Ventura Cannabis & Wellness Corporation

(Formerly BLVD Centers Corp.)

Consolidated Financial Statements

February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars in Thousands)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ventura Cannabis & Wellness Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ventura Cannabis & Wellness Corporation and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at February 29, 2020, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 29, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended February 29, 2020 and, as at that date, had a significant accumulated deficit. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, 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 Matter – Comparative Information

The consolidated financial statements of the Company for the year ended February 28, 2019 were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements on June 27, 2019.

Other Information

Management is responsible for the other information. The other information comprises 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 on this other information, 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.

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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 International Financial Reporting Standards, 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.

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 Steven Olsthoorn.

DNTW Toronto LLP

June 29, 2020
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

Ventura Cannabis & Wellness Corporation
Consolidated statements of financial position
(CAD $000s)

	February 29, 2020	February 28, 2019
ASSETS		
Current		
Cash (note 4)	$3,969	$5,036
Accounts receivable, net (note 5)	3,793	7,039
Prepaid expenses and other current assets (note 12)	622	1,355
Inventory	137	-
Total current assets	**$8,521**	**$13,430**
Non-current		
Property, plant and equipment (note 6)	$3,606	$6,847
Prepaid finance fee	-	411
Deposits and other assets	142	228
Right-of-use assets (note 17)	2,539	-
Goodwill (note 8)	184	-
Intangible assets (note 8)	1,154	-
Total non-current assets	**$7,625**	**$7,486**
TOTAL ASSETS	**$16,146**	**$20,916**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$2,532	$7,556
Current portion of operating lease liabilities (note 17)	1,033	-
Current portion of debt (note 9)	-	28
Total current liabilities	**$3,565**	**$7,584**
Non-current liabilities		
Operating lease liabilities (note 17)	1,913	-
Long-term portion of debt (note 9)	2,360	3,974
Total non-current liabilities	**$4,273**	**$3,974**
TOTAL LIABILITIES	**$7,838**	**$11,558**
SHAREHOLDERS' EQUITY		
Share capital (note 10)	$44,975	$43,936
Contributed surplus (note 11)	4,314	3,879
Accumulated other comprehensive gain	2,745	2,721
Accumulated deficit	(43,780)	(41,178)
Equity attributable to shareholders of Ventura	**$8,254**	**$9,358**
Non-controlling interests	54	-
TOTAL SHAREHOLDERS' EQUITY	**$8,308**	**$9,358**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$16,146**	**$20,916**

Going concern (note 2)
Contingencies (note 7)
Subsequent events (note 20)

Approved on behalf of the Board

Chris Heath
Director [signed]

Michael Hynes
Director [signed]

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

Ventura Cannabis & Wellness Corporation

Consolidated statements of loss and comprehensive loss

(CAD $000s)

	Year ended February 29, 2020 $	Year ended February 28, 2019 $
Revenues		
Cannabis	1,380	-
Addiction treatment	12,886	32,338
	14,266	32,338
Cost of services		
Cannabis	927	-
Addiction treatment	6,542	25,688
	7,469	25,688
Gross Profit	**6,797**	**6,650**
Expenses		
Facilities	90	666
Sales and marketing	75	8
Bad debt expense (note 5)	-	322
New facility start-up costs and non-recurring cost	-	7
General and administrative	3,220	2,937
Billing and other outside services	2,737	3,136
Depreciation and amortization (notes 6, 8 & 17)	1,518	740
Stock based compensation (note 11)	435	1,877
Realized foreign exchange loss	8	-
Interest expense	492	354
Amortization of prepaid finance fee	493	493
Accretion expense on lease liabilities	241	-
Goodwill impairment	128	-
Gain on disposal of property, plant and equipment	(286)	-
	9,151	**10,541**
Net loss before income taxes	**(2,354)**	**(3,891)**
Deferred tax recovery (note 13)	-	-
Net loss	**(2,354)**	**(3,891)**
Net loss attributable to:		
Shareholders of Ventura	(2,319)	(3,891)
Non-controlling interests	(35)	-
	(2,354)	**(3,891)**
Other comprehensive income		
Amounts that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment	24	334
Comprehensive loss	**(2,330)**	**(3,557)**
Comprehensive loss attributable to:		
Shareholders of Ventura	(2,330)	(3,557)
Non-controlling interests	-	-
	(2,330)	**(3,557)**
Basic and diluted loss per share (note 18)	**(0.07)**	**(0.11)**
Weighted average number of common shares (note 18)	**36,159,401**	**34,859,076**

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

Ventura Cannabis & Wellness Corporation
Consolidated statements of changes in shareholders' equity
(CAD $000s)

	Number of 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 shareholders' equity
Balance February 28, 2018	**31,691,721**	**$40,724**	**$2,340**	**$2,874**	**($37,288)**	**$2,387**	**$11,037**	**-**	**$11,037**
Net loss	-	-	-	-	(3,890)	-	(3,890)	-	(3,890)
Other comprehensive income	-	-	-	-	-	334	334	-	334
Shares issued	3,167,355	3,212	(2,340)	-	-	-	872	-	872
Stock based compensation (note 11)	-	-	-	1,005	-	-	1,005	-	1,005
Balance February 28, 2019	34,859,076	$43,936	-	$3,879	($41,178)	$2,721	$9,358	-	$9,358
Transition adjustment - IFRS 16 (note 4)	-	-	-	-	(283)	-	(283)	-	(283)
Balance March 1, 2019 (adjusted)	**34,859,076**	**$43,936**	**-**	**$3,879**	**($41,461)**	**$2,721**	**$9,075**	**-**	**$9,075**
Net loss	-	-	-	-	(2,319)	-	(2,319)	(35)	(2,354)
Acquisition of subsidiaries (note 19)	-	-	-	-	-	-	-	89	89
Other comprehensive income	-	-	-	-	-	24	24	-	24
Shares issued	2,180,923	1,039	-	-	-	-	1,039	-	1,039
Stock based compensation (note 11)	-	-	-	435	-	-	435	-	435
Balance February 29, 2020	**37,039,999**	**$44,975**	**$ -**	**$4,314**	**($43,780)**	**$2,745**	**$8,254**	**$54**	**$8,308**

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

Ventura Cannabis & Wellness Corporation
Consolidated statements of cash flows
(CAD $000s)

	Year ended February 29, 2020	Year ended February 28, 2019
Operating activities		
Net loss	(2,354)	(3,891)
Items not affecting cash:		
Goodwill impairment	128	-
Stock based compensation	435	1,877
Accretion expense on lease liabilities	241	-
Bad debt expense	-	322
Amortization of prepaid finance fee	493	493
(Gain) loss on disposal of property, plant and equipmen	(286)	251
Depreciation and amortization	1,518	740
	175	**(208)**
Changes in working capital:		
Accounts receivable	3,352	361
Prepaid expenses and other current assets	737	1,537
Inventory	(138)	-
Accounts payable and accrued liabilities	(5,316)	(2,181)
Net cash used in operating activities	**(1,190)**	**(491)**
Investing activities		
Disposal of property, plant and equipment	3,135	-
Advances of loan receivable	(773)	(2,831)
Repayments of loan receivable	668	2,609
Cash paid for acquisitions, net of cash acquired	(467)	-
Purchase of property, plant and equipment	(45)	-
Net cash provided by (used in) investing activities	**2,518**	**(222)**
Financing activities		
Repayments of borrowings	(1,614)	(6)
Payment of lease liabilities	(787)	-
Proceeds from exercise of options	175	-
Net cash used in investing activities	**(2,226)**	**(6)**
Effect of exchange rate changes on cash	**(169)**	**144**
Net decrease in cash	(1,067)	(576)
Cash beginning of year	5,036	5,612
Cash end of year	**3,969**	**5,036**
Supplementary information		
Interest paid	*492*	*354*
Income taxes paid	-	-

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

1. Incorporation and operations

Ventura Cannabis & Wellness Corporation (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 currently trades under the trading symbol "VCAN" on the Canadian Securities Exchange ("CSE").

Ventura Cannabis & Wellness Corporation is a vertically integrated, California-based cannabis product company. The Company plans to target four significant segments in the U.S. cannabis market with products and outlets suited to their needs: senior citizens, upwardly mobile middle-aged female professionals, upwardly mobile middle-aged male professionals and individuals suffering from addiction. 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 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

The Company's consolidated financial statements have been prepared in accordance with the International Finance Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended February 29, 2020. The accounting policies are consistent with those of the previous financial year, except for the adoption of IFRS 16 – Leases and IFRIC 23 - Uncertainty over Income Tax Treatment. These consolidated financial statements have been approved and authorized for issue by the Board of Directors on June 29, 2020.

Basis of presentation and measurement

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

Going concern

These 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 2020, the Company incurred a loss of $2,354 (2019 - $3,891) and has an accumulated deficit of $43,780 (2019 - $41,178) as at February 29, 2020. In assessing whether the going concern assumption is appropriate, management takes into account 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.

Basis of consolidation

The Company consolidates all subsidiaries. As such, assets, liabilities, revenues and expenses of all subsidiaries have been consolidated. Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements. The functional currency for Ventura Cannabis & Wellness Corporation is Canadian dollars.

(CAD $000s)

2. Basis of presentation (cont'd)

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 consolidated 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 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 at February 29, 2020 and February 28, 2019, and for the years then ended, all of the Company's revenues were earned and all of the Company's assets were located in the United States.

Details of non-wholly owned subsidiaries that have non-controlling interests

The portion of net assets and income attributable to third parties is reported as non-controlling interests and net income attributable to non-controlling interests in the consolidated statements of financial position and consolidated statements of loss and comprehensive loss, respectively. The non-controlling interests of Kush Rush LLC were initially measured at fair value on the date of acquisition.

Reporting currency

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

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 year ended February 29, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16, the impact on the Company's financial statements are disclosed in note 4.

4. Summary of significant accounting policies

The consolidated financial statements include the following significant accounting policies:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which replaced the previous guidance on leases, IAS 17, Leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in deficit at March 1, 2019. Accordingly, the comparative information presented for previous period have not been restated.

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company's borrowing rates used for IFRS 16 purposes ranged from 8.60% to 8.76% defined based on the asset classes related risks.

The following table summarizes the impacts of adopting IFRS 16 on the Company's consolidated financial statements as at March 1, 2019, the date of the initial applications.

(CAD $000s)	**As previously reported under IAS 17, February 28, 2019**	**IFRS 16 transitional adjustments**	**Balance at March 1, 2019**
Right of use assets	$ -	$ 3,107	$ 3,107
Operating lease liabilities	$ -	$ 3,390	$ 3,390
Deficit	($ 41,178)	($ 283)	($41,461)

4. Summary of significant accounting policies (cont'd)

The following table reconciles the operating lease commitments as at February 28, 2019 to the opening balance of lease liabilities as at March 1, 2019:

(CAD $000s)	
Operating lease commitments as at February 28, 2019	$ 3,761
Add: adjustments as a result of a different treatment for extension	-
Effect of discounting using the lessee's incremental borrowing rate	(371)
Less: short-term, low-value asset leases and others	-
Lease liabilities recognized as at March 1, 2019	$ 3,390

The associated right-of-use assets were primarily measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the balance sheet as at March 1, 2019.

Goodwill

Goodwill represents the difference between the purchase price for acquisitions and the fair value of identifiable tangible and intangible assets acquired less liabilities assumed from business acquisition. The Company's goodwill arose as a result of the acquisitions of Harmony Hollywood, LLC, Accredited Rehab and Treatment Services, LLC, Amberlight and Kush Rush LLC (note 8). The goodwill arose as a result of synergies expected to benefit all of the Company, including the addition of key management personnel and merging of all operations. As a result, the lowest level cash generating unit ("CGU") at which goodwill is monitored for internal management purposes is at the total group level.

Goodwill for the CGU is tested for impairment annually or more frequently when there is an indication that the goodwill may be impaired. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets in the CGU on a pro-rata basis based on the carrying amount of each asset. Any impairment loss for goodwill is recognized directly in profit or loss (note 8). An impairment loss recognized for goodwill is not reversed subsequently.

Cash

Cash comprises cash on-hand and demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Income taxes

The Company and its subsidiaries are generally taxable under the statutes of their country of incorporation. Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated statements of financial position and their respective tax bases.

4. Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in the statement of loss and comprehensive income, when it occurs subsequent to the measurement period.

On March 1, 2019, the Company adopted IFRIC 23, Uncertainty over Income Tax Treatment, which clarified how to apply the recognition and measurement requirement in IAS 12, Income Tax, when there is uncertainty over income tax treatments. There are no significant adjustments to the amounts recognized in the consolidated financial statements.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Major renewals and improvements are charged to the property accounts, while maintenance and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. All assets having limited useful lives are depreciated from the date of acquisition using the straight-line method over their estimated useful lives.

The methods of depreciation and useful life applicable for each class of asset are as follows:

Category	Method	Useful Life
Furniture and fixtures	Straight-line	3-7 years
Computer hardware	Straight-line	3 years
Vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease or estimated useful life if shorter
Buildings	Straight-line	27-28 years

Land owned by the Company is not depreciated.

Useful lives, components, the depreciation method and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets and the intended evolution of the technology. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

4. Summary of significant accounting policies (cont'd)

Intangible assets

The Company has recorded various intangible assets consisting primarily of non-compete agreements, customer relationships, trademarks, and licenses. Non-compete agreements are the value associated with the non-compete agreements entered into by the sellers of acquired companies. Customer relationships are the value given in the purchase price allocation to the long-term associations with referral sources. Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Category	Useful Life
Customer relationships	15 years
Non-compete agreements	2-3 years
Licenses	15 years
Trademarks	3.5 years

At the end of each reporting period, the Company assesses whether there has been any indication that an asset may be impaired. If an impairment indicator exists, the asset's recoverable amount is determined and compared to the carrying amount of the asset. If the recoverable amount is lower, any difference between the carrying amount and the recoverable amount is written off to the consolidated statements of loss as an impairment charge.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For any other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of impairment losses are recognized immediately in the consolidated statements of loss and comprehensive loss.

Acquisition accounting

The Company accounts for business acquisitions where control is acquired as business combinations under IFRS 3, *Business Combinations*, which requires the allocation of the purchase price to the various tangible and intangible assets and liabilities of the acquired business at their respective fair values with excess recorded as goodwill. The Company uses all available information to determine the fair values of the various tangible and intangible assets and liabilities acquired.

4. Summary of significant accounting policies (cont'd)

Stock based compensation and warrants

The Company measures share based payments to employees and contractors by reference to the fair value of the equity instruments at the date on which they are granted or committed. The fair value of shares is based on recent transactions with arm's length parties. The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants. The inputs into the Black-Scholes model, including the expected life of the instrument, expected volatility, risk-free interest rate, dividend yield and expected forfeiture rate are determined by reference to the underlying terms of the instrument, the Company's experience with similar instruments and observable market data. The assumptions used for estimating fair value of share-based payments, options and warrants are disclosed in note 11. The value of options is expensed on a graded basis over the vesting or service period for each tranche. Warrants are issued in connection with common stock issuances and accordingly the fair value of warrants is netted off against the proceeds from the issuance and recorded as contributed surplus. The value of expired options and warrants remains in contributed surplus.

Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the profit or loss attributable to common shareholders of the Company by the new consolidated share amount as at the year-end, after retrospectively adjusting for any reverse share split until the date of approval of the financial statements. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the consolidated number of common shares as at year-end, after adjusting for the effects of all dilutive potential securities, which comprised of stock options and warrants unless these are anti-dilutive.

Foreign currency translation

Each entity in the group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Company's entities in their respective functional currency at rate prevailing at the date of the transaction to disclose foreign exchange rates used for monetary vs non-monetary.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of loss are translated at the average rate of exchange for the period being reported. The exchange differences arising on the translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in profit or loss.

Functional currency

The Company determines the functional currency for each entity by performing an assessment of the primary economic environment in which each entity operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. As a holding company, management of Ventura Cannabis & Wellness Corporation (formerly knowns as BLVD Centers Corporation and Convalo Health International Corp.) considered the currency that primarily influences the issuance of shares, outstanding options, incurring of costs and inter-company receivables, all of which are in Canadian dollars. Management thus concluded that the functional currency of Ventura Cannabis & Wellness Corporation (formerly, Convalo Health International, Corp. and BLVD Centers Corporation) is Canadian dollars. For Convalo Health, Inc. and its U.S. subsidiaries the Company reviewed the indicators that primarily influence or determine the selling price of its services and the cost of providing services to be United States dollars.

Accounts receivable

Accounts receivable are recorded at the time revenue is recognized and are presented on the consolidated statements of financial position net of allowance for doubtful accounts. The Company performs regular analysis to evaluate the net realizable value of accounts receivable as of the statement of financial position date. Specifically, the Company considers historical realization data, accounts receivable aging trends, other operating trends and relevant business conditions.

4. Summary of significant accounting policies (cont'd)

Financial instruments

Effective March 1, 2019, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The adoption of IFRS 9 did not materially affect the Company's financial reporting related to financial assets and financial liabilities and had no measurement impact.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead the hybrid financial instruments as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Classification

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 approach for the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements. The new model also results in a single impairment model being applied to all financial instruments.

Financial Assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, FVTOCI, and FVTPL.

Financial assets at amortised cost

The Company's financial assets at amortised cost includes cash and accounts receivables. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated as fair value through profit or loss

For financial assets designated as FVTPL, the Company measures the change in fair value attributable to changes in credit risk as the difference between the total change in the fair value of the instrument during the period and the change in fair value calculated using the appropriate risk-free yield curves.

Fair value through other comprehensive income

Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income (loss). Income arising in the form of interest, dividends, or similar, is recognized through profit and loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Financial Liabilities

Financial liabilities are classified, at initial recognition, and subsequently measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on original recognition.

The Company's financial liabilities at amortised cost includes accounts payable and accrued liabilities.

4. Summary of significant accounting policies (cont'd)

Impairment of Financial Assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes expected credit losses (ECL) for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the accounts receivable.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Financial assets are written off when there is no reasonable expectation of recovery.

Interest income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 includes inputs that are observable other than quoted prices included in Level 1.
Level 3 includes inputs that are not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

Cash, accounts receivable, current portion of long-term debt and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. Summary of significant accounting policies (cont'd)

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The following are the significant estimates that the Company has made in preparing the consolidated financial statements:

Recognition of revenues

Revenues from commercial payors are recognized based on expected realizable rates using historical collections rates. If no collections data is available for a payor (for example where the payor is new to the Company), the Company uses the Company-wide average reimbursement rate for that particular service. If commercial payors change their reimbursement rates for services already provided but not yet reimbursed, or a new payor rate is different from the estimated rate used, revenue is adjusted to account for the new rates. Because of continuing changes in the health care industry and third-party reimbursement, it is possible the Company's estimates could change, which could have a material impact on the Company's recorded revenues, bad debt expense and net income.

Valuation of accounts receivable

In addition to the ECL method, the Company records bad debt expense based on the accounting practice adopted by management which incorporates paid and denied claims. Denials can be as a result of termed policies, client deductibles not met, client maximum benefits limit met, etc. In addition, management reviews account receivable in detail at each reporting period and provides for specific accounts that are deemed to not be collectible. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that the Company's estimates could change, which could have a material impact on its operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact bad debt expense and accounts receivable.

The Company's 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. The bad debt account is a significant estimate and bad debt and revenue can only be known over time.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Identification of cash-generating units

The Company has allocated its tangible and intangible assets to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The Company applied judgment to determine its cash-generating units. These judgements affect the results of impairment tests and will impact the carrying values of property, plant and equipment, goodwill and intangible assets.

4. Summary of significant accounting policies (cont'd)

Use of estimates and judgments (cont'd)

Impairment of goodwill and intangible assets

The Company tests whether goodwill or intangible assets are impaired in accordance with IAS 36, Impairment of Assets. The recoverable amount of cash-generating units is determined based on a value in use calculation. The method requires an estimate of future cash flows and the selection of a suitable discount rate in order to calculate the net present value of the cash flows. These estimates affect the carrying values of goodwill and intangible assets.

Stock based compensation and warrants

The Company uses the Black-Scholes option pricing model to determine the fair value of the Company's issued stock options and warrants as prescribed by IFRS 2. The Black-Scholes option pricing model requires management to make various estimates about certain inputs into the model, including the expected option and warrant life, expected volatility, risk-free interest rate and expected dividend yield. A change in any of these estimates at the time the underlying options or warrants were issued would have impacted the Company's equity and ongoing stock-based compensation expense.

Segment reporting

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the CEO as he is primarily responsible for the allocation of resources and the assessment of performance. The CODM uses operating profit, as reviewed at monthly business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation. Operating profit is defined as profit on operations before interest, taxes, stock-based compensation, amortization of intangibles and impairment expenses. The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. All revenue streams for the business are managed centrally by functional teams (Sales and marketing, Billing and Collections and Finance) that have responsibility for the whole of the Company's location portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, location profit is not part of the CODM's review. Having considered these factors, management has determined that the Company comprises one operating segment under IFRS 8.

Other

Other estimates include determining the useful lives and depreciation methods applied to property, plant and equipment and intangible assets for the purposes of depreciation and amortization; in accounting for and measuring items such as purchase price adjustments on business combinations; and in measuring certain fair values, including those related to the valuation of business combinations.

Inventories

Inventories consisting of products for resale and consumables and are valued at lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis and includes costs incurred in bringing the inventories to their present location and condition. The Company reviews inventory for spoiled, redundant and slow-moving goods and any such inventories are written down to net realizable value.

Revenue recognition

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

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

4. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

Cannabis

Under IFRS 15, revenues from the sale of cannabis related products are generally recognized at the point of sale when control over the goods have been transferred to the customer. Payment are only done with cash typically which is due upon transferring the goods to the customer. Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Addiction treatment

The Company's revenues also 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 bills commercial payors, once insurance coverage has 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. The performance obligation is defined in each authorization for each patient which is an oral or written agreement. The performance obligation may also be defined in an in-network contract with an insurance payor. As the insurance company is required to provide access to treatment, they benefit from the service. The Company considers the performance obligations satisfied at the completion of service, at which time the transaction price is set in the invoices to the insurance company.

Business combinations

The Company applies the acquisition method in accounting for business combinations. The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree and the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, the fair value of any contingent consideration and equity interests issued by the Company. Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in OCI are reclassified to net income. The fair values of property and equipment recognized as a result of a business combination is based on either the cost approach or market approach, as applicable. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly. For the cost approach, the current replacement cost or reproduction cost for each major asset is calculated. The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The "relief from royalty" method has been applied to forecast revenue using an appropriate royalty rate. This results in an estimate of the value of the intangible assets acquired by the Company. The fair values of franchise agreements and other intangibles, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases. The fair values of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale and a reasonable profit margin based on the effort required to complete and sell the inventories. Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

(CAD $000s)

5. Accounts receivable

Accounts receivable	February 29, 2020	February 28, 2019
Gross receivables - trade	$4,471	$7,821
Allowance for doubtful accounts	(678)	(782)
Balance, ending	**$3,793**	**$7,039**

Allowance for doubtful accounts	February 29, 2020	February 28, 2019
Balance, beginning	$782	$443
Change in provision	(104)	339
Balance, ending	**678**	**$782**

This allowance has been modified for fiscal year 2020 based on IFRS 9 guidelines. This provision has been modified to reflect an amount equal to estimated lifetime uncollectible receivables based on a provision matrix of amounts between .01%-3% of AR over a 12 month period, with amounts in excess of 12 months not included in the balance of accounts receivable. The allowance for doubtful accounts is a significant estimate and credit losses and revenue can only be known over time.

6. Property, plant and equipment

	Vehicles $	Furniture and fixtures $	Computer hardware $	Leasehold improvement $	Buildings $	Land $	Total $
Costs							
Opening balance - March 1, 2018	255	977	176	1,199	6,010	522	9,139
Disposals	(197)	(382)	-	-	-	-	(579)
Foreign exchange impact	10	32	(16)	38	213	18	295
Ending balance February 28, 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
Accumulated depreciation and impairment							
Opening balance - March 1, 2018	(132)	(336)	(132)	(660)	(231)	-	(1,491)
Depreciation for the year	(32)	(166)	(32)	(277)	(229)	-	(736)
Disposals	131	126	-	-	-	-	257
Foreign exchange impact	(5)	(12)	10	(21)	(10)	-	(38)
Ending balance February 28, 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)
Net carrying value							
As at February 28, 2019	30	239	6	279	5,753	540	6,847
As at February 29, 2020	-	6	-	-	3,600	-	3,606

The Company had disposed of property, plant and equipment for $3,135, which resulted in a gain of $286.

(CAD $000s)

7. Contingencies

The Company is aware of four 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.

8. Goodwill and Intangible assets

During the year ended February 29, 2020 the Company made two acquisitions resulting in additional intangibles. As at February 29, 2020 the Company has determined that no intangible impairment was required.

Cost	**Goodwill** $	**Non-compete agreements** $	**Trademarks** $	**Licenses** $	**Customer relationships** $	**Sub-total Intangibles with finite lives** $	**Total** $
Balance February 28, 2019	-	-	-	-	-	-	-
Additions	312	103	66	946	166	1,281	1,593
Balance February 29, 2020	**312**	**103**	**66**	**946**	**166**	**1,281**	**1,593**

Accumulation amortization and impairment	**Goodwill** $	**Non-compete agreements** $	**Trademarks** $	**Licenses** $	**Customer relationships** $	**Sub-total Intangibles with finite lives** $	**Total** $
Balance February 28, 2019	-	-	-	-	-	-	-
Amortization expense	-	(34)	(18)	(64)	(11)	(127)	(127)
Impairment	(128)	-	-	-	-	-	(128)
Balance February 29, 2020	**(128)**	**(34)**	**(18)**	**(64)**	**(11)**	**(127)**	**(255)**
Net carrying amount							
Balance February 29, 2020	**184**	**69**	**48**	**882**	**155**	**1,154**	**1,338**

(CAD $000s)

9. Long term debt

	February 29, 2020	February 28, 2019
Long term debt	$2,360	$4,002
Less:		
Current portion of debt	-	(28)
Long-term portion of debt	**$2,360**	**$3,974**

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.

10. Share capital

	February 29, 2020	February 28, 2019
Authorized		
Unlimited voting common shares without par value		
Issued		
37,039,999 voting common shares (2019 - 34,859,076)	**$44,975**	**$43,936**

Changes to share capital:

	Number of Shares	Amount
As of February 28, 2018	**31,691,721**	**40,724**
Shares issued for services (i)	3,167,355	3,212
As of February 28, 2019	**34,859,076**	**43,936**
Shares issued (ii), (iii), (iv)	2,180,923	1,039
As of February 29, 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.

(CAD $000s)

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.

	Number of options	Weighted average exercise price	Weighted average remaining life
Outstanding at February 28, 2018	**1,409,741**	**$1.10**	**6.99**
Options granted	4,686,649	1.43	0.9
Options cancelled / forfeited	(204,360)	1.10	n/a
Outstanding at February 28, 2019	**5,892,030**	**$1.25**	**6.99**
Options granted	1,056,500	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**

Details of stock options outstanding at February 29, 2020

Exercise prices	Number of options outstanding	Number of options exercisable	Expiry Date
$0.73	572,207	572,207	February 11, 2025
$4.04	68,120	68,120	May 19, 2020
$3.41	27,248	27,248	July 13, 2020
$1.76	68,120	68,120	March 1, 2021
$0.99	67,779	67,779	September 6, 2021
$0.62	68,120	45,413	March 6, 2027
$0.84	238,420	158,946	April 13, 2027
$1.25	95,368	63,579	June 28, 2027
$0.37	136,240	45,413	June 12, 2028
$2.57	531,335	440,509	October 26, 2028
$1.47	1,839,237	1,316,985	January 14, 2029
$0.55	1,158,038	1,033,152	February 8, 2029
$0.73	681,199	681,199	February 25, 2029
$0.66	136,239	45,413	February 28, 2029
$0.77	150,000	-	April 30, 2029
$0.47	263,660	-	June 19, 2028
$0.33	20,500	-	August 15, 2029
$0.24	250,000	-	October 28, 2029
$0.24 to $4.04	6,371,830	4,634,083	

(CAD $000s)

11. Options and warrants (cont'd)

For unvested options cancelled/forfeited during the year ended February 29, 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 year ended February 29, 2020 was $435 (2019 – $1,005).

The fair value of the Company's stock options was determined using the Black-Scholes option pricing model using the following assumptions:

Category	29-Feb-20	28-Feb-19
Expected option life	5 years	5 years
Expected volatility	138.00%	128.00%
Risk-free interest rate	1.57%	1.82%
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%

Expected volatility was estimated by calculating the annualized volatility of the Company's share price.

Warrants

Outstanding and exercisable at February 28, 2018	**2,156,250**	**$**	**0.14**
Warrants expired	(2,156,250)		0.14
Outstanding and exercisable at February 28, 2019 and February 29, 2020	**-**	**$**	**-**

(CAD $000s)

12. Partner loans receivable

At the end of February 29, 2020 the Company had $29 of outstanding partner loans and this amount was included on Prepaid expenses and other current assets, as follows:

	February 29, 2020 $	February 28, 2019 $
Partner loans receivable		
Beginning balance	226	4
Loans issued	773	2,831
Repayment of loans	(668)	(2,609)
Impaired loan charged to partner's liabilities	(302)	-
Ending loan balances	29	226
Prepaid expenses and other current assets		
Prepaid finance fee	411	904
Other prepaid expenses	182	225
Partner loans receivable	29	226
Total	622	1,355

(CAD $000s)

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 27.76% (2019 – 27.76%) in the United States to the Company's net loss before income taxes as follows:

Income Taxes	**Year ended February 29, 2020**	**Year ended February 28, 2019**
Net loss before recovery of income taxes	(2,354)	(3,891)
Expected income tax recovery	(653)	(1,080)
Difference in foreign tax rates	9	22
Tax rate changes and other adjustments	547	(43)
Permanent differences	-	-
Stock based compensation	121	1,877
Deferred tax assets not recognized in the year	(24)	(776)
Income tax (recovery) expense	-	-
The Company's income tax (recovery) is allocated as follows:		
Deferred tax expense (recovery)	-	-

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 the following deductible temporary differences:

	Year ended February 29, 2020	**Year ended February 28, 2019**
Non-capital losses carried forward Canada	5,157	6,328
Non-capital losses carried forward US	16,290	16,650
Share issuance costs	-	54

(CAD $000s)

13. Income taxes (cont'd)

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 February 29, 2020, the Company had approximately $16,290 (2019 – $16,650) 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:

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 February 29, 2020, are the following assets and liabilities denominated in U.S. dollars: cash of USD $2,964 (2019 - USD $3,826) accounts receivable of USD $2,832 (2019 - USD $5,347) and accounts payable and accrued liabilities of USD $1,890 (2019 - $5,741).

The Company's revenues and expenses denominated in U.S. dollars for the year ended February 29, 2020 and February 28, 2019, were USD $10,765 and USD $24,718, and USD $12,448 and USD $27,692 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.

(CAD $000s)

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

As explained in Note 4, revenue is estimated to be the amount collectible from the insurer. As of February 29, 2020, two commercial payors individually represented 28 % and 12 %, respectively 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.

Expected credit losses recorded during the fiscal year ended February 29, 2020 was $nil, for the year ended February 28, 2019 the expected credit loss was $339. Amounts over 30 days are considered past due.

As at February 29, 2020

Current	**30-60 Days**	**60-90 Days**	**Over 90 Days**	**Total Accounts Receivable**	**Expected Credit Losses**
902	1,495	1,276	798	4,471	(678)
20%	33%	29%	18%	100%	

As at February 28, 2019

Current	**30-60 Days**	**60-90 Days**	**Over 90 Days**	**Total Accounts Receivable**	**Expected Credit Losses**
979	973	715	5,154	7,820	(782)
13%	12%	9%	66%	100%	

The Company's 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. There have been no changes in the management of credit risk since February 28, 2019

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. The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

	12 months $	1 to 2 years $	2 to 5 years $	Total $
Accounts payable and accrued liabilities	2,532	-	-	2,532
Lease commitment	1,033	2,015	497	3,545
As at February 29, 2020	3,565	2,015	497	6,077
Accounts payable and accrued liabilities as at February 28, 2019	7,556	-	-	7,556

The Company has cash and accounts receivable totally $7,762 as at February 29, 2020, which are available to pay these liabilities (2019-$12,075). In managements judgement liquidity risk is low. There have been no changes in the management of liability risk since February 28, 2019.

(CAD $000s)

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

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 so as to preserve investor and creditor confidence; to ensure sufficient 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 year ended February 29, 2020 and February 28, 2019.

16. Related party transactions

Key management personnel are those persons having 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	Year ended February 29, 2020	Year ended February 28, 2019
Salaries and short term benefits	$475	$504
Stock based compensation	260	517
Total	**$735**	**$1,021**

17. Lease obligations

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 year ended February 29, 2020 is as follows:

	Right-of-use property leases $
Transition adjustment (Note 4)	3,107
Additions	344
Depreciation for the year	(950)
Effect of changes in exchange rates	38
Ending balance, February 29, 2020	2,539

(CAD $000s)

17. Lease obligations (cont'd)

(b) Lease liabilities

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 certain extension provisions thereafter. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Minimum payments under leases	**$**
Within 1 year	1,033
2 to 3 years	2,015
4 to 5 years and thereafter	497
	3,545
Effect of discounting	(599)
Present value of minimum lease payments	2,946
Less: current portion	1,033
Non-current portion of operating lease liabilities	1,913

18. Loss per share

Loss per share is based on the consolidated net loss for the year 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 years ended February 29, 2020 and February 28, 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:

	Year ended February 29, 2020	**Year ended February 28, 2019**
Net Loss	($2,354)	($3,891)
Basic and diluted weighted average number of shares	36,159,401	34,859,076
Loss per share basic and diluted	**($0.07)**	**($0.11)**

19. Business combinations

On May 8, 2019, the Company acquired Amberlight, LLC ("Amberlight") in an asset purchase agreement. Amberlight is a duly licensed cannabis dispensary operating in Portland, Oregon. This acquisition initiated the Company's cannabis operations in the State of Oregon.

The purchase price of the Amberlight assets was for $332 cash and 817,438 shares at a market value of $0.77/share as at the date of issuance. Goodwill is the residual balance of the total purchase price after deducting all tangible assets and identified intangible assets acquired.

	$ (in '000s)
Working capital	(5)
Fixed and other long term assets	14
Cannabis license	435
Customer relationships	166
Trademark	66
Non-competition agreement	101
Goodwill	184
Total identifiable net assets at fair value	961
Satisfied by:	
Cash paid	332
Option for shares	629
Total consideration paid	961
Non-controlling interests	-
Total identifiable net assets at fair value attributable to the Company	961

On July 1, 2019, the Company acquired 80% of Kush Rush LLC membership interests. Kush Rush LLC, owns and operates a Cannabis delivery company in Sacramento, California. This acquisition strengthened Ventura's cannabis core of business in the State of California.

The purchase price of the Kush Rush assets was $135 cash and 991,145 shares at a market value of $0.25/share as at the date of issuance.

	$ (in '000s)
Working capital	(2)
Fixed and other long term assets	11
Cannabis license	600
Non-competition agreement	2
Goodwill	-
Deferred tax liability	(178)
Total identifiable net assets at fair value	433
Non-controlling interests	(89)
Total identifiable net assets at fair value attributable to the Company	344
Satisfied by:	
Cash paid	96
Option for shares	248
Total consideration paid	344

20. Subsequent events

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.

Subsequent to year end, management had ceased revenue generating operations for all treatment centers as a result of a myriad of factors, including COVID-19. Management continues to aggressively pursue outstanding receivables for these facilities