



Ventura Cannabis & Wellness Corp.

Condensed Interim Consolidated Financial Statements

2021 First Quarter

*For the three months ended
May 31, 2020 and May 31, 2019
(Unaudited)*

(Expressed in Canadian Dollars in Thousands)

TABLE OF CONTENTS

Condensed Interim Consolidated Statements of Financial Position	Page 2
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	Page 3
Condensed Interim Consolidated Statements of Changes in Equity	Page 4
Condensed Interim Consolidated Statements of Cash Flows	Page 5
Notes to the Condensed Interim Consolidated Financial Statements	Page 6-19

Ventura Cannabis & Wellness Corp.

Condensed interim consolidated statements of financial position

As at May 31, 2020, and May 31, 2019

Unaudited

(CAD \$000s)

	May 31, 2020	February 29, 2020
ASSETS		
Current		
Cash (note 4)	\$2,757	\$3,969
Accounts receivable, net (note 5)	3,731	3,793
Prepaid expenses and other current assets (note 12)	504	622
Other current assets	1	-
Inventory	125	137
Total current assets	\$7,118	\$8,521
Long-term		
Property, plant and equipment (note 6)	\$3,725	\$3,606
Deposits and other assets	150	142
Right-of-use assets (note 17)	2,274	2,539
Goodwill (note 8)	184	184
Intangible assets (note 8)	1,122	1,154
Total long-term assets	\$7,455	\$7,625
TOTAL ASSETS	\$14,573	\$16,146
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$1,621	\$2,532
Current portion of operating lease liabilities (note 17)	1,033	1,033
Total current liabilities	\$2,654	\$3,565
Long-term liabilities		
Operating lease liabilities (note 17)	1,658	\$1,913
Long-term portion of debt (note 9)	2,464	2,360
Total long-term liabilities	\$4,122	\$4,273
TOTAL LIABILITIES	\$6,776	\$7,838
SHAREHOLDER'S EQUITY		
Share capital (note 10)	\$44,975	\$44,975
Contributed surplus (note 11)	4,374	4,314
Accumulated other comprehensive gain	3,043	2,745
Accumulated deficit	(44,649)	(43,780)
Equity attributable to shareholders of Ventura	\$7,743	\$8,254
Non-controlling interests	54	54
TOTAL SHAREHOLDER'S EQUITY	\$7,797	\$8,308
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$14,573	\$16,146

Going concern (note 2)

Commitments (note 17)

Contingencies (note 7)

Approved on behalf of the Board

Chris Heath
Director [signed]

Michael Hynes
Director [signed]

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

Ventura Cannabis & Wellness Corp.

Condensed interim consolidated statements of loss and comprehensive loss

For the three and nine months ended May 31, 2020 and May 31, 2019

Unaudited

(CAD\$000s)

	Three months ended May 31, 2020	Three months ended May 31, 2019
Revenues		
Cannabis	438	92
Addiction Treatment	826	4,324
	1,264	4,417
Cost of services		
Cannabis	284	64
Addiction Treatment	570	3,330
	854	3,394
Gross Profit	410	1,023
Expenses		
Facilities	29	(109)
Sales and marketing	6	23
Bad debt expense (note 5)	492	-
General and administrative	(11)	890
Billing and other outside services	219	323
Depreciation and amortization (notes 6, 8 & 17)	270	368
Stock based compensation (note 11)	60	66
Interest expense	31	91
Amortization of prepaid finance fee	123	123
Accretion expense on lease liabilities	60	65
	1,278	1,842
Net loss before income taxes	(869)	(819)
Deferred tax recovery (note 13)	-	-
Net loss	(869)	(819)
Net loss attributable to:		
Shareholders of Ventura	(869)	(819)
Non-controlling interests	-	-
	(869)	(819)
Other comprehensive income		
Amounts that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment	298	(104)
Comprehensive income (loss)	(571)	(923)
Comprehensive income (loss) attributable to:		
Shareholders of Ventura	(571)	(923)
Non-controlling interests	-	-
	(571)	(923)
Basic and diluted income (loss) per share (note 18)	(0.02)	(0.02)

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

Ventura Cannabis & Wellness Corp.

Consolidated statements of changes in equity

For the three months ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

	Shares	Share Capital	Shares to be issued	Contributed Surplus	Deficit	Accumulated other comprehensive gain (loss)	Equity attributable to shareholders of the Company	Equity attributable to non-controlling interests	Total equity
Balance February 28, 2019	34,859,076	\$43,936	\$0	\$3,879	(\$41,178)	\$2,721	\$9,358	-	\$9,358
Net loss	-	-	-	-	(819)	-	(819)	-	(819)
Other comprehensive income	-	-	-	-	-	(104)	(104)	-	(104)
Shares issued	817,438	406	-	-	-	-	406	-	406
Stock based compensation (note 11)	-	-	-	66	-	-	66	-	66
Balance May 31, 2019	35,676,514	\$44,342	-	\$3,945	(\$41,997)	\$2,617	\$8,907	-	\$8,907
Net loss	-	-	-	-	(1,500)	-	(1,500)	(35)	(1,535)
Acquisition of subsidiaries (note 19)	-	-	-	-	-	-	-	89	89
Other comprehensive loss	-	-	-	-	-	128	128	-	128
Shares issued	1,363,485	633	-	-	-	-	633	-	633
Transition adjustment - IFRS 16 (note 4)	-	-	-	-	(283)	-	(283)	-	(283)
Stock based compensation (note 11)	-	-	-	369	-	-	369	-	369
Balance February 29, 2020	37,039,999	\$44,975	-	\$4,314	(\$43,780)	\$2,745	\$8,254	\$54	\$8,308
Net loss	-	-	-	-	(869)	-	(869)	-	(869)
Other comprehensive income	-	-	-	-	-	298	298	-	298
Shares issued	-	-	-	-	-	-	-	-	-
Stock based compensation (note 11)	-	-	-	60	-	-	60	-	60
Balance May 31, 2020	37,039,999	\$44,975	\$ -	\$4,374	(\$44,649)	\$3,043	\$7,743	\$54	\$7,797

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

Ventura Cannabis & Wellness Corp.
Condensed interim consolidated statements of cash flow

For the three months ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

	Three months ended May 31, 2020	Three months ended May 31, 2019
Operating activities		
Net loss	(869)	(819)
Items not affecting cash:		
Stock based compensation	60	66
Non cash share issued	-	406
Accretion expense on lease liabilities	60	-
Bad debt expense	492	-
Amortization of prepaid finance fee	123	123
(Gain) loss on disposal of PPE	-	106
Depreciation and amortization	268	368
	134	250
Changes in working capital:		
Accounts receivable	(459)	776
Prepaid expenses, deposits and other assets	(13)	(3,213)
Inventory	11	-
Accounts payable and accrued liabilities	(910)	(985)
Lease obligations	-	2,998
Net cash used in operating activities	(1,236)	(174)
Investing activities		
Advances of loan receivable	-	(463)
Repayments of loan receivable	29	89
Cash paid for acquisitions, net of cash acquired	-	(769)
Purchase of property, plant and equipment	(158)	(6)
Net cash provided by (used in) investing activities	(129)	(1,149)
Financing activities		
Repayments of borrowings	103	-
Payment of lease liabilities (principal portion)	(248)	-
Net cash used in investing activities	(145)	-
Effect of exchange rate changes on cash	298	(147)
Net decrease in cash	(1,212)	(1,470)
Cash beginning of year	3,969	5,036
Cash end of year	2,757	3,566

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

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

1. Incorporation and operations

Ventura Cannabis & Wellness Corp. (the “Company” or “VCAN”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on June 7, 2013. On February 11, 2015 as a result of the Amalgamation transaction, VCAN obtained the listing status of Valiant Minerals Ltd. (“Valiant”), on the NEX trading board of the TSX Venture Exchange (the “Exchange”). VCAN trades under the trading symbol “VCAN” on the CSE.

VCAN is a vertically integrated, California-based cannabis product company. The Company officially launched into the cannabis industry after a shareholder vote in April 2019, overwhelmingly approving the change in business from addiction treatment to cannabis. The Company’s headquarters and registered address is 800 W. 6th St. Suite 1415, Los Angeles, CA 90017.

On March 1, 2019, the Company effected a 7.34:1 reverse share split on its common shares. Unless otherwise noted, impacted amounts and share information included in the consolidated financial statements and notes thereto have been retroactively adjusted for the reverse share split as if such share split occurred on the first day of the first period presented. Certain amounts in the condensed interim consolidated financial statements and notes thereto may be different than previously reported due to rounding of fractional shares as a result of the reverse share split.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements required by International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the three months ended May 31, 2020.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2020.

Basis of presentation and measurement

The condensed interim consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars (or “CAD” in thousands), except for share and per share information. These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value as required by IFRS. The interim financial statements have also been prepared on an accrual basis except for cash flows.

Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of operation. During the quarter ended May 31, 2020, the Company incurred a loss of \$869 and has an accumulated deficit of \$44,649. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management of the Company plans to fund its future operations and settle its debt by obtaining additional financing through loans and share issuance.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

2. Basis of presentation (cont'd)

Basis of consolidation

The Company consolidates all subsidiaries. As such, assets, liabilities, revenues and expenses of all subsidiaries have been consolidated. All inter-company transactions and balances with subsidiaries have been eliminated. The functional currency for Ventura Cannabis is Canadian dollars.

Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The consolidated entity includes the following wholly-owned subsidiaries:

Entity	Country of domicile	% Ownership	Functional currency
Accredited Rehab and Treatment Services, LLC	United States	100%	United States dollars
BLVD Centers Inc.	United States	100%	United States dollars
CBD Laboratories, Inc.	United States	100%	United States dollars
Convalo Health, Inc.	United States	100%	United States dollars
Harmony Hollywood, LLC	United States	100%	United States dollars
Reflections Recovery, LLC	United States	100%	United States dollars
San Diego Detox, Inc.	United States	100%	United States dollars
Portland Detox & Residential, Inc.	United States	100%	United States dollars
Convalo Health Corp.	Canada	100%	Canadian dollars
Altus Nutraceuticals	United States	100%	United States dollars
PRT Management Corp.	United States	100%	United States dollars
Oregon Management Holdings Corporation	United States	100%	United States dollars
Salem Asset Holdings Corporation	United States	100%	United States dollars
Portland Asset Holdings Corporation	United States	100%	United States dollars
MJ Asset Holdings Inc.	United States	100%	United States dollars
Golden Coast Asset Holdings Corporation	United States	100%	United States dollars
Cathedral Asset Holdings Corporation	United States	100%	United States dollars
Solvang Central Retail Corporation	United States	100%	United States dollars
Cathedral City Central Distribution Corporation	United States	100%	United States dollars
Golden State Professional Corporation	United States	100%	United States dollars
Golden State Retail Action Corporation	United States	100%	United States dollars
Golden State Professional Consulting and Advisory Corporation	United States	100%	United States dollars
Golden State Retail Consulting and Advisory Corporation	United States	100%	United States dollars
Kush Rush LLC	United States	80%	United States dollars
Ventura Wellness Corporation	United States	100%	United States dollars

As of May 31, 2020 and May 31, 2019, and for all the periods then ended, all of the Company's estimated revenues were determined to have been earned and all of the Company's non-current assets were located in the United States.

Reporting currency

All values are in Canadian dollars (\$) in thousands, unless specifically indicated otherwise. United States dollars are indicated as US\$.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

3. Accounting standards issued but not yet effective

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and International Accounting Standard (“IAS”) 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

Accounting changes

Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

During the three months ended May 31, 2020, the Company did not adopt any new IFRS standards, interpretations, amendments and improvements of existing standards.

4. Summary of significant accounting policies

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended February 29, 2020.

5. Accounts receivable

Accounts receivable	May 31, 2020	May 31, 2019
Gross receivables - trade	\$4,931	\$7,441
Allowance for doubtful accounts	(1,200)	(804)
Balance, ending	\$3,731	\$6,637

Allowance for doubtful accounts	May 31, 2020	May 31, 2019
Balance, beginning	\$804	\$783
Change in provision	396	21
Balance, ending	\$1,200	\$804

During the quarter ended May 31, 2020, the allowance for doubtful accounts (\$1,200) reflects the management’s adjusted accounting practice for estimating collectible revenues and bad debts which had a slight effect on estimated revenues over the quarter with no significant impact on the net loss. The bad debt is a significant estimate and bad debt and revenue can only be known over time.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

6. Plant, property and equipment

	Vehicles	Furniture and fixtures	Computer hardware	Leasehold improvement	Buildings	Land	Total
	\$	\$	\$	\$	\$	\$	\$
Costs							
Opening balance - March 1, 2019	68	627	160	1,237	6,223	540	8,855
Additions	-	45	-	-	-	-	45
Disposals	(69)	(633)	(162)	(1,257)	(2,377)	(550)	(5,048)
Foreign exchange impact	1	5	2	20	108	10	146
Ending balance February 29, 2020	-	44	-	-	3,954	-	3,998
Additions	-	-	-	-	-	-	-
Foreign exchange impact	-	2	-	-	173	-	175
Ending Balance May 31, 2020	-	46	-	-	4,127	-	4,173

Accumulated depreciation and impairment

Opening balance - March 1, 2019	(38)	(388)	(154)	(958)	(470)	-	(2,008)
Depreciation for the year	(6)	(88)	(4)	(107)	(232)	-	(437)
Disposals	46	473	160	1,079	358	-	2,116
Foreign exchange impact	(2)	(35)	(2)	(14)	(10)	-	(63)
Ending balance February 29, 2020	-	(38)	-	-	(354)	-	(392)
Depreciation for the year	-	(1)	-	-	(38)	-	(39)
Foreign exchange impact	-	(1)	-	-	(16)	-	(17)
Ending balance May 31, 2020	-	(40)	-	-	(408)	-	(448)

Net carrying value

As at February 29, 2020	-	6	-	-	3,600	-	3,606
As at May 31, 2020	-	6	-	-	3,719	-	3,725

7. Contingencies

The Company is aware of three legal proceedings or demands involving the Company at this time. While management believes that these lawsuits and demands are without merit and intends to defend them vigorously, the proceedings are at a preliminary stage and it is not possible at this point to predict the outcome or exposure. The contingency estimate related to all claims is in the six figures but management and legal believe that these lawsuits and demands are without merit and are unpredictable. It is uncertain currently to determine the outcome of these lawsuits and demands or our potential liability, if any.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

8. Goodwill and Intangible assets

Cost	Goodwill	Non-compet agreements	Trademarks	Licenses	Customer relationships	Sub-total Intangibles with finite lives	Total
Balance February 29, 2020	312	103	66	946	166	1,281	1,593
Additions	-	-	-	-	-	-	-
Balance May 31, 2020	312	103	66	946	166	1,281	1,593
Accumulation amortization and impairment	Goodwill	Non-compet agreements	Trademarks	Licenses	Customer relationships	Sub-total Intangibles with finite lives	Total
	\$	\$	\$	\$	\$	\$	\$
Balance February 29, 2020	(128)	(34)	(18)	(64)	(11)	(127)	(255)
Amortization expense	-	(9)	(5)	(15)	(3)	(32)	(32)
Balance May 31, 2020	(128)	(43)	(23)	(79)	(14)	(159)	(287)
Net carrying amount							
Balance May 31, 2020	184	60	43	867	152	1,122	1,306

9. Finance and Capital leases and loans

	May 31, 2020	February 28, 2020
Finance lease and other borrowings	\$2,464	\$2,360
Less:		
Current portion of finance lease and other borrowings	-	-
Long-term portion of finance lease and other borrowings	\$2,464	\$2,360

On July 1, 2019, the Company entered into a secured loan agreement with Civic Financial Services LLC in the amount of \$4,741. Current interest rates are fixed and average 8.990%. The loan term is for 2 years and matures on June 1, 2021. An addendum to the loan agreement requires interest payments for 23 months with a balloon payment of the loan proceeds in month 24. The carrying amount of the borrowings are a reasonable approximation of the fair value. Borrowings are secured by land and building owned by the Company (See Note 6).

On February 18, 2020 the Company completed a transaction to sell a portion of the land financed by Civic Financial Service LLC. The proceeds from the sale were \$2,915 which were used, in part, to pay off a portion of the finance lease totalling \$1,614.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

10. Share capital

	May 31, 2020	May 31, 2019
Authorized		
Unlimited voting common shares without par value		
Issued		
37,039,999 voting common shares (2019 - 35,676,514)	\$44,975	\$44,342
Changes to share capital:		
	Number of Shares	Amount
As of February 28, 2019	34,859,076	43,936
Shares issued for services	2,180,923	1,039
As of February 29, 2020	37,039,999	44,975
Shares issued	-	-
As of May 31, 2020	37,039,999	44,975

- (i) On January and February 2019, the Company issued 3,167,355 shares in conjunction with its contractual lease obligations and for services performed related to business acquisitions.
- (ii) On May 2019, the Company issued 817,438 shares as part of the purchase agreement of Amberlight in Portland, Oregon at a market value of \$0.77/share as at the date of issuance.
- (iii) On June 2019, the Company issued 372,340 shares for options exercised at a market value of \$0.44/share as at the date of purchase.
- (iv) On October 2019, the Company issued 991,145 shares as part of the purchase agreement of Kush Rush in Sacramento, California at a market value of \$0.25/share as at the date of issuance.

11. Options and warrants

Options

The Company has an incentive stock option plan that provides that the Board of Directors of VCAN may from time to time, in its discretion and in accordance with Exchange requirements, grant to directors, officers and employees and consultants of VCAN, non-transferable options to purchase VCAN shares, provided that the number of shares reserved for issuance will not exceed 10% of the total issued and outstanding VCAN shares, exercisable for a period of up to ten (10) years from the date of the grant. The number of VCAN shares reserved for issuance to any individual director or officer of VCAN will not exceed 5% of the issued and outstanding VCAN shares and the total number of options awarded to any one consultant in any twelve-month period shall not exceed 2% of the issued and outstanding shares of VCAN at the date that the particular option was granted without consent being obtained from the Exchange. The exercise price of any options granted under the VCAN option plan shall not be less than the closing price of VCAN shares on the day preceding the day on which the directors grant such options, less any discount permitted by the Exchange. Options held by a director or employee who ceases to be employed by VCAN expire 30 days from the date the director or ceases to be a director of VCAN or the employee ceases to be employed by VCAN.

On June 24, 2016, the shareholders approved a new 20% fixed number stock option plan (the "2016 Option Plan") at VCAN's Annual and Special Meeting of Shareholders. The 2016 Option Plan reserves 7,333,536 common shares and replaces VCAN's 10% rolling stock option plan.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

11. Options and warrants (cont'd)

	Number of options	Weighted average exercise price	Weighted average remaining life
Outstanding at February 28, 2019	5,892,030	\$1.25	6.99
Options granted	150,000	0.77	10.0
Options cancelled / forfeited	-	-	-
Outstanding at May 31, 2019	6,042,030	\$1.01	8.84
Options granted	906,500	0.44	8.9
Options cancelled / forfeited	(204,360)	1.26	n/a
Options exercised	(372,340)	0.47	8.3
Outstanding at February 29, 2020	6,371,830	\$1.10	8.62
Options granted	-	-	0.0
Options cancelled / forfeited	(1,100,005)	-	n/a
Options exercised	-	-	0.0
Outstanding at May 31, 2020	5,271,825	\$0.78	8.15

Range of exercise prices	Number of options outstanding	Number of options exercisable	Expiry Date
\$0.73	572,207	572,207	Tuesday, February 11, 2025
\$4.04	68,120	68,120	Tuesday, May 19, 2020
\$1.76	68,120	68,120	Monday, March 1, 2021
\$0.99	45,640	45,640	Monday, September 6, 2021
\$0.62	68,120	68,120	Saturday, March 6, 2027
\$1.25	27,248	18,165	Monday, June 28, 2027
\$0.37	136,240	45,413	Monday, June 12, 2028
\$0.26	531,335	440,509	Thursday, October 26, 2028
\$0.37	1,226,158	1,010,445	Sunday, January 14, 2029
\$0.55	1,158,038	1,033,152	Thursday, February 8, 2029
\$0.73	681,199	681,199	Sunday, February 25, 2029
\$0.66	136,240	45,413	Wednesday, February 28, 2029
\$0.77	25,000	8,333	Monday, April 30, 2029
\$0.47	263,660	-	Monday, June 19, 2028
\$0.33	14,500	-	Wednesday, August 15, 2029
\$0.24	250,000	-	Sunday, October 28, 2029
\$0.24 to \$4.04	5,271,825	4,104,836	

For invested options cancelled/forfeited during the three months ended May 31, 2020, stock-based compensation previously recorded is reversed.

The estimated fair value of options is expensed on a graded basis over the vesting or service period for each tranche. The vesting period approximates three years for all issued and outstanding option compensation. Stock based compensation net of the effects of reversals for forfeited options for the three months ended May 31, 2020 was \$60. For the three months ended May 31, 2019, stock-based compensation totaled \$66.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

11. Options and warrants (cont'd)

Category	May 31, 2020	May 31, 2019
Expected option life	5 years	5 years
Expected volatility	138.00%	128.00%
Risk-free interest rate	1.57%	1.82%
Expected dividend yield	Nil	Nil
Weighted average share price at grant date	\$0.24	\$0.20
Weighted average exercise price	\$0.24	\$0.07
Estimated forfeiture rate	0%	0%

Warrants

Outstanding and exercisable at February 28, 2017	24,486,750	\$0.39
Warrants expired (i)	(22,330,500)	0.39
Outstanding and exercisable at February 28, 2018	2,156,250	\$0.14
Warrants expired (ii)	(2,156,250)	0.14
Outstanding and exercisable at February 28, 2019	0	\$0.00
Outstanding and exercisable at February 29, 2020	0	\$0.00
Outstanding and exercisable at May 31, 2020	0	\$0.00

Warrants to acquire voting common shares outstanding and exercisable at May 31, 2020 and February 29, 2020 were as follows:

- (i) On June 28, 2016, the Company amended the original warrant terms, including price and expiry date, (part of the \$17,250 financing closed in April 2015 in which issued 43,125,000 warrants) resulting in the warrants being exercisable for 21,562,500 common shares, half at \$0.30 with a six-month term and half at \$0.38 with a nine-month term. During 2017, 21,562,500 of the modified warrants, expired. During 2018, the remaining warrants expired.
- (ii) During the year ended February 28, 2019, 2,156,250 warrants expired unexercised.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

12. Partner loans receivable

	May 31, 2020	May 31, 2019
Partner loans receivable		
Beginning balance	29	229
Loans issued	-	463
Repayment of loans	(29)	(89)
Ending loan balances	-	603
Prepaid expenses and other current assets		
Prepaid expenses	505	1,667
Partner loans receivable	-	603
Total	505	2,270

At the end of May 31, 2020, we had \$0 of outstanding partner loans and this amount was included on Prepaid Expenses and other current assets.

13. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted tax rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

The Company's provision for (recovery of) income taxes differs from the amount that is computed by applying the combined federal and state statutory income tax rate of 25% in the United States to the Company's net loss before income taxes.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. It is more probable than not that the Company will utilize available non-capital loss carry-forwards and deferred tax assets to offset the anticipated future taxable profits. Therefore, a net deferred income tax asset is being recognized for US non-capital tax loss carry-forwards and other available tax assets.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at May 31, 2020, the Company had approximately USD\$16,290 (2020 – USD\$16,290) of US non-capital losses. The US non-capital loss carry forwards expire in 2040. The Canadian non-capital loss carry forwards expire as noted in the table below:

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

13. Income taxes (cont'd)

Year of expiry	Non-capital Income tax loss
2034	\$911
2036	56
2037	1,654
2038	757
2039	914
2040	865
Total	\$5,157

14. Financial instruments and financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The directors mitigate these risks by assessing, monitoring and approving the Company's risk management processes:

Foreign currency risk

All of the Company's revenues are transacted in US dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant impact on the Company's cash flows and reported results. As a majority of the Company's operating expenses are also in United States dollars, operational foreign currency risk is limited.

Included in the consolidated statement of financial position at May 31, 2020, are the following assets and liabilities denominated in U.S. dollars: cash of USD \$2,003 (2019 - USD \$2,964) accounts receivable of USD \$2,710 (2019 - USD \$2,832) and accounts payable and accrued liabilities of USD \$1,177 (2019 - \$1,890).

The Company's revenues and expenses denominated in U.S. dollars for the three months ended May 31, 2020 and May 31, 2019, were USD \$904 and USD \$3,297, and USD \$1,526 and USD \$3,908 respectively.

Fair value

The fair values of cash, accounts receivable, other current assets and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's revenues are concentrated to California. The Company had many customers during the course of the year and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by ensuring the eligibility of its patients for insurance or other coverage prior to admittance.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

14. Financial instruments and financial risk management (cont'd)

As explained in Note 4, non-cannabis revenue is estimated to be the amount collectible from the insurer. As of May 31, 2020, one commercial payor individually represented 47% of outstanding accounts receivable. Given the counterparties in these transactions, which are generally large, financially stable commercial insurers, the Company considers the credit quality of these receivables to be high. Credit risk is generally limited to the risk that the estimated amount of revenue that can be collected is not accurate.

The Company's non-cannabis revenues primarily consisted of service charges related to providing addiction treatment and related services to clients in both inpatient and outpatient settings. Most of the Company's revenues are reimbursable by commercial payors, at out-of-network rates, with the remaining revenues payable directly by the Company's clients. The Company billed commercial payors, once insurance have been verified and services have been performed, based on usual and customary rates for each service. These billed rates were discounted to expected reimbursement rates (or net realizable value) as determined by management after taking into account the historical collections received from the commercial payors services to arrive at the revenues that are recognized. During 2018, management adjusted the accounting practice for estimating collectible revenues and expected credit losses which had a slight effect on estimated revenues over the year with no significant impact on the net loss. The expected credit losses account is a significant estimate and credit losses and revenue can only be known over time. The Company does not recognize revenues for scholarships provided.

The Company does not extend credit to cannabis customers at this time.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through its current cash position to continue operating for the foreseeable future.

Other risk

The Company is not exposed to any significant interest rate risk as it does not have any borrowings and loans receivable that carry variable rates of interest. The Company is not exposed to any significant price risk or other financial risks due to the nature of its business

15. Capital management

The Company's objectives in managing capital are to maintain a strong capital base to preserve investor and creditor confidence; to ensure enough liquidity to service its debts, support capital projects and growth-oriented acquisitions; and to provide a return to shareholders.

Capital is used by the Company to finance capital expenditures and fund acquisitions that add to its ability to generate returns and meet long-term strategic growth objectives.

The Company sets the amount and type of capital required relative to its assessment of risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or modify its capital structure, the Company may adjust or defer the number of dividends paid to shareholders, issue new shares, seek other forms of financing, or sell assets to reduce debt.

The Company manages its share capital, contributed surplus, deficit and long-term debt as capital. The Company is not subject to any external covenants. There has been no significant change to the capital management policies for the three months ended May 31, 2020.

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited

(CAD \$000s)

16. Related Party Transactions

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of Company, directly or indirectly including executive directors. The total compensation of key management personnel are as follows:

Category	Three months ended May 31, 2020	Three months ended May 31, 2019
Salaries and short term benefits	\$100	\$164
Stock based compensation	38	62
Total	\$138	\$226

17. Leases

The Company's leasing activities relate to various office and facility leaseholds across the United States.

(a) Right-of-use Assets

A Reconciliation of the beginning and ending balances of the right-of-use assets for the three months ended May 31, 2020 is as follows:

	Property Leases
Balance February 29, 2019	\$0
Transition adjustment (Note 4)	3,502
Depreciation for the year	(954)
Effect of changes in exchange rates	(9)
Balance as at February 29, 2020	\$2,539
Depreciation for the year	(197)
Effect of changes in exchange rates	(59)
Balance as at May 31, 2020	\$2,274

(b) Lease liabilities

A Reconciliation of the beginning and ending balances of the lease liabilities for the three months ended May 31, 2020 is as follows:

	Property Leases
Balance February 29, 2019	\$0
Transition adjustment (Note 4)	3,881
Interest on lease liabilities	261
Interest payments on lease liabilities	(261)
Principal payments on lease obligations	(875)
Effect of changes in exchange rates	(60)
Balance February 29, 2020	\$2,946
Interest on lease liabilities	60
Interest payments on lease liabilities	(60)
Principal payments on lease obligations	(204)
Effect of changes in exchange rates	9
Balance as at May 31, 2020	\$2,691

(c) Future minimum lease payments

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire over the next 3 years and have extension provisions thereafter. Future minimum lease payments under non-

Ventura Cannabis & Wellness Corp.

Notes to the condensed interim consolidated financial statements

For the three ended May 31, 2020 and May 31, 2019

Unaudited
(CAD \$000s)

17. Leases (cont'd)

cancelable operating leases having an initial or remaining term of more than one year are as follows:

Category	
Within 12 months	\$732
1-2 years	\$754
2-3 years	\$633
> 3 years	\$84
Total	\$2,204

18. Loss per share

Loss per share is based on the consolidated net loss for the period divided by the weighted average number of shares outstanding during the period. Diluted loss per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

For the three months ended May 31, 2020 and May 31, 2019, respectively, the outstanding warrants and options were excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

The following reflects the earnings and share data used in the basic and diluted loss per share computations:

	Three months ended May 31,2020	Three months ended May 31,2019
Net Loss	(\$869)	(\$819)
Basic and diluted weighted average number of shares	37,039,999	35,676,514
Total LPS-basic and diluted	(\$0.02)	(\$0.02)

19. COVID-19

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2021.