in the consolidated statement of financial position. The right of use asset will be amortized over the remaining term of the lease and the liability will be discounted at effective interest rates between 7.5% and 8.0%.

	December 31, 2018	Adoption of IFRS 16	January 1, 2019
	$	$	$
Right-of-use assets	-	7,940,001	7,940,001
Lease obligations	-	7,940,001	7,940,001

B) IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENT

IFRIC 23 provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company completed an assessment of IFRIC 23 as at the adoption date. The adoption had no quantitative impact on the Company’s financial statements.

C) AMENDMENT TO IFRS 3 - DEFINITION OF A BUSINESS

October 2018, the IASB issued amendments to IFRS 3, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments were effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. Effective January 1, 2019, the Company adopted the amendments and assessed the RTO Transaction entered into during the year (note 7) to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The Company has determined the acquisition as described in note 7 meets the definition of a business and therefore has been accounted as a business combination.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

A) CRITICAL ASSUMPTIONS

In preparing these consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the application of accounting policies and the reported amounts contained with in the results. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed by management each period for reasonability. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive 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 estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

B) KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

(i) *Deferred taxes:* Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

(ii) *Valuation of stock-based compensation:* Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company’s results of operations and equity reserves.

(iii) *Valuation of warrants:* Management uses the residual method when warrants are combined with other financial instruments and the Black-Scholes Option Pricing model for valuation of warrants issued as compensation. Each model requires the input of subjective assumptions. The residual model includes market rate assumptions in determining the fair value of the liability used in calculating the residual value and the Black-Scholes model includes expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

(iv) *Valuation of investments:* The Company recognizes its investments at fair value. The basis in determining fair value is market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. These level 3 inputs may include assessing the discounted cash flows of the investee, determining the net book value of the investee in comparison to the Company's cost of investment and reviewing the price-per-share of recently completed financings of the investee.

(v) *Business acquisitions*: Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates relate to private investments and intangible assets acquired. 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. Identified intangible assets are fair valued 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. Management assesses business acquisitions in accordance with IFRS 3 – *Business Combinations*.

(vi) *Control, joint control, or level of influence*: When determining the appropriate basis of accounting for the Company's interests in affiliates, the Company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities.

(vii) Valuation of Inventory In calculating the value of the inventory, management is required to make a number of estimates, including estimating the selling costs and sales prices. In calculating final inventory values, management is required to determine an estimate of impaired inventory and compares the inventory cost versus net realizable value.

(viii) *Estimated useful lives, amortization/depreciation and Impairment of long-lived assets and goodwill:* Amortization of property, plant and equipment and intangible assets are 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 consider factors such as economic and market conditions and the useful lives of assets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and whenever there are indicators that the carrying amount has been impaired. In order to determine if the value of these assets have been impaired, the Company calculates the recoverable amount of the cash-generating unit to which an asset has been allocated using present value techniques. When applying this valuation technique, the Company relies on several factors, including historical results, business plans, forecasts, and market data. Changes in these judgments and estimates can significantly affect the assessed recoverable amount of goodwill and indefinite life intangible assets.

(ix) *Term of Lease* reflects the period over which lease payments are reasonably certain, including renewal periods to which Management determines probable. The determination of the term of lease involves significant judgement with respect to assumptions of whether the renewal of the lease term will be exercised. Management makes assumptions about long-term industry outlook and Company growth which relates to future events and circumstances. Actual results could very from these assumptions, and differences could be material to the carrying value of the lease liabilities and ROU assets which use the term of the lease as a basis for determining useful life.

(x) *Expected credit losses ("ECL") on trade accounts receivable and working capital advances ("WCA"):* The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure lifetime expected credit losses, trade receivables are first classified into groups with shared credit characteristics and the age of days past due, followed by an assessment of the Company's historical experience of bad debts including the customers' ability to pay and the impact of any relevant economic conditions which are expected during the life of the balance. The loss allowance is determined according to a provision matrix incorporating historical experiences, when available, adjusted for current and future conditions expected for the life of the balance.

(xi) *Convertible Debentures:* Convertible debentures are valued on the closing date in accordance to IFRS 9 and IAS 32. Related equity components within convertible debentures are valued using the Black-Scholes model to establish their fair value. When applying this valuation technique, the Company makes subjective assumptions in regard to volatility and the risk-free rate. Changes in these assumptions can materially affect the fair value estimate and the Company's results of operations and equity reserves.

(xii) *Going concern:* Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2019 and 2018. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

6. SIGNIFICANT ACCOUNTING POLICIES

A) CASH AND CASH EQUIVALENTS

Cash includes cash on hand and money market instruments, with maturities from the date of acquisition of 3 months or less, which are readily convertible to known amounts of cash and subject to insignificant changes in value. Transaction costs are expensed when incurred. As at December 31, 2019, the Company held $740,213 (2018; $nil) in in cash equivalents.

B) FINANCIAL INSTRUMENTS

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVPL"), fair value through other comprehensive income ("FVOCI") and amortized cost.

The following table summarizes classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Asset or Liability	Classification under IFRS 9
Cash	FVPL
Accounts receivables	Amortized cost
Due to related parties	Amortized cost
Investments	FVPL
Accounts payable and accrued liabilities	Amortized cost
Due from related parties	Amortized cost
Coupon interest payable	Amortized cost
Convertible debentures	Amortized cost

Classification

The Company determines the classification of its financial instruments at initial recognition.

Financial assets are measured at amortized cost if it meets the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments are measured at FVOCI if it meets the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments that are held for trading are measured at FVPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVPL.

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial Instrument	Subsequent Measurement
Financial assets at FVPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVPL or FVOCI	Measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity investments that are held for trading is measured at FVPL net gains and losses are recognized in as profit or loss in the statement of income (loss) and other comprehensive income (loss). For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.
Debt investments at FVOCI	Measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired under the expected credit loss (“ECL”) model.

The ECL model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For trade and other receivables, the Company has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss, where available, economic conditions and financial factors specific to the debtors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of loss and comprehensive loss. When it is determined that recovery of an amount owing is not possible, the financial asset is written off.

Foreign Currency and Foreign currency Translation on consolidation.

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income (loss).

Consolidation of subsidiaries that operate in a functional currency other than Canadian dollars, are translated into Canadian dollars as follows:

- *Assets and liabilities* have been translated by applying the rate in effect at the end of the reporting period.
- *Equity* has been translated by applying the historical exchange rate.
- *Revenues and expenses are* translated at the average exchange rate for the period.

Translation gains or losses resulting from the application of these criteria have been included in accumulated other comprehensive income as a separate component of shareholders' equity.

C) INVENTORY

Inventory is recorded at the lower of cost and net realizable value (note 10). Cost is determined using the weighted average cost method, which is reviewed regularly to reflect current conditions. Cost of inventory includes cost of purchase (purchase price, freight, handling, duties, tariffs, and other costs directly attributable to the acquisition of inventory), cost of conversion, and other costs incurred in bringing the inventory to a state of commercial sale. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventory is reviewed at the end of each fiscal period for impairment. Provisions for obsolescence, shrinkage or defective inventory are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful life. Cost comprises expenditures that are directly attributable to the acquisition of the asset in addition to other varied costs associated with bringing the assets to a state of commercial readiness. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the asset and recognized in profit or loss (note 14).

E) INTANGIBLE ASSETS

Finite life intangible assets are recorded at cost less any accumulated amortization and impairment losses. Amortization is recorded on a straight-line basis over the estimated useful life. Cost comprises expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the asset and recognized in profit or loss (note 15).

Indefinite life intangible assets are deemed to have no foreseeable limit over which the asset is expected to generate net cash inflows. Following initial recognition, intangible assets with indefinite lives are carried at cost less any accumulated impairment losses and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Costs associated with maintaining computer software under a $3,000 threshold are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, are capitalized, and recognized as intangible assets when certain criteria is met. Depreciation commences once the acquired asset is available for use.

F) LEASES

At lease possession date, the Company recognizes a right-of-use asset and a lease obligation on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease obligation, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line basis over the lease term. The Company also assesses the right-of use asset for impairment at the end of each reporting period or when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the rate implicit in the lease or the Company's incremental borrowing rate where available or market comps. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of loss or comprehensive loss.

G) DEPRECIATION AND AMORTIZATION

The Company depreciates or amortizes all long-lived assets over the useful life of the asset. Management has set depreciation and amortization of long-lived assets as follows:

	Method	Term
Property, plant, and equipment		
Computer hardware	Straight-Line	5 years
Machinery and equipment	Straight-Line	5 years
Furniture and fixtures	Straight-Line	5 years
Leasehold improvements	Straight-Line	Lease term (2.5 – 5 years)
Right-of-use assets	Straight-Line	Lease term (2.5 – 5 years)
Intangible Assets		
Patents and trademarks	Straight-Line	5-10 years
Software design and development	Straight-Line	10 years

When assets are retired or sold, the costs and related accumulated depreciation or amortization are eliminated from the accounts and any resulting gain or loss is reflected in profit or loss (notes 14 and 15).

H) IMPAIRMENT OF LONG-LIVED ASSETS

At the end of each fiscal period, the Company's long-lived assets (including property, plant and equipment and intangible assets) are assessed to determine whether there is any indication of impairment. If an asset is deemed to be impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its' carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the asset (or cash generating unit) to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

I) GOODWILL

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired.

Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Cash generating units ("CGUs") have been grouped for purposes of impairment testing. Impairment is determined for goodwill by assessing if the carrying value of CGUs which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded through profit and loss in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

J) INVESTMENT IN JOINT ARRANGEMENTS

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are accounted for using the equity method and are initially recognized at cost. The entire carrying amount of the investment is tested for impairment annually.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company consolidates, on a proportionate basis, its share of the joint operations financial results including assets, liabilities, revenues, and expenses. When control is established in accordance with IFRS 10 *Consolidated Financial Statements,* the Company consolidates the joint operation on full consolidation basis and accounts for non-controlling interests in the statement of financial position and the statement of loss and comprehensive loss.

K) NON-CONTROLLING INTERESTS

Non-controlling interest in the Company’s less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity’s contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest’s share of changes to the subsidiary’s equity.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest’s relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company’s share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

L) SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s subordinate voting and proportionate voting shares (collectively, “shares”), conversion features on convertible debentures, outstanding warrants, and stock options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, convertible debenture options, share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the shares issued in the private placements offered by the Company were determined to be the more easily measurable component, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

M) WARRANTS

The Company accounts for warrants using the Black-Scholes option pricing model at the date of issuance. If and when warrants ultimately expire, the applicable amounts are transferred to contributed surplus. In instances where warrants are attached to another financial instrument (a “Unit”), the Company uses the residual method to first calculate the present values of the equity component of the unit. Once the residual is calculated, the Company applies the Black-Scholes pricing model to determine the value of the warrant.

N) LOSS PER SHARE

Basic loss per share has been calculated using the weighted average number of subordinate voting and converted proportionate voting shares outstanding during the year.

Diluted loss per share is calculated using the weighted average number of subordinate voting and converted proportionate voting shares that would have been outstanding during the respective period had the holders of the convertible debentures exercised their right to convert, in addition to stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company’s shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

O) SHARE-BASED COMPENSATION

The Company’s stock option plan allows employees, directors, and consultants to acquire subordinate voting shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a “direct employee”) or provides services substantially similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. share-based compensation is expensed by the Company on a graded vesting schedule.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

P) REVENUE RECOGNITION

Revenue from contracts with customers is recognized in accordance with IFRS 15 when control of the goods or services are transferred to the customer at an amount representing the consideration in exchange for such goods or services. For contracts involving multiple performance obligations, the transaction price is allocated based on relative standalone selling prices of the goods or services. If a standalone selling price is not directly observable, it is estimated using an adjusted-market-assessment approach, which, for the most part, involves referring to prices from competitors for similar goods and then making an adjustment to such prices to reflect the company's costs and margins. Contract assets arise when the company transfers goods or services in advance of receiving consideration from customers. Contract liabilities arise from the obligation to transfer goods or services to the customer when consideration has already been received.

The Company did not have any revenue at December 31, 2019 requiring the recognition of contract assets or liabilities as mandated under IFRS 15.

Q) COST OF GOODS SOLD

Cost of goods sold, primarily consists of cost incurred to ready inventory for sale, including product costs, packaging and labeling, warehousing, fulfillment, distribution and freight and tariff costs. The Company also includes discounts given, inventory revaluations, write-offs, shrinkage, and obsolescence within cost of goods sold.

R) INCOME TAXES

Income tax expense is comprised of current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted as of December 31, 2019.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The

Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

7. REVERSE TAKE-OVER (“RTO”)

On February 28, 2019, the Company entered into a Letter Agreement with Ignite International, Ltd. (“Ignite US”). The transaction constituted a change of business and a reverse take-over (“RTO”) under the rules of the CSE whereby the Company would acquire all of the issued and outstanding common shares of Ignite US in exchange for securities of the Company (the “RTO Transaction”).

Pursuant to the terms of the Agreement, the Company created a new class of proportionate voting shares (the “Proportionate Voting Shares”) and renamed its current class of CSE-listed common shares as “Subordinate Voting Shares”. The Proportionate Voting Shares and Subordinate Voting Shares have the same rights, are equal in all respects and will be treated by the Company as if they were shares of one class only. Proportionate Voting Shares at any time, at the option of the holder, but subject to certain conversion conditions to ensure that the Company remains a "foreign private issuer" (as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act of 1933 (the “SEC Rules”)), are convertible into Subordinate Voting Shares at a ratio of 200 Subordinate Voting Shares for each Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share will carry 200 votes per share compared to one vote per Subordinate Voting Share.

The Agreement provided that the Company acquire all the Ignite US shares it did not already hold in exchange for 756,257 Proportionate Voting Shares and 67,681,000 Subordinate Voting Shares, which would result in Ignite US becoming a wholly owned subsidiary of the Company. At the time of the RTO Transaction, the Company owned 5,000,000 shares of Ignite US valued at $1,724,246, which were obtained in a share exchange with Ignite US on September 29, 2019. As a result, approximately 91.4% of the equity securities of the Company were issued to Ignite US shareholders pursuant to the Transaction and, following the Transaction, the existing Ignite US shareholders held approximately 95.6% of the equity securities of the Company assuming in each case the conversion of all Proportionate Voting Shares into Subordinate Voting Shares.

Concurrent with the RTO, the Company completed a non-brokered offering (the “Offering”) of 17,200,000 subscription receipts (“the Subscription Receipts”) at a price of $1.50 per Subscription Receipt for gross proceeds of $25,800,000 (the “Offering Proceeds”). The Offering was completed in conjunction with the Transaction and the Offering Proceeds were held in escrow and released upon satisfaction of certain escrow release conditions, which were met on May 30, 2019. Upon satisfaction of the escrow release conditions, each subscription receipt automatically converted into one subordinate voting share of the Company.

The Company has accounted for the RTO Transaction as a business combination under the scope of IFRS 3, Business Combination. The consideration paid consisted entirely of shares of the Company which were measured at the fair value of the shares that the Company would have been required to issue to Ignite US shareholders had the Transaction been structured as a legal acquisition of Ignite US by the Company. The deemed fair value of these shares was $31,075,635. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

(In Canadian Dollars)

The Company recognized goodwill in the amount of $18,355,408 resulting from the RTO Transaction. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Consideration paid	**$**
Fair value of shares issued	31,075,635
Fair value of Ignite US shares held by Ignite Pubco	1,724,246
Fair value of replacement warrants	20,399
Fair value of replacement stock options	90,265
Total consideration	**32,910,545**

Identifiable assets (liabilities) acquired	**$**
Cash	4,543,808
Receivables	249,294
Prepaid expenses	561,625
Investments	3,224,246
Promissory notes	6,379,870
Property, plant, and equipment	196,226
Accounts payable and accrued liabilities	(523,358)
Lease obligations	(76,574)
Total identifiable net assets	**14,555,137**
Excess consideration over net identifiable assets (goodwill)	**18,355,408**
Total consideration	**32,910,545**

The Company recognized $666,391 in expenses relating to the RTO Transaction.

8. CONVERTIBLE DEBT OFFERING

On October 4, 2019, the Company announced a non-brokered private placement of convertible debenture units (the “Units”) for up to $50 million (the “Offering”), issuable in series (each, a “Series”).

On October 25, 2019, the Company closed the first series (“Series A”) of the Offering of Units selling 10,000 Units for aggregate gross proceeds of $10,000,000 (the “Series A Convertible Debentures”).

Each Unit issued in Series A comprises of $1,000 principal amount of unsecured senior convertible debentures (a “Convertible Debenture”) accruing interest at 8.0% per annum, payable semi-annually in arrears until maturity, and 250 subordinate voting share purchase warrants of the Company (each, a “Warrant”). The Series A Convertible Debentures have a maturity date of October 25, 2022.

Subject to the Company’s early redemption right (as described below), the Series A Convertible Debentures are convertible, at the option of the holder, into subordinate voting shares at a price equal to $2.66 at any time prior to the close of business on October 24, 2022. Each Warrant issued in Series A entitles the holder thereof to acquire one

Subordinate Voting Share (a "Warrant Share") at an exercise price equal to $3.32 (the "Series A Conversion Price") at any time up to October 25, 2022.

Beginning on October 26, 2020, the Company may, at its option, require the conversion of the then-outstanding principal amount of the Series A Convertible Debentures (plus any accrued and unpaid interest thereon) at the Series A Conversion Price, in the event that the daily volume-weighted average trading price (the "VWAP") of the Subordinate Voting Shares on the CSE exceeds two times such Conversion Price for any 10-consecutive trading day period (the "Series A Redemption Right").

On December 10, 2019, the Compony closed the second series ("Series B") of the Offering selling 10,000 Units for aggregate gross proceeds of $10,000,000 (the "Series B Convertible Debentures").

The Series B Convertible Debentures have a maturity date of December 10, 2022.

Subject to the Company's early redemption right (as described below), the Series B Convertible Debentures are convertible, at the option of the holder, into Subordinate Voting Shares of the Company at a price equal to $2.39 (the Series B Conversion Price) at any time prior to the close of business on December 9, 2022. Each Warrant issued in Series B entitles the holder thereof to acquire one Subordinate Voting Share at an exercise price equal to $3.22 at any time up to December 10, 2022.

Beginning on December 11, 2020, the Company may, at its option, require the conversion of the then-outstanding principal amount of the Series B Convertible Debentures (plus any accrued and unpaid interest thereon) at the Series B Conversion Price, in the event that the daily volume-weighted average trading price of the Subordinate Voting Shares on the CSE exceeds two times such Conversion Price for any 10-consecutive trading day period.

The Series A and Series B Convertible Debentures were valued on each of the perspective closing dates in accordance to IFRS 9 and IAS 32. In accessing the nature of the Convertible Debentures under this guidance, it was assessed that the Convertible Debentures did not trigger a derivative liability; thus, were valued allocating the face value to each of convertible debenture liability and equity.

The equity component included in the Series A Convertible Debentures was the residual after determining the fair value of liability using a 12% discount rate. The equity component was split between the conversion feature and warrant based relative fair value model using the Black-Scholes model to establish the fair value of equity portion and warrants granted by applying the following assumptions: stock price of $2.23; expected life of 3 years; $nil dividends; 143.82% volatility; exercise price of $2.66; and a risk-free interest rate of 1.68%. Warrants attached to the Series A Convertible Debentures were also valued using the Black-Scholes model (note 20). Transaction costs were allocated to each of the Series A Convertible Debentures and the equity portion on a prorated basis. The valuation resulted in $8,927,093 in convertible debenture liabilities, $603,328 in contributed surplus and $388,097 in warrant reserves on the consolidated statement of financial position.

The equity component included in the Series B Convertible Debentures was the residual after determining the fair value of liability using a 12% discount rate. The equity component was split between the conversion feature and warrant based relative fair value model using the Black-Scholes model to establish the fair value of the equity portion and warrants granted by applying the following assumptions: stock price of $1.45; expected life of 3 years; $nil dividends; 95.06% volatility; exercise price of $2.39; and a risk-free interest rate of 1.68%. Warrants attached to the Series A Convertible Debentures were also valued using the Black-Scholes model (note 20). The valuation resulted in $9,010,467 in convertible debenture liabilities, $650,768 in contributed surplus and $338,765 in warrant reserves on the consolidated statement of financial position.

(In Canadian Dollars)

A reconciliation of convertible debenture liability is as follows:

	$
Balance, December 31, 2018	-
Additions	20,000,000
Equity portion of convertible debt	(1,980,958)
Transaction costs	(81,482)
Convertible debt interest accretion	264,328
Current portion	(193,333)
Long-term portion	**18,008,555**

During the year ended December 31, 2019, the Company recorded $193,333 in interest on convertible debt which is included in coupon interest payable on the statement of financial position. The repayment of coupon interest payable on December 31, 2019 by the Company was deferred by holders of the Convertible Debentures subsequent to year-end.

9. RECEIVABLES

A) ACCOUNTS RECEIVABLE

The Company's accounts receivable is comprised of the following amounts:

	30-Dec-19	31-Dec-18
	$	$
Trade receivables	696,757	257,509
Sales tax recoverable	759,861	-
Total accounts receivable	**1,456,618**	257,509

The Company assessed the carrying amount of trade receivables at December 31, 2019 for expected credit loss and recorded a bad debt expense of $165,892. During the year ended December 31, 2019, the Company also extended working capital advances to certain distributors, repayable in line with the sale of Ignite branded products. The Company assessed working capital advances outstanding at December 31, 2019 and recorded a bad debt expense of $165,872.

The Company recognized a total of $430,567 of bad debt expenses in the statement of loss and comprehensive loss for all 2019 accounts receivable outstanding during the year ended December 31, 2019.

(In Canadian Dollars)

B) NOTE RECEIVABLE

On August 23, 2017, the Company entered into a Letter of Agreement (the "LOA") with a US based cannabis cultivation company ("Tahoe"). The terms of the LOA included a loan, from the Company to Tahoe, for USD$3,000,000 to be implemented prior to October 15, 2017.

On April 24, 2018, the Company and Tahoe mutually terminated the LOA and replaced it with a promissory note evidencing the existing advance of USD$1,350,000 from the Company to Tahoe with a 6% annual interest rate. Terms of the promissory note require Tahoe to make blended monthly installment payments of USD$78,613 and maturing on December 31, 2019.

During the year ended December 31, 2019, the promissory note and related accrued interest was paid in full.

10. INVENTORY

The Company's inventory is comprised of the following amounts:

	31-Dec-19	31-Dec-18
	$	$
Merchant apparel	108,575	-
Finished goods	3,834,191	-
Finished goods in process	357,676	-
Raw Materials	1,768,822	-
Total inventory	**6,069,264**	**-**

Raw materials inventory includes advance purchases of finished goods inputs to be processed by contract manufacturers.

11. DEPOSITS

The Company's short term deposits at December 31, 2019 are disaggregated as follows:

	31-Dec-19	31-Dec-18
	$	$
Short-term deposits		
Purchase order deposits	1,043,747	-
Trade deposits	442,089	-
Retainers	5,152	-
Term deposit	28,750	-
Letter of credit	259,760	-
Total short-term deposits	**1,779,498**	**-**
Long-term deposits		
Security deposits	66,734	-
Total long-term deposits	**66,734**	**-**

(In Canadian Dollars)

12. PREPAID EXPENSES

The Company's prepaid expenses are comprised of the following amounts:

	31-Dec-19	31-Dec-18
	$	$
Expenses	280,462	105,043
Rents	-	1,378,013
Total prepaid expenses	**280,462**	**1,483,056**

13. INVESTMENTS

A) NUMINUS WELLNESS INC. (FORMERLY SALVATION BOTANICALS LTD.)

On February 21, 2018, Company entered into an agreement to acquire 3,000,000 units of Salvation Botanicals Ltd. ("Salvation") at a price of $0.50 per unit for a total cost of $1,500,000 pursuant to a subscription agreement between the Company and Salvation (the "Subscription Agreement"). Each unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of $0.75 for a term of eighteen months.

Subsequent to December 31, 2019, Salvation completed a reverse take-over transaction with Rojo Resources Ltd ("Rojo"), and changed the name of the resulting issuer to Numinus Wellness Inc. (NUMI:TSXV) ("Numinus"). Concurrent with the reverse-takeover transaction, Rojo completed a non-brokered private placement of subscription receipts at $0.25 per subscription receipt, with each subscription receipt entitling the holder to receive one common share and one-half of a share purchase warrant of Numinus.

As a result, the Company recorded an unrealized loss on its investment in Numinus of $750,000 which is recorded in the statement of loss and comprehensive loss. The unrealized loss was determined using Level 2 inputs.

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(In Canadian Dollars)

14. PROPERTY, PLANT AND EQUIPMENT

A continuity of the property, plant, and equipment, including finance leases for the year ended December 31, 2019, is as follows:

	Leasehold Improvements	Furniture & Fixtures	Computer Hardware	Machinery & Equipment	Right of Use Assets	Total
	$	$	$	$	$	$
Cost						
Balance, December 31, 2017	-	-	-	-	-	-
Additions	450,750	-	-	-	-	450,750
Balance, December 31, 2018	450,750	-	-	-	-	450,750
RTO Transaction (note 7)	4,541	96,709	18,715	-	76,261	196,226
Additions	173,080	557,683	135,764	133,366	1,585,726	2,585,619
Adoption of IFRS 16 (note 4)	-	-	-	-	7,940,001	7,940,001
Disposals	(520,817)	(27,159)	-	-	(744,070)	(1,292,046)
Cost, year-ended December 31, 2019	**107,554**	**627,233**	**154,479**	**133,366**	**8,857,918**	**9,880,550**
Accumulated depreciation						
Balance, December 31, 2017	-	-	-	-	-	-
Depreciation for the year	32,469	-	-	-	-	32,469
Balance, December 31, 2018	32,469	-	-	-	-	32,469
Depreciation for the year	113,214	63,937	8,931	8,021	3,167,261	3,361,364
Disposals	(117,995)	(905)	-	-	(175,075)	(293,975)
Balance, December 31, 2019	**27,688**	**63,032**	**8,931**	**8,021**	**2,992,186**	**3,099,858**
Foreign currency movement						
Balance, December 31, 2018	22,113	-	-	-	-	22,113
Balance, December 31, 2019	**6,610**	**(8,505)**	**(2,737)**	**(1,975)**	**(312,134)**	**(318,741)**
Net book value						
Balance, December 31, 2018	440,394	-	-	-	-	440,394
Balance, December 31, 2019	**86,476**	**555,696**	**142,811**	**123,370**	**5,553,598**	**6,461,951**

During the year ended December 31, 2019, the Company terminated a lease from a related party. In connection with the termination of the lease, the Company removed the lease obligation totaling $556,945 and sold leasehold improvements to the lessor for consideration of $229,131 which was offset against the related party payable. As a result of the transaction, the Company recognized a loss on disposal of assets in the amount of $211,994.

(In Canadian Dollars)

15. INTANGIBLE ASSETS

A continuity of the intangible assets for the year ended December 31, 2019, is as follows:

	Software Development & Design	Patents &Trademarks	Total
	$	$	$
Cost			
Balance, December 31, 2017	-	-	-
Additions	39,217	194,355	233,572
Balance, December 31, 2018	39,217	194,355	233,572
Additions	16,725	92,883	109,608
Disposals	-	-	-
Balance, December 31, 2019	**55,942**	**287,238**	**343,180**
Accumulated amortization			
Balance, December 31, 2017	-	-	-
Amortization for the year	-	1,080	1,080
Balance, December 31, 2018	-	1,080	1,080
Amortization for the year	6,024	100,623	106,647
Balance, December 31, 2019	6,024	101,703	107,727
Foreign currency movement			
Balance, December 31, 2018	2,073	10,218	12,291
Balance, December 31, 2019	222	626	848
Net book value			
Net book value, December 31, 2018	41,290	203,493	244,783
Net book value, December 31, 2019	**50,140**	**186,161**	**236,301**

16. GOODWILL

The net changes in goodwill is as follows:

	Amount
	$
Balance, December 31, 2018	-
Additions resulting from RTO transaction (note 7)	18,355,408
Goodwill impairment	(18,355,408)
Balance, December 31, 2019	-

Goodwill in the amount of $18,355,408 arose as a result of the RTO Transaction (note 7), which the Company has allocated to Ignite Pubco which holds the acquired entities. The consideration paid for the combination reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

(In Canadian Dollars)

At December 31, 2019, the Company assessed goodwill for impairment. The recoverable amount of goodwill, being the higher of fair value less costs to sell or value-in-use, was determined to be $nil and the Company recorded an impairment charge of $18,355,408. The recoverable amount was determined based on the fair value less costs to sell of Ignite Pubco, which was the cash generating unit where goodwill was allocated on initial recognition of the RTO Transaction.

17. OPTION TO PURCHASE

On May 27, 2018, the Company entered into a three-year option agreement that provided a right to purchase a residential property. The consideration paid by the Company for the right to purchase was $5,000,000 USD. Terms of the option agreement, expiring June 1, 2021, allow the Company to acquire the property at varying purchase prices based on when the option is exercised. The options to purchase are as follows:

Option Exercise Date	Exercise Price (USD)	USD:CAD as at December 31, 2019	Exercise Price (CAD)
May 31, 2020*	62,500,000	1.2988	81,175,000
May 31, 2021	65,000,000	1.2988	84,422,000

**option expired unexercised* preceded by * : *option expired unexercised

18. LEASE OBLIGATIONS

A continuity of right of use liabilities is as follows:

	31-Dec-19	31-Dec-18
		$
Opening balance		
Adoption of IFRS 16	7,940,001	-
Acquired on RTO (note 7)	76,574	-
Additions	1,585,726	-
Disposals	(568,995)	-
Interest Accretion	597,434	-
Interest Payments	(597,434)	-
Principal Payments	(2,908,949)	-
Ending balance	6,124,357	-
Effects of foreign exchange	(359,831)	-
Less: Current portion	(4,025,502)	-
Long-term lease obligation	1,739,024	-

Future minimum lease payments (principal and interest) on the leases is as follows:

	31-Dec-19
	$
2020	3,049,830
2021	1,471,605
2022	282,139
2023	416,397
2024	544,554
Thereafter	-
Total minimum lease payments	5,764,525
Present value of minimum lease payments	6,412,148
Effect of discounting	(647,622)
Current portion lease obligations	(4,025,502)
Long term lease obligations	**1,739,024**

(In Canadian Dollars)

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2019, the Company had the following accounts payable and accrued liabilities:

	31-Dec-19	31-Dec-18
	$	$
Trade payables	4,340,228	1,695,864
Accrued liabilities and other	1,221,806	445,521
Sales tax payable	29,120	-
Total accounts payable and accrued liabilities	**5,591,154**	**2,141,385**

B) NOTE PAYABLE

On April 26, 2018, Ignite US an unsecured convertible promissory note for $5,000,000, maturing on April 26, 2020. The promissory note bears an interest rate equal to eight percent (8%) per annum. The principle and accrued interest payable are due in full on the earlier of maturity of the note or conversion. The holder of the note is Ignite Pubco. For the year ended December 31, 2019, as a result of the RTO Transaction (note 7), the note has been eliminated on consolidation of these consolidated financial statements.

On May 16, 2019, Ignite Distribution, LLC (“Ignite USJO”) issued a secured promissory note to International Investments (“II”) for USD$3,000,000 (the “II Note”), maturing on May 16, 2020. The promissory note bears an interest rate equal to ten percent (10%) per annum. The principle and accrued interest payable are due in full on maturity of the note. Collateral on the promissory note is security interest in all the membership interests of Ignite USJO.

At December 31, 2019, the promissory note balance is $4,126,937, which includes $230,537 in interest payable.

Subsequent to year-end, the II Note was amended and restated (note 30).

20. SHARE CAPITAL AND RESERVES

A) AUTHORIZED

During the year ended December 31, 2018, the Company’s ownership was comprised of one class of common shares, all having one voting right. Ownership continued to comprise of one class of common shares until the common shares were cancelled on May 30, 2019 in conjunction with the RTO Transaction (note 7).

Subsequent to RTO Transaction, and at December 31, 2019, the authorized shares were as follows:

Unlimited number of subordinate voting shares without par value;
Unlimited number of proportionate voting shares without par value.

Subordinate voting share holders are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

Proportionate voting shares are convertible, in accordance with qualifying conditions (note 7), into subordinate voting Shares. Prior to conversion, each proportionate voting share will carry 200 votes per share compared to one vote per subordinate voting share. The proportionate voting shares each have a restricted right to convert into 200 subordinate voting shares. The ability to convert the proportionate voting shares is subject to a restriction that the aggregate number of subordinate voting Shares and proportionate voting shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 under the U.S. Exchange Act), may not exceed forty percent (40%) of the aggregate number of subordinate voting shares and proportionate voting shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of subordinate voting shares exceeding certain levels. In addition, the proportionate voting shares will be automatically converted into subordinate voting shares in certain circumstances, including upon the registration of the subordinate voting shares issuable upon conversion of all the proportionate voting shares for resale under the U.S. Securities Act. Holders of proportionate voting shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. If a dividend is declared for the subordinate voting shares, holders of the proportionate voting shares shall be entitled to receive the same dividend with respect to each subordinate voting share into which such proportionate voting share could then be converted.

B) ISSUED AND OUTSTANDING

During the year ended December 31, 2018, the Company entered into various Share Purchase Agreements with a shareholder that is related to the Company. These agreements allowed the Company to repurchase 12,500,000 shares at an average price of USD $3.791 per share. The proceeds were used to retire the subscription and related party note receivable in the amount of USD$44,614,340 and pay in full the accrued interest earned on the subscription receivable in the amount of USD$1,478,620.

On May 30, 2019, the Company completed a non-brokered offering of 17,200,000 subscription receipts at a price of $1.50 per Subscription Receipt for gross proceeds of $25,800,000 (the "Offering Proceeds"). Transaction costs related to the non-brokered offering amounted to $38,652, which were recorded by the Company as a reduction to share capital. The Offering was completed in conjunction with the Transaction and the Offering Proceeds were held in escrow to be released upon satisfaction of certain escrow release conditions, which conditions were met on May 30, 2019 in connection with the RTO (note 7). Upon satisfaction of the escrow release conditions, each Subscription Receipt automatically converted into one subordinate voting share of the Company.

On May 30, 2019, 87,616,000 common shares were cancelled and replaced with 67,681,000 subordinate voting shares and 756,257 proportionate voting shares as a result of the RTO Transaction (note 7).

On October 4, 2019, replacement warrants were exercised for gross proceeds of $169,343 triggering an issuance of 78,764 subordinate voting shares. In connection with the exercise of warrants, a total of $12,363 was transferred from warrant reserve to share capital.

On November 7, 2019, certain holders of proportionate voting shares exercised the conversion option resulting in the cancellation of 7,632 proportionate shares and the issuance of 1,526,000 subordinate voting shares.

(In Canadian Dollars)

As at December 31, 2019 the Company had the following shares outstanding:

Series	Outstanding	As converted
	#	#
Subordinate Voting Shares	107,203,254	107,203,254
Proportionate Voting Shares	748,625	149,725,000
	107,951,879	**256,928,254**

C) STOCK OPTIONS

The Company established a stock option plan to govern the grant, administration and exercise of stock options which may be granted to eligible optionees. The plan is designed to be a “rolling” stock option plan under CSE Policies, reserving at any one time a maximum of 10% of the issued shares of the Company for the exercise of options. The maximum term of an option granted is ten (10) years from the date of grant and no option is exercisable until it has vested in accordance with a vesting schedule set out by the administrator. An option price shall not be less than the discounted market price on the date before the grant.

On May 30, 2019, the Company completed an RTO Transaction (note 7). In connection with the RTO Transaction, 1,200,000 subordinate voting share options were issued as replacement options for options held by option holders of Ignite Pubco. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions: stock price of $1.50; expected life of 3 - 5 years; $nil dividends; 73% volatility; exercise price of $3.50 – $5.00; and a risk-free interest rate of 1.47%. Volatility was estimated by using the historical volatility of other companies having trading and volatility history that the Company considers comparable. $90,625, the fair value of all outstanding stock options vested as of the RTO Transaction date of the accounting acquiree, was applied to consideration paid.

On November 5, 2019, the Company granted an aggregate of 4,330,000 options to a director and certain employees of the Company pursuant to the Company’s stock option plan (the “Options”). The Options entitle the holders thereof to acquire, in the aggregate, up to 4,330,000 subordinate voting shares of the Company at an exercise price of $2.25 per subordinate voting share expiring on June 3, 2024. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions: stock price of $2.13; expected life of 4.58 years; $nil dividends; 104.03% volatility; exercise price of $2.25; and a risk-free interest rate of 1.66%.

On November 29, 2019, the Board determined that it was in the best interests of the Corporation to cancel 1,160,000 stock options, originally reissued as a result of the RTO Transaction (note 7) , which were held by certain executives and director for no monetary consideration. Each of the option holders voluntarily surrendered such stock options held by them and provided the Company with written consent regarding the cancellation of such stock options. These options were replaced with new options granted on December 30, 2019.

On December 30, 2019, the Company granted an aggregate of 1,220,000 options to executives and certain employees of the Company pursuant to the Company’s stock option plan (the “Options”). The Options entitle the holders thereof to acquire, in the aggregate, up to 1,220,000 subordinate voting shares of the Company at an exercise price of $2.25 per subordinate voting share expiring on June 3, 2024. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions: stock price of $1.39; expected life of 4.43 years; $nil dividends; 67.75% volatility; exercise price of $2.25; and a risk-free interest rate of 1.69%.

(In Canadian Dollars)

The number of stock options and weighted average exercise prices are as follows:

	Option granted	Weighted average exercise price
	#	$
Balance as at December 31, 2018	-	-
Options acquired in RTO Transaction (note 7)	1,200,000	3.55
Options issued	5,550,000	2.25
Options forfeited	(1,560,000)	3.18
Balance Outstanding December 31, 2019	**5,190,000**	**2.27**
Balance Exercisable December 31, 2019	**40,000**	**5.00**

Stock Options are measured at fair value at the date of grant and are expensed over the option's vesting period. For the year ended December 31, 2019, the Company recorded $1,170,520 in share-based compensation expense and option reserve related to unvested stock options. For the year ended December 31, 2018, the Company had not yet issued any stock options and thus did not record share-based payments.

The following reflects the remaining contractual life for outstanding and exercisable options as at December 31, 2019:

Outstanding				Exercisable	
Expiry date	**Exercise price**	**Options**	**Remaining contractual life**	**Options**	**Remaining contractual life**
	$	#	(years)	#	(years)
30-Apr-23	5.00	40,000	3.33	40,000	3.33
03-Jun-24	2.25	5,150,000	4.43	-	-
		5,190,000	**4.42**	**40,000**	**3.33**

D) WARRANTS

On May 30, 2019, the Company completed an RTO Transaction (note 7) whereby 119,719 warrants issued as replacement warrants for warrants held by warrant holders of Ignite Pubco. The Company used the Black-Scholes model to establish the fair value of replacement warrants granted by applying the following assumptions: stock price of $1.50; expected life of 2 years; $nil dividends; 92.97% volatility; exercise price of $2.15; and a risk-free interest rate of 1.47%. As such, the fair value of all outstanding warrants of the accounting acquiree, $20,399, was applied to consideration paid.

In connection with the closing of Series A of the Offering on October 25, 2019 (note 8), the Company issued 2,500,000 subordinate voting share purchase warrants. On December 10, 2019, the Company closed the Series B of the Offering and issued an additional 2,500,000 subordinate voting share purchase warrants. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions: stock price of $1.45-$2.23; expected life of 3 years; $nil dividends; 95.06%-143.82% volatility; exercise price of $3.22-$3.32; and a risk-free interest rate of 1.68%.

(In Canadian Dollars)

As at December 31, 2019, the number of outstanding warrants and weighted average exercise prices are as follows:

	Warrants granted	Weighted average exercise price
	#	$
Balance at December 31, 2018	-	-
Warrants acquired in RTO (note 7)	119,719	2.15
Warrants issued	5,000,000	3.27
Warrants exercised	(78,764)	2.15
Warrants expired	(40,955)	2.15
Balance Outstanding December 31, 2019	**5,000,000**	**3.24**

As of December 31, 2019, the Company had outstanding warrants as follows:

	Outstanding			Exercisable	
Expiry dates	**Warrants outstanding**	**Exercise price**	**Remaining Contractual Life**	**Exercisable Warrants**	**Remaining Contractual Life**
Date	**#**	**$**	**years**	**#**	**years**
25-Oct-22	2,500,000	3.32	2.82	2,500,000	2.82
10-Dec-22	2,500,000	3.22	2.95	2,500,000	2.95
Total warrants	**5,000,000**		**2.88**	**5,000,000**	**2.88**

21. LOSS PER SHARE

As at December 31, 2019, the Company had 107,203,254 subordinate voting shares and 748,625 proportionate voting shares outstanding, 5,190,000 stock options outstanding and 5,000,000 warrants outstanding. For the year ended December 31, 2018, the Company had 87,616,000 common shares outstanding, nil stock options outstanding and nil warrants outstanding.

No stock options or warrants have been included in the computation of diluted loss per share as their effect would be anti-dilutive.

Loss per share for the year ended December 31, 2019 and 2018 are as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	$	$
Loss attributable to Ignite Pubco shares ($)	(67,370,517)	(16,283,046)
Weighted average number of shares outstanding	151,345,166	102,476,668
Net loss per share, basic and diluted ($)	**(0.45)**	**(0.16)**

(In Canadian Dollars)

22. REVENUES

The Company generates three revenue streams. Revenue for the year ended December 31, 2019 and 2018 is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	$	$
E-Commerce sales	6,352,890	2,321,098
Wholesale sales	2,949,224	809
Royalties	385,444	126,984
	9,687,558	2,448,891
Sales discounts	(26,475)	-
Total Sales	**9,661,083**	**2,448,891**

23. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	31-Dec-2019	31-Dec-2018
	$	$
Loss for the year	(68,829,799)	(16,283,044)
Expected income tax (recovery)	(18,584,044)	(3,419,439)
Change in statutory, foreign tax, foreign exchange rates and other	3,140,924	-
Permanent differences	5,477,645	4,181
Impact of flow through share	534,858	-
Share issue cost	-	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	16,089	-
Expiry of non-capital losses	-	-
Change in unrecognized deductible temporary differences	9,414,528	3,415,258
Total income tax expense (recovery)	-	-
Current income tax	-	-
Deferred tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	31-Dec-2019	31-Dec-2018
Deferred tax assets (liabilities)		
Intangible assets	(5,000)	-
Debt with accretion	543,000	-
Non-capital losses	(538,000)	-
Net deferred tax liability	-	-

(In Canadian Dollars)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	31-Dec-2019	31-Dec-2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	1,144,000	-
Property and equipment	169,000	6,821
Share issue costs	330,000	-
Marketable securities	101,000	-
Asset retirement obligation	-	-
Debt with accretion	(538,000)	-
Intangible assets	16,000	-
Allowable capital losses	-	-
Non-capital losses available for future period	15,235,000	3,585,118
	16,457,000	3,591,939
Unrecognized deferred tax assets	(16,457,000)	(3,591,939)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	31-Dec-2019	Expiry Date Range	31-Dec-2018	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	4,023,000	*No expiry date*	-	
Investment tax credit	2,000	*2034 to 2035*	-	
Property and equipment	798,000	*No expiry date*	31,000	*No expiry date*
Right of use assets/lease liability	211,000	*No expiry date*		
Share issue costs	1,223,000	*2038 to 2041*	-	
Marketable securities	750,000	*No expiry date*	-	
Foreign exchange	420,000	*No expiry date*	-	
Debt with accretion	-	*No expiry date*	-	
Intangible assets	100,000	*No expiry date*	-	
Allowable capital losses	-	*No expiry date*	-	
Non-capital losses available for future periods	67,908,000	*2026 to 2039*	17,070,000	*No expiry date*
Canada	7,819,000	*2026 to 2039*	-	
USA	56,320,000	*No expiry date*	17,070,000	*No expiry date*
United Kingdom	3,764,000	*No expiry date*	-	
Ireland	5,000	*No expiry date*	-	

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

24. NON-CONTROLLING INTERESTS

During the year ended December 31, 2019 the Company incorporated Ignite Distribution, LLC and signed an operating agreement with ECVD/MMS Wholesale LLC (d/b/a UBIQ) ("UBIQ"). In connection with the operating agreement, the Company contributed $673,294 (US$501,000) for a 50.1% interest and UBIQ contributed $670,606 (US$499,000) for a 49.9% interest in Ignite Distribution, LLC. Based on the terms of the operating agreement, the Company maintains control and has consolidated the operations.

(In Canadian Dollars)

The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as at December 31, 2019:

	31-Dec-19
Non-controlling interest percentage	**49.90%**
	($)
Assets	
Current	5,521,244
Non-current	57,212
	5,578,456
Liabilities	
Current	7,142,138
Non-current	-
	7,142,138
Net liabilities	1,563,682
Non-controlling interest	**788,676**
Net loss	**(2,924,413)**
Net loss attributed to non-controlling interest	**(1,459,282)**

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, note payable due to related parties, and coupon interest payable approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The fair value of the Company's notes payable and convertible debenture liability approximates fair value due to the market rate of interest. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. Investments are measured at fair value using Level 2 inputs.

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Level 3 inputs in determining the fair value of investments includes subjective estimates in assessing for indicators of impairment.

At December 31, 2019 there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 in the fair value hierarchy above.

The key assumptions used by the Company in the valuation of Level 3 investments include and are not limited to, to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

At December 31, 2019, the Company recorded a fair value adjustment on its level 3 investment in Numinus (note 13), resulting in a $750,000 loss on fair value adjustment of the investment in the consolidated statement of loss and comprehensive loss.

B) CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash includes cash and cash equivalents and short-term deposits held in financial institutions. Deposits includes term deposits and a letter of credit. The Company held $15,138,092 in cash, and $1,846,232 in deposits at December 31, 2019. Management believes the risk of loss on cash, deposits and prepaid expenses is minimal. Management also believes the risk is marginal for sales tax receivable.

The Company's e-commerce operations do not give rise to significant accounts receivable amounts and associated risks are inconsequential.

The Company's financial assets subject to risk include trade receivables of $1,456,618 arising from royalty agreements and wholesale distribution. Receivables considered low risk primarily consist of sales tax receivable from government agencies amounting to $759,861.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment on all e-commerce orders and short credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash, deposits, and accounts and other receivable represent the maximum exposure to credit risk. At December 31, 2019, these amounted to $18,440,942. An expected credit loss of $331,764 related to trade accounts receivable and working capital advances was recorded as at December 31, 2019.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to review, on an ongoing basis, capital requirements to ensure that it will have enough liquidity to meet liabilities when due. As at December 31, 2019, the Company had cash of $15,138,092 to settle current liabilities of $14,004,916, including short term lease obligations.

The Company's non-current financial liabilities comprise of convertible debentures of $18,008,555 (note 8) and long-term lease obligations of $1,739,024 (notes 4 and 18).

D) INTEREST RATE RISK

The Company has cash and cash equivalent balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2019, the Company did not have any financial instruments which were subject to variable rates of interest.

E) FOREIGN CURRENCY RISK

The Company is also exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which use both the Pound Sterling (GBP£) and United States Dollar (USD$). The Company is also exposed to foreign currency risk on its promissory note payable (note 19), which is dominated in US dollars.

The Company does not currently use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations.

At December 31, 2019, the net financial amounts for each in currency the Company is exposed to is as follow:

	Denominated in Foreign Currencies
	$
Financial assets denominated in foreign currencies	2,037,744
Financial liabilities denominated in foreign currencies	(14,996,160)
Net exposure	**(12,958,416)**

A one (1) percent change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss for the year ended December 31, 2019 by $307,008. A one (1) percent change in the pound sterling exchange rate relative to the Canadian dollar would change the Company's profit or loss for the year ended December 31, 2019 by $22,077.

F) CAPITAL RISK MANAGEMENT

The Company adapts its capital structure based on the funds available to the Company, in order to support the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for operating and administrative costs, the Company will raise additional capital as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it determines there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

(In Canadian Dollars)

26. EXPENSES BY NATURE

A) GENERAL AND ADMINISTRATIVE EXPENSES

Below are the expenses included in general and administrative expenses for the year ended December 31, 2019 and 2018:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	$	$
Payroll and benefits	11,169,060	2,524,548
Bank and merchant Fees	29,585	1,455
Office expenses	785,406	375,857
Facilities expense	713,642	118,704
Consulting and advisory Fees	2,311,430	1,222,004
Professional fees	330,910	-
Audit fees	355,538	42,170
Legal fees	675,766	982,866
Insurance	623,041	73,642
Filing fees	31,487	-
Travel and accommodation	1,348,505	1,100,149
Research and development	87,272	-
Total general and administrative expenses	**18,461,642**	**6,441,395**

27. RELATED PARTY TRANSACTIONS

A) KEY MANAGEMENT PERSONNEL:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	$	$
Management salaries, bonuses, and other benefits	1,314,468	469,479
Share-based payment – management	362,431	-
Share-based payments – directors	123,350	-
Total	**1,800,249**	**469,479**

B) AMOUNTS DUE TO/FROM RELATED PARTIES

As of December 31, 2019, $67,990 (December 31, 2018; $2,022,965) was due to companies related to the CEO and Chairman of the Company for expenses incurred on behalf of the Company. These expenses related to operation, travel, and facilities expenses.

C) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Company entered into the following transactions with related parties:

- The Company entered into a Shared Services Agreement ("SSA") with Blitz NV ("Blitz"), a company related to the CEO. In connection with the SSA, the Company paid Blitz $381,742 for reimbursement of salaries.
- The Company paid licensing fees of $92,862 to a Company owned by the CEO.
- The Company made lease payments of $197,136 to a company owned the CEO.
- The Company incurred a $211,994 loss on disposal of assets to a company owned the CEO as part of the termination its lease (note 14).
- The Company entered into a promissory note payable of $19,650,000 (US$15,000,000) with an entity whose principal shareholder is a former director of the Company. The Company repaid the note, and accrued interest of $400,560 (US$300,000) during the year.
- The Company reimbursed a total of $1,323,738 in Ignite business expenses incurred by the CEO.
- The Company incurred a total of $325,016 in marketing fees from a company owned the CEO.
- The Company incurred travel expenses of $360,259 from a company owned by the CEO.
- At December 31, 2019, the Company had a promissory note to a related company in the amount of $4,126,937, which includes $230,537 in interest payable (note 19).

During the year ended December 31, 2018, the Company entered into the following transaction with related parties:

- The Company entered into a secured promissory note with a company controlled by the CEO for the purchase of a property, which Ignite US subsequently leased over a two-year lease term. The note had a principal balance of US$8,514,340 with an annual interest rate of 5% per annum that was due on demand. The note was settled with a stock repurchase transaction in November 2018. In conjunction with preparation of the RTO Transaction (note 7), it was determined by management that it was beneficial to terminate the lease effective April 30, 2019.

28. CONTINGENCIES AND COMMITMENTS

A) NOTICE OF CLAIM

The Company was served with a Notice of Claim dated November 28, 2018 which has been filed in the Supreme Court of British Columbia naming the Company as one of three defendants. The Notice of Claim alleges a finder's fee of $120,000 is due to the claimant for work in a previous completed private placement. The Company believes the lawsuit is without merit and has filed a response accordingly. No provision has been made by the Company with regards to the Notice of Claim, and there has been no further action in relation to this Notice of Claim as at the date of filing these audited consolidated financial statements.

B) LEGAL

The Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

29. SEGMENTED INFORMATION

A) REPORTABLE SEGMENTS

In identifying reportable segments, management primarily considers geographical areas, regulatory environment, and products offerings of the entity. The Company has identified the following reportable segments:

Ignite International Brands, Ltd.	Ignite PUB	Reporting to the CSE and OTCQX and incurs legal and other professional fees. Responsible for allocation of funding to the various segments.
Ignite International, Ltd.	Ignite USLA	Development and distribution of certain Ignite branded products for sale across the United States, in accordance with regulatory standards through direct to consumer and wholesale channels of trade.
Ignite International Brands (U.K.) Ltd.	Ignite UK	Focused on cannabidiol (“CBD”) and CBD related consumer goods for sale and distribution in the United Kingdom.
Ignite Distribution, LLC	Ignite USJO	Joint operation to facilitate distribution of certain Ignite branded products across the United States, in accordance with regulatory standards through direct to consumer and wholesale channels of trade.
Ignite Beverages, Inc.	Ignite BEV	to facilitate distribution of Ignite branded beverages in the United States. As at December 31, 2019, Ignite BEV was in start-up.
Ignite International Brands (Canada), Ltd.	Ignite CAN	To facilitate distribution of certain Ignite branded products in Canada. As at December 31, 2019, Ignite CAN was in start-up.
Ignite Internacional Marcas de Mexico, SA de CV.	Ignite MEX	To facilitate distribution of certain Ignite branded products in the Mexico. As at December 31, 2019, Ignite MEX was in start-up.
Ignite International Brands (Ireland), Ltd.	Ignite IRL	To facilitate distribution of certain Ignite CBD branded products Europe.

Ignite USJO is consolidated with these financials on a full consolidation basis; accounting for non-controlling interests on the statement of financial position and statement of loss and comprehensive loss. Non-controlling interests account for 49.9% of the investment in Ignite US.JO (note 24).

(In Canadian Dollars)

B) SEGMENT RESULTS

Information on the Company's operating segments as at and for the year ended December 31, 2019 is as follows:

	PUB	CAN	USLA	BEV	USJO	UK	IRL	MEX	CONSOLIDATED
Revenue									
Sales	-	-	3,024,938	-	5,886,399	749,746	-	-	9,661,083
Cost of goods sold	-	-	(2,509,224)	-	(4,492,011)	(522,511)	-	-	(7,523,746)
Gross profit	-	-	515,714	-	1,394,388	227,235	-	-	2,137,337
Operating Expenses	(2,764,959)	(39,251)	(37,463,905)	(150,580)	(1,404,165)	(3,964,519)	(5,439)	-	(45,792,818)
Net loss from operations	**(2,764,959)**	**(39,251)**	**(36,948,191)**	**(150,580)**	**(9,777)**	**(3,737,284)**	**(5,439)**	**-**	**(43,655,481)**
Interest income	51,499	-	180,490	-	-	-	-	-	231,989
Interest expense	(270,369)	-	(1,152,026)	-	(235,600)	-	-	-	(1,657,995)
Other non-operating expenses	(20,150,349)	-	(1,099,872)	-	(2,679,037)	(3,639)	-	-	(23,932,897)
Other revenue	-	-	184,585	-	-	-	-	-	184,585
Net loss	**(23,134,178)**	**(39,251)**	**(38,835,014)**	**(150,580)**	**(2,924,414)**	**(3,740,923)**	**(5,439)**	-	**(68,829,799)**
Cumulative Translation Adjustment	-	-	(478,596)	(1,201)	39,426	238,064	(97)	3,145	(199,259)
Net Loss and comprehensive loss	**(23,134,178)**	**(39,251)**	**(39,313,610)**	**(151,781)**	**(2,884,988)**	**(3,502,859)**	**(5,536)**	**3,145**	**(69,029,058)**
Net loss attributable to:									
Attributable to Ignite International Brands, Ltd.	(23,134,178)	(39,251)	(38,835,013)	(150,580)	(1,465,132)	(3,740,923)	(5,439)	-	(67,370,517)
Attributable to non-controlling interests	-	-	-	-	(1,459,282)	-	-	-	(1,459,282)

Information by geographic region for the year ended December 31, 2019 is as follows:

Geographic location	**Canada**	**Mexico**	**United Kingdom**	**United States**	**Total**
Revenues	-	235,727	1,178,998	8,246,358	9,661,083
Non-current assets	930,397	-	19,348	13,059,241	14,008,986
Non-current liabilities	18,026,776	-	-	1,720,803	19,747,579

30. SUBSEQUENT EVENTS

A) CAPITAL CONTRIBUTIONS

On January 21, 2020, capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed US$1,000,000 in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC held Ignite International, Ltd. resulted in a capital contribution of US $501,000 and the 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of $499,000.

On February 14, 2020, an additional capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed US$499,000 in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC held Ignite International, Ltd. resulted in a capital contribution of US $250,000 and the 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of $249,000.

B) GRANT OF STOCK OPTIONS

Subsequent to year ended December 31, 2019, the Company granted 2,000,000 options to purchase subordinate voting shares in the capital of the Company pursuant to the Company's stock option plan. The stock options entitle the holder thereof to acquire subordinate voting shares of the Company at an exercise price of CA$2.25 per subordinate voting share, over a three (3) year vesting term.

C) ACQUISITION

On May 5, 2020, in consideration of financial accommodations (note 19) to be provided by International Investments, Ignite USJO issued 800 shares of the common stock International Investments free and clear of Encumbrances (the "New Shares"). The New Shares shall constitute 80% of the issued and outstanding shares of common stock of Ignite USJO, reducing the Company's ownership to 10% of the issued and outstanding common stock of Ignite USJO.

In conjunction with the change in ownership, Ignite USJO was converted from an LLC to a corporation and the name was changed accordingly from Ignite Distribution, LLC to Ignite Distribution, Inc. ("Ignite Distro").

On May 29, 2020, the Company entered into a binding term sheet, pursuant to which, the Company will acquire the remaining 90% of the issued and outstanding equity securities of Ignite Distribution, Inc. (the "Target") that it does not already own.

On June 12, 2020 (the "Closing Date"), a definitive share purchase agreement was executed reflecting the terms of the binding term sheet and was approved of the Canadian Securities Exchange. As consideration for the purchase of the shares of the Target, IGNITE (i) issued to II an unsecured promissory note (the "**II Note**") in the amount of US$3.35 million, bearing an annual interest rate of 10%, maturing on June 11, 2022; the II Note shall be repayable on the earlier of (x) the Company having consolidated annual EBITDA of at least US$10 million, as reported on its quarterly or annual financial statements and calculated in the ordinary course AND the Company having unencumbered cash of at least

US$10 million during the same reporting period; and (y) two years from the Closing Date, with II being permitted to convert the II Note at any time prior to its maturity at a price per Subordinate Voting Share of CA$1.54; (ii) issued to MMS an unsecured promissory note (the "MMS Note") in the amount of US$500,000, bearing an annual interest rate of 10%, maturing on December 11, 2021, with either the Company or MMS being permitted to convert the MMS Note at any time prior to its maturity at a price per Subordinate Voting Share equal to the greater of (x) CA$1.53, being the closing price on May 28, 2020; and (y) 110% of the closing market price of the shares on the last trading date immediately prior to the conversion of the MMS Note; and (iii) issued 285,205 Subordinate Voting Shares to II and 35,651 Subordinate Voting Shares to MMS..

D) FINANCING

On April 28, 2020, Ignite US received a loan in the amount of US$1,079,687 from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). PPP is a loan designed to provide a direct incentive for businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Company has kept all employees subsequent to the receipt of the PPP Loan and intends on applying for loan forgiveness.

On May 20, 2020, Ignite USJO received a PPP Loan of US$65,786 and on May 28, 2020 an additional PPP Loan of US$30,111 from the SBA. The Company has kept all employees subsequent to the receipt of the PPP Loan and intends on apply for loan forgiveness.

On June 9, 2020, the Company announced that it has closed a non-brokered, private placement of convertible debentures (the "Debentures") for proceeds of $5 million from International Investments, Ltd. ("II"). The principal balance will accrue interest at a rate of 10% per annum, with the principal and interest due on the maturity date of the Debenture (the "Maturity Date"). The Maturity Date is the earlier of (i) June 7, 2022; and (ii) the Company achieving a minimum of $10,000,000 of (x) earnings before interest, taxes, depreciation and amortization and; (y) free cash flow, as reported in its annual or quarterly financial statements.

Prior to the Maturity Date, II has the right to convert the balance of principal and interest payable thereunder to subordinated voting shares in the capital of the Company at a price per subordinate voting share equal to $1.58.

E) COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The COVID-19 pandemic has caused global economic uncertainty and has adversely affected workforces, economies, and financial markets globally. Measures have been put in place to combat the spread of the virus, which include the implementation of travel bans, self-imposed quarantine periods, social distancing, and temporary closures of non-essential businesses. The Company reacted quickly to ensure the safety of its employees and business partners, including a mandated work-from home and travel ban policy for all employees. Given the economic uncertainty, it is not possible to accurately predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company at this time.

In March 2020, in line with the Company's commitment to an aggressive plan to proactively implement measures to sustain its operations (see Outlook section), the Company assessed its operations for non-essential head count and reduced its salaries and benefit costs by an approximate $1.3MM annualized.

31. EFFECT OF THE CHANGE IN PRESENTATION CURRENCY

A) CHANGE OF PRESENTATION CURRENCY

Presentation in Canadian dollars represents a change in the presentation currency of Ignite US, the accounting acquirer, from United States dollars to Canadian dollars. The change in the financial statement presentation currency is considered an accounting policy change and has been accounted for retrospectively. The balance sheets for each period have been translated from the related subsidiary's functional currency to the new Canadian dollar presentation currency at the rate of exchange prevailing at the respective balance sheet date except for equity items, which have been translated at the historical rates from the related subsidiary's date of incorporation. The statements of income and comprehensive income were translated at the average exchange rates for the reporting period. Exchange rate differences arising in 2018 on translation from Ignite US' functional currency to the Canadian dollar presentation currency have been recognized in other comprehensive income and accumulated as a separate component of equity.

Translation of the Company's subsidiaries that have the United States ("US") dollar, as the functional currency into the Company's presentation currency of the Canadian dollar gave rise to a translation adjustment which was recorded as an adjustment to accumulated other comprehensive income ("AOCI"), a separate component of shareholders' equity. With the retrospective application of the change in presentation currency from the US dollar to the Canadian dollar, the AOCI related to the translation of Canadian dollar functional currency subsidiaries was eliminated.

For comparative purposes, the consolidated statement of financial position as at December 31, 2018 include adjustments to reflect the change in the presentation currency from the US dollar to the Canadian dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into Canadian dollars at December 31, 2018 were 1.2988 USD/CAD, 1.7174 GBP/CAD, 1.4583 EUR/CAD and 0.06882 MXN/CAD. Refer to note 31 for the effects of the translation.

For comparative purposes, the consolidated statement of loss and comprehensive loss for year ended December 31, 2018 includes adjustments to reflect the change in the presentation currency from the US dollar to the Canadian dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into Canadian dollars for the year ended December 31, 2019 were 1.3269 USD/CAD, GBP/CAD 1.6945, 1.4856 EUR/CAD and 0.06894 MXN/CAD, which were the average exchange rates for the period. Refer to note 31 for the effects of the translation.

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(In Canadian Dollars)

B) EFFECT ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The effect on the consolidated statements of financial position as at December 31, 2019 is as follows:

	As at December 31, 2018	As at December 31, 2018	As at January 1, 2018	As at January 1, 2018
	USD	CAD	USD	CAD
	$	$	$	$
Assets				
Current assets				
Cash	9,732,867	13,277,577	-	-
Accounts receivable	188,762	257,509	-	-
Prepaid expenses	1,087,125	1,483,056	-	-
Total current assets	**11,008,754**	**15,018,142**	-	-
Non-current assets			-	-
Due from related parties	3,597	4,908	-	-
Property, plant and equipment, net	322,822	440,394	-	-
Intangible assets, net	179,434	244,783	-	-
Option to purchase	5,000,000	6,821,000	-	-
Total assets	**16,514,607**	22,529,227	-	-
Liabilities			-	-
Current liabilities			-	-
Accounts payable and accrued liabilities	1,569,700	2,141,385	-	-
Note payable	3,881,000	5,294,460	-	-
Due to related parties	1,482,895	2,022,965	-	-
Total current liabilities	6,933,595	9,458,810	-	-
Total liabilities	**6,933,595**	9,458,810	-	-
Shareholders' equity				
Share capital	22,148,000	25,805,378	36,900,000	46,291,050
Subscription Note Receivable	-	-	(36,900,000)	(46,291,050)
Other comprehensive income	-	3,548,085	-	-
Accumulated deficit	(12,566,988)	(16,283,046)	-	-
Total shareholders' equity	**9,581,012**	13,070,417	-	-
Total liabilities and shareholders' equity	**16,514,607**	22,529,227	-	-

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(In Canadian Dollars)

C) EFFECT ON THE CONSOLIDATED STATEMENTS LOSS AND COMPREHENSIVE LOSS

The effect on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 is as follows:

	12 months ended December 31, 2018	**12 months ended December 31, 2018**
	USD	**CAD**
	$	**$**
Sales revenue	1,890,014	2,448,891
Cost of goods sold	1,344,696	1,742,323
Gross Profit	**545,318**	**706,568**
Operating expenses		
General and administrative	4,971,363	6,441,395
Marketing and promotion	8,191,192	10,613,327
Depreciation	25,893	32,469
Amortization	-	1,080
Total operating expenses	**13,188,448**	**17,088,271**
Loss from operations	**(12,643,130)**	**(16,381,703)**
Other income		
Interest income	286,578	371,319
Total other income	286,578	371,319
Other expenses		
Interest expense	210,436	272,662
Total other expenses	210,436	272,662
Net loss	**(12,566,988)**	**(16,283,046)**
Cumulative translation adjustment	-	3,548,085
Net loss and comprehensive loss	**(12,566,988)**	**(12,734,961)**
Net loss per share, basic and diluted (note 21)	**(0.45)**	**(0.16)**