SATIVA WELLNESS GROUP INC.
(Formerly STILLCANNA INC.)

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019

(Expressed in GBP except where otherwise noted)

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sativa Wellness Group Inc. (formerly Stillcanna Inc.)

Opinion

We have audited the consolidated financial statements of Sativa Wellness Group Inc. (formerly Stillcanna Inc.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 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.

Other Matter

The consolidated financial statements of Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on June 3, 2020.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2021
Toronto, Ontario

SATIVA WELLNESS GROUP INC.

Consolidated Statements of Financial Position

(Expressed in GBP except where otherwise noted)

	Note	**December 31, 2020**	December 31, 2019
		£	£
Assets			
Cash and cash equivalents	**6**	**1,872,597**	1,992,531
Trade receivables		**112,157**	144,296
Refundable sales taxes receivable		**66,012**	147,019
Inventories	**8**	**378,368**	207,751
Assets held for sale	**11**	**243,797**	-
Prepaid expenses and deposits		**109,830**	47,578
Other current assets		**105,617**	161,209
Total Current Assets		**2,888,378**	2,700,384
Plant and equipment	**9**	**3,332,938**	670,596
Right of use assets	**10**	**508,123**	536,436
Intangible assets	**12**	**765,125**	-
Goodwill	**12**	**714,972**	572,072
Investments		**-**	72,201
Total Assets		**8,209,536**	4,551,689
Liabilities			
Accounts payable and accrued liabilities		**1,066,908**	349,358
Current portion of lease obligation	**13**	**168,919**	169,945
Other current liabilities		**206,499**	80,511
		1,442,326	599,814
Long-term portion of lease obligation	**13**	**330,721**	450,664
Deferred Tax	**18**	**152,000**	-
Total Liabilities		**1,925,047**	1,050,478
Shareholders' Equity	**14**		
Share capital		**12,915,426**	6,850,062
Other reserves		**-**	1,900,435
Share based payment reserve		**2,874,218**	-
Accumulated other comprehensive Income		**153,693**	-
Deficit		**(9,658,848)**	(5,249,794)
Non-controlling interest		**-**	508
Shareholders' Equity		**6,284,489**	3,501,211
Total Liabilities and Shareholders' Equity		**8,209,536**	4,551,689

Nature and continuance of operations (note 1)

Subsequent events (note 19)

Approved and authorized for dissemination on behalf of the Board of Directors on April 29, 2021:

Marc Howells - Director

Anne Tew - Director

The accompanying notes are an integral part of these financial statements

SATIVA WELLNESS GROUP INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in GBP except where otherwise noted)

	Note	For the year ended December 31	
		2020	**2019**
		£	£
Revenue	**4**	**1,994,224**	1,449,493
Cost of sales		**(870,531)**	(695,296)
Gross profit		**1,123,693**	754,197
Operating Expenses			
General and administrative expenses	**5**	**(4,588,812)**	(3,317,967)
Share-based payment charges		**(1,105,837)**	(729,659)
Depreciation and amortization		**(471,387)**	(259,539)
Asset impairment reversal		**77,212**	(89,412)
Interest income / (expense)		**36,514**	(11,402)
Fair value loss on listed investments		**(29,572)**	(143,746)
Grant income		**171,257**	-
Loss before income taxes		**(4,786,932)**	(3,797,528)
Income tax recovery	**18**	**128,172**	-
Net loss		**(4,658,760)**	(3,797,528)
Items that may be reclassified to profit or loss			
Currency translation adjustment		**153,693**	-
Comprehensive loss for the year		**(4,505,067)**	(3,797,528)
Loss per share		**Pence**	**Pence**
Basic and diluted		**(2.77)**	(4.77)
Weighted number of shares outstanding		**162,451,094**	79,604,232

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

SATIVA WELLNESS GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in GBP except where otherwise noted)

	Number of Outstanding Shares	Share Capital	Share Based payment Reserve	Trans-lation Reserve	Deficit	*Total Owners of Parents*	*Non Controlling Interest*	Total Shareholder's Equity
		£	£	£	£			£
Balance, January 1, 2019	**38,858,000**	**6,141,989**	**675,089**	**—**	**(1,858,704)**	**4,958,374**	**8,708**	**4,967,082**
Units issued for cash	21,187,587	486,075	893,925	—	—	1,380,000	—	1,380,000
Share issuance costs	—	(33,737)				(33,737)	—	(33,737)
Acquisition of subsidiary	44,800,000	—	—	—	—	—	—	—
Exercise of warrants	5,699,140	—	—	—	—	—	—	—
Exercise of options	330,000	255,735	—	—	—	255,735	—	255,735
Share-based payments	—	—	729,659	—	—	729,659	—	729,659
Transfer for options forfeited	—	—	(398,238)	—	398,238	—	—	—
Net loss	—	—	—	—	(3,789,328)	(3,789,328)	(8,200)	(3,797,528)
Balance, December 31, 2019	**110,874,727**	**6,850,062**	**1,900,435**	**—**	**(5,249,794)**	**3,500,703**	**508**	**3,501,211**
Balance, January 1, 2020	**110,874,727**	**6,850,062**	**1,900,435**	**—**	**(5,249,794)**	**3,500,703**	**508**	**3,501,211**
Share-based payments (note 14)	—	—	965,838	—	140,001	1,105,839		1,105,839
Transfer for options forfeited	—	—	(109,197)	—	109,197	—	—	—
Share issuance costs	1,000,000	(2,991)	—	—	—	(2,991)	—	(2,991)
Reverse acquisition Sept 24, 2020 (note 7)	190,718,214	6,068,355	117,142	—	—	6,185,497	—	6,185,497
Currency translation reserve	—	—	—	153,693	—	153,693	—	153,693
Net loss	—	—	—	—	(4,658,252)	(4,658,252)	(508)	(4,658,760)
Balance, December 31, 2020	**302,592,941**	**12,915,426**	**2,874,218**	**153,693**	**(9,658,848)**	**6,284,489**	**—**	**6,284,489**

Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2020 consolidated financial statements.

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

SATIVA WELLNESS GROUP INC.

Consolidated Statements of Cash Flows
(Expressed in GBP except where otherwise noted)

For the Years Ended December 31,	2020	2019
	£	£
Cash flows from operating activities		
Total Comprehensive Loss	**(4,786,932)**	(3,797,528)
Adjustments for non-cash items:		
Amortization (note 9,10,12)	**471,387**	259,539
Impairment of assets reversal	**(77,212)**	89,412
Loss on disposal of plant and equipment	**50,091**	5,127
Impairment of inventory	**74,129**	-
Impairment of loan	**80,000**	-
Bad debt write off	**21,639**	-
Share based payment charges	**1,105,839**	729,659
Interest on lease liabilities	**17,208**	11,402
Fair value loss on investments	**29,571**	143,746
Unrealised currency loss	**155,592**	-
Changes in non-cash working capital items:		
Trade receivables	**86,640**	(116,103)
Prepayments and other current assets	**54,132**	
Sales taxation repayable	**335,908**	
Inventory	**(199,449)**	(95,751)
Accounts payable	**97,443**	157,602
Accruals and other current liabilities	**7,746**	
Cash flows from operating activities	**(2,476,268)**	(2,612,895)
Income taxation received	**128,172**	-
Net cash used in operating activities	**(2,348,096)**	(2,612,895)
Cash flows from investing activities		
Net cash inflow on acquisition of businesses (note 7)	**2,475,617**	-
Proceeds from investments	**42,629**	27,217
Investment in plant and equipment (note 9)	**(210,897)**	(525,350)
Proceeds for sale of plant and equipment (note 9)	**139,938**	5,000
Payment for brand (note 12)	**(35,000)**	-
Net cash provided by (used in) investing activities	**2,412,287**	(493,133)
Cash flows from financing activities		
Payments on lease liability	**(184,125)**	(94,657)
Net proceeds from common share offering	-	1,484,232
Share issuance cost	**-**	(33,737)
Net cash used in (provided by) financing activities	**(184,125)**	1,355,838
Net decrease in cash	**(119,933)**	(1,750,190)
Cash, beginning of the year	**1,992,531**	3,742,721
Cash, ending of the year	**1,872,597**	1,992,531

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Sativa Wellness Group Inc. is a wellness company operating in both COVID testing in the United Kingdom and as a vertically integrated cannabinoid "CBD" company that operates in the United Kingdom and the European Union. Sativa has interests in COVID testing clinics, CBD extraction, wholesale bulk isolate and distillate sales, retail CBD and white label sales, cannabinoid laboratory testing, and medicinal cannabis research programs. The Company has a network of testing clinics across the United Kingdom, an operating facility in Poland, which produces CBD isolate and distillate, and a production plant in the UK. Poland and the UK have cannabinoid testing laboratories. Sativa sells wholesale and white-label CBD to other businesses, and owns and operates a variety of brands that market CBD in the retail space.

Sativa Wellness Group Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia). The head office, principal address and records office of the Company are located at 503-905 West Pender St., Vancouver, British Columbia, V6C 1L6.

On September 11, 2020, the Company changed its name from StillCanna Inc. to Sativa Wellness Group Inc. and now trades on the Canadian Securities Exchange (the "CSE"), on the Aquis Exchange in London, UK (the "AQSE") under the symbol "SWEL", on the OTC US under the symbol "SCNNF" and on the OTC in Frankfurt under the symbol "484".

On September 24, 2020, the Company acquired all of the issued and outstanding shares of Sativa Group Plc. ("Sativa") through a share exchange at a ratio of approximately 0.33507 common shares of the Company for one common share of Sativa. (Note 6). Sativa Group Plc had a number of subsidiary operating companies including Goodbody Botanicals Ltd and Phytovista Laboratories Ltd.

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2021.

2. BASIS OF PRESENTATION

The consolidated financial statements for the year ended December 31, 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations by the IFRS Interpretations Committee.
The Company's significant accounting policies are further described below.

Basis of measurement

These consolidated financial statements are presented in British pounds. These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(Expressed in GBP except where otherwise noted)

Basis of consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	Ownership Interest	
		December 31, 2020	December 31, 2019
Borganic	Romania	100%	—
Olimax	Poland	100%	—
Olimax RE	Poland	100%	—
Sativa Group	England	100%	—
Goodbody Botanicals	England	100%	—
Phytovista Laboratories	England	100%	—
Sativa GMBH	Germany	60%	—
Goodbody Wellness	England	100%	—
Sativa Cultivation and Extraction	England	100%	—

As discussed in Note 7, the acquisition of Sativa Group Plc was considered a reverse acquisition for accounting purposes, with Sativa Wellness Group Inc. (Formerly Stillcanna Inc.) identified as the acquirer. As such, the consolidated financial statements as at December 31, 2010 and for the year ended December 31, 2020 include results of Sativa Group Plc over the period along with the results of Sativa Wellness Group Inc. (Formerly Stillcanna Inc.) for the period from the date of acquisition, September 24, 2020 through December 31, 2020. The shareholders' equity accounts reflect capital activity related to Sativa Group Plc up to the date of the acquisition. As of the date of the acquisition, the shareholders' equity accounts were effectively recapitalized, reflecting the share capital structure of the Company from the date of the acquisition onward. The comparative financial statements as of December 31, 2019 and for the year ended December 31, 2019 reflect the financial position and results of Sativa Group Plc based on its position as the acquiring company for accounting purposes in the reverse acquisition. All intercompany transactions, unrealized gains from intercompany transactions and balances have been eliminated on consolidation.

Use of estimates and judgements.

The preparation of these consolidated financial statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions which are used to create these estimates are reviewed on an ongoing basis by the Company's management. Any revisions to accounting estimates are recognized in the period which the estimates are revised and in any future periods effected.

(a) Business combinations

Management uses judgement when determining whether an acquisition constitutes a business combination, or an acquisition of assets based on the facts and circumstances of the transaction by comparison to the criteria listed in IFRS 3 – Business Combinations. In order to determine the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions.

(c) Plant and equipment

Estimates of the useful lives of plant and equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to technical or commercial obsolescence, not electing to exercise renewal options on Leases, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets.

(d) Share-based compensation

The Company uses the Black-Scholes Option-Pricing Model to determine the grant date fair value of share-based compensation. The following assumptions are used in the model:

- Expected volatility;
- Risk-free interest rate;
- Fair value (based on its share value as though it was vested at the grant date); and
- Expected option life.

(e) Critical judgments in determining the lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event of a significant changes in circumstance occurs which affects this assessment.

(f) Segments

The Company evaluated the business activities from which it earns revenues and incurs expenses, at which level the operating results are reviewed by the chief operating decision maker and for which discrete financial information is available. The Company has determined that it currently operates in one segment, the sale of cannabinoid products and clinic and cannabinoid testing. This is because all its services relate to the wellness market and can be targeted together at a simile customer base for end products and services. Additionally, the group is managed by a single board with a group wide CEO so decisions are taken by the same decisions makers for all businesses within the group.

However due to the different nature of the CBD business and the clinic services, these two revenue streams may at some point in the future start to be planned and managed more individually over time. Therefore this judgment will be kept under review.

(g) Intangible Assets and Goodwill

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required in identifying indicators of impairment and in identifying the Company's cash generating units ("CGUs"). Judgements and estimates are required are also required in forecasting the future cash generation, the appropriate weighted average cost of capital to apply for discounted cashflows.

The recent reverse acquisition of the Stillcanna group created both intangible assets and goodwill. The customers of Olimax, the main operating company of the group, had customers that although limited in numbers, were all regular and their sales expected to grow. It was estimated that benefits would be seen for at least 3 years from the growth of these initial customers and that forecast cashflows from this growth were realistic. However, the company had only a limited trading history so these assumptions could be incorrect. This was a similar risk in relation to the goodwill element derived from the transaction, although synergies with the existing business bringing cost reductions and enabling the novel food registration process to be completed were also taken into consideration. There is a risk however that these benefits will not be as material as forecast.

Existing Goodwill from earlier acquisitions were also tested using future discounted cashflows of both Phytovista Laboratories Ltd and Goodbody Botanicals Ltd. Phytovista is forecast a steady growth, having recently obtained the laboratory ISO27001, allowing it to attract new customers that require this accreditation. This however will also be a more expensive service so there may be some increased attrition of existing customers.

Goodbody Botanicals has seen significant growth due to its COVID testing business. The cashflow forecasts have assumed alternative testing will be secured to replace the COVID testing service but there is risk in this assumption that is will be unable to maintain these levels of revenue.

(h) Going Concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account known future information, including whether events or conditions create material uncertainties that may cast significant doubt on the ability to continue as a going concern.

The outbreak of the coronavirus known as "COVID-19", spread across the globe in 2020 and impacted worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, caused material disruption to business globally resulting in an economic slowdown. Global equity markets experienced significant volatility and weakness. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

However, during the period covered by these consolidated financial statements, the outbreak and the related mitigation measures had the following impacts on the Company's operations, among others: temporary closure of business locations, supply chain issues, and decrease in sales. The extent to which these events may further impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, United Kingdom, Poland and other countries to contain and treat the disease.

The business was however, able to respond to the pandemic in the UK by offering COVID-19 testing which has in fact had a positive impact on the revenue and cashflows of the business.

It is therefore not considered necessary for these consolidated financial statements to reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Further, management has concluded that there are no material uncertainties that may cast significant doubt on the ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

Effective January 1, 2020, the Company has adopted the amendments to IFRS 3 which clarifies whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties.
The amendments do not have any impact on the Company's consolidated financial statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss.

(b) Plant and Equipment

Plant and equipment is measured at cost, net of accumulated depreciation and any impairment losses. Construction costs, including borrowing costs, that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized. Depreciation is recognized on a straight line and declining basis according to the perceived loss in value using the following rates:

Furniture and fittings	3 – 5 years
Computer Equipment	3 – 4 years
Plant and equipment	20% reducing balance/ 4-15 years
Leasehold improvements	2 – 25 years
Transport Equipment	7 – 8 years
Land	Nil
Buildings	25 years

Factors including residual value, useful lives and depreciation methods for each class of plant and equipment are reviewed at least annually and adjusted when appropriate. When individual parts of equipment have determinable useful lives, which differ from the asset as a whole, they are accounted for as separate items of plant and equipment. Land is not depreciated. Due to the reverse acquisition during the year some depreciation polices vary from company to company within the group especially relating to plant and equipment. These policies will be aligned in 2021.

Gains and losses on disposal of items of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item at the date of disposal and recognized in profit or loss. Assets and construction in progress are transferred to building, production equipment, and building improvements when available for use, which is defined as when they are in the location and condition necessary to be capable of operating in the manner intended by management, and depreciation of the asset commences at that point.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Inventory

Inventory consists of hemp raw materials, other raw ingredients and cannabinoid finished products that are carried at the lower of cost or net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value.

Raw materials held for use in production are not written down below acquisition or cost of production if the products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding costs and professional fees required to obtain licenses or IP, including purchased logos and customers gained through merger, evaluated as having a market value, are not capitalized and expenditures are reflected in the consolidated statements of loss and comprehensive loss in the period which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the intangible assets and are amortized over 3-10 years.

Customer relationships	3 years
Brands	10 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill is only recognized as part of business combinations and is an asset representing the future economic benefits produced by assets acquired in a merger or acquisition that are not individually recognised. Whether goodwill is impaired is assessed each year. Goodwill is measured at historical cost less any impairment losses. Goodwill is not amortized but is systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment. An increase in interest rates, a drop-in sales or in operating profit are some of the indicators of impairment that management monitors.

(f) Shared-based payments

The Company operates a stock option plan. The Company may grant stock options to buy capital stock of the Company to directors, officers, consultants and employees from time to time. The board of directors grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received unless that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted. Amounts related to the issuance of Shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(g) Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised, or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is calculated by dividing income available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

(i) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in British Pounds which is the main operating companies functional and presentation currency. The functional currency of Olimax and Olimax RE, subsidiaries that have operations in Poland, is the Polish Zloty. The functional currency of Sativa Wellness Group and Borganic is the Canadian dollar. The functional currency of Sativa Group, Goodbody Botanicals and Phytovista Laboratories, subsidiaries with operations in the UK, is British Pounds.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash generating unit is the smallest group of assets for which there are separate identifiable cash flows.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized with respect to goodwill cannot be subsequently reversed.

(k) Revenue recognition

Under IFRS 15, revenue is to be recognized in a manner that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances. The standard also specifies the accounting for the incremental cost of obtaining a contract and the costs directly related to fulfilling a contract.

Performance obligations for the contracts that the Company enters into are completed in less than twelve months, and as such, the Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations as the original expected durations are one year or less.

Revenue is recognized when control of the goods or services provided has transferred to the purchaser and the collectability is reasonably assured. Revenues are recorded net of VAT and other sales related taxes as well as net of any trade discounts and volume rebates. For product sales of cannabis and cannabis derivative products, control is transferred when goods have been shipped. For clinic and cannabinoid testing, the Company satisfies the performance obligations at the point in time when testing takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The following table shows the classification under IFRS 9:

Financial asset/ liability	Classification IFRS 9
Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease obligations	Amortized cost
Other current assets	Amortized cost
Other current liabilities	Amortized cost

Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

Financial assets at FVTPL

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

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Expected credit losses

The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

(o) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Provisions are also recognized where there is a reasonable probability that assets being held, such and stock or trade debtors, will not achieve the expected value in the consolidated financial statements. These provisions will reduce the value to a more likely value.

(p) Leases

The Company recognizes a right of use asset and a lease liability at the lease commencement date in accordance with IFRS 16. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentive received. The right of use asset is subsequently depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The right of use asset may be adjusted for certain remeasurements of the lease liability and impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with reasonable similar characteristics. The lease liability is measured at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the Company's assessment of whether it will exercise a purchase, extension or termination option. Leases that have a term of less than 12 months or leases with an underlying asset of low value are recognized as expenses to profit or loss.

(q) Future Standards

The following new standards have been issued but as at December 31, 2020 were not yet relevant to the Company. None of these standards or amendments to existing standards have been adopted early by the Company. These standards and amendments are not expected to be relevant or have a material impact to the Company's financial statements:

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. The amendments include specifying the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and expectations about events after the balance sheet date are not relevant. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On May 14, 2020, the IASB issued amendments to IFRS 3 Business Combinations that added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022.The Company completed a business combination in the year, but the Company expects to adopt the amendment to be applied for future business combinations.

On August 27, 2020, the IASB issued 'Interest Rate Benchmark Reform—Phase 2' which amend IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 16 Leases. The amendments require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segments

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company evaluated the business activities from which it earns revenues and incurs expenses, at which level the operating results are reviewed by the chief operating decision maker and for which discrete financial information is available. The Company operates in one segment, the sale of cannabinoid products and clinic and cannabinoid testing.

4. REVENUE DISAGGREGATION

	Products	Clinic Testing	CBD Testing	Wholesale	Period ended 31 December
	2019	**2019**	**2019**	**2019**	**2019**
	£	**£**	**£**	**£**	**£**
Gross sales	1,226,440	-	326,950	-	1,553,390
Inter-company sales	(82,828)	-	(21,069)	-	(103,897)
Net revenue	1,143,612	-	305,881	-	1,449,493
	2020	**2020**	**2020**	**2020**	**2020**
	£	£	£	£	£
Gross sales	1,292,464	408,279	271,158	60,558	2,032,459
Inter- company sales	(5,387)	-	(16,566)	(16,282)	(38,235)
Net revenue	1,287,077	408,279	254,592	44,276	1,994,224

The majority of sales are derived from the UK. Clinic sales are currently exclusively in the UK and only a small percentage of product and CBD testing were derived from the EU in 2020. Wholesale was more evenly split but was a relatively small revenue stream in the year as it was a newly purchased part of the group. As the business grows the plan is to increase European sales in CBD testing, products, and wholesale of raw materials. The only business with a small number of major customers is the wholesale extraction business which as mentioned previously in the smallest revenue stream currently.

(Expressed in GBP except where otherwise noted)

5. GENERAL AND ADMIN COSTS

	2020	2019
	£	£
Sales and Marketing	539,977	471,890
Professional Fees	1,273,132	654,913
Staff costs	1,425,670	1,378,929
Infrastructure	381,952	335,835
Operational	191,761	44,941
Travel and Entertaining	39,419	149,508
Regulatory	188,537	110,000
Acquisition costs	226,253	-
Admin and financial	145,912	166,824
Net other Expenses	176,199	5,127
Total General and Admin Costs	4,588,812	3,317,967

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist of the following:

	2020	2019
	£	£
Cash held in banks	1,288,705	1,992,531
Guaranteed investment certificate	583,892	-
	1,872,597	1,992,531

7. BUSINESS COMBINATION

Acquisition of Sativa Group

On September 24, 2020, the Company closed its reverse acquisition (the "Transaction") with Sativa Group Plc by acquiring a 100% equity interest from the shareholders of Sativa Wellness Group Inc. (Formerly Stillcanna Inc.). The Company acquired all of the shares of Sativa Group Plc in exchange for the issuance of 190,718,214 common shares. The shares were issued using a share exchange ratio of 0.33507 New Sativa Wellness Group Inc Shares in exchange for each Sativa Group Plc Share.

Pursuant to a share exchange arrangement (the "Arrangement"), the Company acquired all of the outstanding shares of Sativa Group Plc. As a result of the Transaction, Sativa Group Plc became a wholly owned subsidiary.

(Expressed in GBP except where otherwise noted)

7. BUSINESS COMBINATION (continued)

At the time of the acquisition, Sativa Group Plc determined that Sativa Wellness Group Inc. (Formerly Stillcanna Inc.) constituted a business as defined under IFRS 3, Business Combinations, and that it met the criteria for a reverse acquisition so accounted for it as such. Therefore, Sativa Group Plc for reporting purposes is the accounting acquirer. The purchase consideration is comprised of shares, options, and warrants which were measured at fair value on the date of acquisition. The Sativa Wellness Group Inc. (Formerly Stillcanna Inc.) shares (110,874,727 common shares) fair value was determined to be a Level 2 fair value measurement of £6,068,355 based on the five-day average market price following commencement of trading on September 30, 2020. The Sativa Wellness Group Inc. (Formerly Stillcanna Inc.) options and warrants outstanding at the acquisition date were also valued and included in the total consideration paid.

The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

Consideration paid:	£
Common shares	6,068,355
Value stock options outstanding stock options	37,262
Value stock options outstanding warrants	79,880
Total consideration paid	**6,185,497**
Assets	
Cash and cash equivalents	562,019
Short term investment	1,913,598
Accounts receivable	76,140
Inventories / Assets held for sale	289,094
Plant and equipment	2,896,380
Assets under finance lease	45,949
Intangible assets – Customers	800,000
Refundable taxes	254,901
Other assets	140,812
Goodwill	142,900
Total assets	**7,121,793**
Liabilities	
Accounts payable	(620,107)
Other payables	(118,242)
Deferred tax liability	(152,000)
Lease liability	(45,948)
Total liabilities	**(936,297)**
Net assets acquired	**6,185,497**

The revenue included in the reporting period representing September 24, 2020 to December 31, 2020 for the acquiree is £44,277 and the loss was £1,272,342. The revenue generated by the combined entity for the whole year was £2,262,713 .

(Expressed in GBP except where otherwise noted)

The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company. Goodwill is not deductible for tax purposes.

The Company granted 1,000,000 common shares as a finder's fee with a fair value of $95,000. This cost was expensed to profit and loss.

8. INVENTORIES

	December 31, 2020	December 31, 2019
	£	£
Raw materials	**126,198**	64,751
Hemp oil products	**20,287**	-
Finished goods and goods for resale	**231,883**	143,000
	378,368	207,751

During the year ended December 31, 2020, the Company tested inventories for impairment and wrote down inventory to its net realizable value, which resulted in a total impairment of £74,129 including a provision of £19,069 and stock write off £55,060.

Inventory expensed to cost of sales during the year ended December 31, 2020 amounted to £609,537 (December 31, 2019 - £429,661).

(Expressed in GBP except where otherwise noted)

9. PLANT AND EQUIPMENT

Cost:	Furniture and fittings £	Computer Equipment £	Leasehold improvements £	Plant and equipment £	Transportation equipment £	Land £	Buildings £	Assets under construction £	Total £
Balance, January 1, 2019	12,000	23,000	127,000	211,000	-	-	-	-	373,000
Additions	21,895	86,954	198,694	170,750	-	-	-	38,507	516,800
Disposals	-	(1,580)	-	(10,530)	-	-	-	-	(12,110)
Balance December 31, 2019	33,895	108,374	325,694	371,220	-	-	-	38,507	877,690
Additions	6,696	60,937	77,243	(6,368)	-	-	72,389	-	210,897
Additions through business combination (Note 7)	-	10,006	8,766	746,848	21,407	4,178	12,064	2,093,111	2,896,380
Transfer from capital WIP	-	-	-	1,509,750	-	-	484,305	(1,994,055)	-
Disposals	(15,985)	(77,185)	(194,173)	(31,555)	(596)	(116)	-	(39,643)	(359,253)
Balance, December 31, 2020	24,606	102,132	217,530	2,589,895	20,811	4,062	568,758	97,920	3,625,714

(Expressed in GBP except where otherwise noted)

Accumulated depreciation:	**Furniture and fittings**	**Computer Equipment**	**Leasehold improvements**	**Plant and equipment**	**Transportation equipment**	**Land**	**Buildings**	**Assets under construction**	**Total**
	£	£	£	£	£	£	£	£	£
Balance, January 1, 2019	1,000	3,000	7,000	18,400	-	-	-	-	29,400
Depreciation	5,563	22,687	78,835	62,389	-	-	-	-	169,474
Disposals	-	-	-	(1,780)	-	-	-	-	(1,780)
Balance, December 31, 2019	6,563	25,687	85,835	79,009	-	-	-	-	197,094
Disposals	(8,829)	(30,987)	(103,019)	(7,832)	-	-	-	-	(150,667)
Depreciation	10,621	43,292	81,071	108,383	886	-	2,096	-	246,349
Balance, December 31, 2020	8,355	37,992	63,887	179,560	886	-	2,096	-	292,776
Impairment	-	-	10,000	-	-	-	-	-	10,000
Net book value, December 31, 2019	27,332	82,687	229,859	292,211	-	-	-	38,507	670,596
Net book value, December 31, 2020	**16,251**	**64,140**	**153,643**	**2,410,335**	**19,925**	**4,062**	**566,661**	**97,921**	**3,332,938**

(Expressed in GBP except where otherwise noted)

Geographical Location:	Furniture and fittings	Computer Equipment	Leasehold improvements	Plant and equipment	Transportation equipment	Land	Buildings	Assets under construction	Total
	£	£	£	£	£	£	£	£	£
United Kingdom	27,332	82,687	229,859	292,211	-	-	-	38,507	670,596
Balance, December 31, 2019	27,332	82,687	229,859	292,211	-	-	-	38,507	670,596
Poland	-	-	-	2,168,195	19,925	4,062	566,661	97,921	2,856,764
United Kingdom	16,251	64,140	153,643	242,140	-	-	-	-	476,174
Balance, December 31, 2020	16,251	64,140	153,643	2,410,335	19,925	4,062	566,661	97,921	3,332,938

(Expressed in GBP except where otherwise noted)

10. RIGHT OF USE ASSETS

Cost:	Transportation Equipment £	Equipment £	Building £	Total £
Balance, December 31, 2019	—	8,934	615,518	624,452
Additions through business combination	44,668	-	—	44,668
Exchange differences	—	—	13,534	13,534
Balance, December 31, 2020	44,668	8,934	629,052	682,654
Accumulated depreciation:				
Balance, December 31, 2019	-	3,043	84,973	88,016
Disposals	-	-	(68,648)	(68,648)
Depreciation	6,636	2,979	145,548	155,163
Balance, December 31, 2020	6,636	6,022	161,873	174,531
Net book value, December 31, 2019	**-**	**5,891**	**530,545**	**536,436**
Net book value, December 31, 2020	**38,032**	**2,912**	**467,179**	**508,123**

11. ASSETS HELD FOR SALE

	Total
Cost:	£
Balance, December 31, 2019	—
Assets transferred on business combination	243,797
Balance, December 31, 2020	243,797

As at December 31, 2020 the Company had excess electricity generating equipment that was held for sale. The Company valued the equipment at fair value less cost of disposal and is working with the manufacturer of the equipment to actively sell the equipment.

(Expressed in GBP except where otherwise noted)

12. INTANGIBLE ASSETS AND GOODWILL

	Customer Relationships	Brands	Intangible Assets	Goodwill	Total
Cost:	£	£	£	£	£
Balance, January 1, 2019	-	-	-	572,072	572,072
Additions	-	-	-	-	-
Balance, December 31, 2019	-	-	-	572,072	572,072
Additions	-	35,000	35,000	-	35,000
Additions from the business combination (Note 7)	800,000	-	800,000	142,900	942,900
Balance, December 31, 2020	800,000	35,000	835,000	714,972	1,549,972
Accumulated depreciation:					
Balance, January 1, 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance, December 31, 2019	-	-		-	-
Depreciation	(66,667)	(3,208)	(69,875)	-	(69,875)
Balance, December 31, 2020	(66,667)	(3,208)	(69,875)	-	(69,875)
Net book value, December 31, 2019	-	-		572,072	572,072
Net book value, December 31, 2020	**733,333**	**31,792**	**765,125**	**714,972**	**1,480,097**

The above intangible assets and goodwill were acquired upon the acquisition of Sativa Group Plc (Note 7) on September 24, 2020 and on the acquisitions of Goodbody Botanicals Ltd in June 22, 2018 and Phytovista Laboratories Ltd in July 2, 2018. The key assumptions used to calculate the fair value of these intangible assets include discount rates, growth rates and margins. The cost of goodwill is calculated as the excess of purchase price of the acquired business over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separate identifiable cash flows.

For purposes of impairment testing, goodwill has been allocated to the Goodbody Botanicals Ltd, Phytovista Laboratories Ltd and Olimax NT CGU's. The recoverable amount of the CGUs was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

Goodbody Botanicals Ltd
The key assumptions used in the estimation of value in use for the Goodbody Botanicals Ltd (total goodwill - £301,069) CGU were as follows: pre-tax discount rate - 15%, a flat (0%) terminal value growth rate beyond year 5, budgeted revenue growth rate (averages) - 19%, EBITDA margin (averages) - 14%, cash flow period - 5 years. The cash flow projections included specific estimates for

(Expressed in GBP except where otherwise noted)

five years and a terminal growth rate thereafter. The terminal growth rate was assumed to be 0%, flat based on management's prudent approach to impairment testing. Budgeted EBITDA margin was estimated taking into account the revenue history of the past three years and estimated sales volumes over the next five years.

The recoverable amount of the Goodbody Botanicals Ltd CGU was determined to be higher than the carrying amount of the CGU and there was no impairment.

Phytovista Laboratories Ltd
The key assumptions used in the estimation of value in use for the Phytovista Laboratories Ltd CGU (total goodwill - £271,003) were as follows: pre-tax discount rate - 13%, a flat (0%) terminal value growth beyond year 3, budgeted revenue growth rate (averages) - 59%, EBITDA margin (averages) - 27%, cash flow period - 3 years. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was assumed to be 0%, flat based on management's prudent approach to impairment testing. Budgeted EBITDA margin was estimated taking into account the revenue history of the past three years and estimated sales volumes over the next three years.

The recoverable amount of the Phytovista Laboratories Ltd CGU was determined to be higher than the carrying amount of the CGU and there was no impairment.

Olimax NT
The key assumptions used in the estimation of value in use for the Olimax CGU (total goodwill - £142,900) were as follows: pre-tax discount rate - 15%, a flat (0%) terminal value growth rate beyond year 5, budgeted revenue growth rate (averages) - 88% from 2022 to 2025, EBITDA margin (averages) 17%, cash flow period - 5 years. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was assumed be 0%, flat based on management's prudent approach to impairment testing. Budgeted EBITDA margin was estimated taking into account the revenue history of the past 6 months and estimated sales volumes over the next five years.

The recoverable amount of the Olimax NT CGU was determined to be higher than the carrying amount of the CGU and there was no impairment.

13. LEASE OBLIGATIONS

	December 31, 2020	**December 31, 2019**
Gross lease liabilities – minimum lease payments:	£	£
No later than 1 year	181,267	201,919
Later than 1 year and no later than 5 years	340,083	495,796
	521,350	697,715
Future interest charges on lease liabilities	(21,710)	(77,106)
Present value of lease liability	499,640	620,609
Current	168,919	169,945
Non-current	330,721	450,664

(Expressed in GBP except where otherwise noted)

14. SHARE CAPITAL

a. Authorized: unlimited common shares without par value
unlimited preferred shares without par value

b. Issued and Outstanding:

On September 24, 2020, the Company acquired all of the issued and outstanding shares of Sativa Group Plc (“Sativa”) in exchange for 190,718,214 common shares of the Company, through a share exchange at a ratio of approximately 0.33507 common shares of the Company for one common share of Sativa.

The exchange ratio attributed a fair value for the entire issued share capital of Sativa of £6,068,355 based on the five-day average market price following commencement of trading on September 30, 2020. The fair value was determined to be a Level 2 fair value measurement based on the five-day average market price following commencement of trading on September 30, 2020.

In connection with the acquisition, the Company also issued 1,000,000 common shares for financial advisory services, the value of which, based on the $0.095 at the date trading ceased, was charged through equity.

On September 24, 2020, the Application for Sativa Wellness Group Inc. officially combining the operations of Sativa Group PLC and Sativa Wellness Group Inc. was concluded. The shares of Sativa Wellness Group Inc. (formerly, Stillcanna Inc.) resumed trading on the CSE at the market open on September 30, 2020. Trading resumed on the CSE under a new symbol “SWEL”.

On December 23, 2019 Sativa Group issued 34,500,000 units at £0.04 through a placement. Each unit was a common share and warrant with an exercise price of 4.5p shares for proceeds of £1,380,000

Stock options*:*

During the year ended July 31, 2018, the Board approved the adoption by the Company of a new fixed number share option plan (the “Fixed Option Plan”), subject to shareholder and regulatory approval. The Fixed Option Plan is designed to provide certain directors, officers and other key employees of the Company with incentive share options at the discretion of the Board. Options are to be granted at the discretion of the Board to Service Providers as defined in the Fixed Option Plan. Capitalized terms used but not defined have the meanings ascribed to them in the Fixed Option Plan.

A summary of the Company’s stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price $	Weighted Average Exercise Price £
Balance December 31, 2018	2,165,000	0.40	0.23
Exercised, March 25, 2019	(125,000)	0.19	0.11
Exercised, March 29, 2019	(125,000)	0.19	0.11
Exercised, April 5, 2019	(80,000)	0.19	0.11
Granted, May 27, 2019	1,800,000	1.23	0.72

(Expressed in GBP except where otherwise noted)

Balance December 31, 2019	3,635,000	0.83	0.48
Exchanged Sativa Group Plc options on merger Sep 30, 2020	39,793,000	0.044	0.03
Expired, September 30, 2020	(35,000)	0.20	0.12
Expired, September 30, 2020	(150,000)	0.19	0.11
Expired, September 30, 2020	(300,000)	0.63	0.37
Expired, September 30, 2020	(800,000)	1.23	0.72
Expired, December 31, 2020	(400,000)	0.63	0.37
Expired, December 31, 2020	(700,000)	1.23	0.72
Balance, December 31, 2020	41,043,000	0.06	0.03

As of December 31, 2020, the following stock options were outstanding:

Number of Options Outstanding	Exercise Price $	Exercise Price £	Expiry Date	Vesting Criteria	Number of Common Shares Vested
27,207,970	0.02509	0.01464	June 3, 2025	Vested	27,207,970
4,188,375	0.02509	0.01464	March 1, 2023	Vested	4,188,375
335,070	0.05018	0.02928	January 12, 2023	Vested	335,070
600,000	0.19	0.11087	July 31, 2023	Vested	600,000
350,000	0.63	0.36762	October 23, 2023	Vested	350,000
300,000	1.23	0.71773	May 27, 2024	Vested	300,000
1,122,485	0.07528	0.04393	March 30, 2030	1/3, 1/3, 1/3 over 3 years	374,162
1,489,201	0.11291	0.06589	March 30, 2030	2 Years	-
1,638,120	0.11291	0.06589	March 30, 2030	1/3, 1/3, 1/3 over 3 years	546,040
223,380	0.11291	0.06589	March 30, 2030	Vested	223,380
744,600	0.11291	0.06589	March 30, 2030	Vested	744,600
25,775	0.32619	0.19034	December 05, 2021	3 Years	-
309,295	0.32619	0.19034	March 30, 2030	½ 03/30/2021 ½ 03/30/2022	103,098
51,549	0.32619	0.19034	March 30, 2030	Vested	51,549
1,477,745	0.11542	0.06735	July 16, 2020	1/3, 1/3, 1/3 over 3 years	-
979,435	0.11793	0.06881	July 16, 2020	1/3, 1/3, 1/3 over 3 years	-
41,043,000					35,024,244

The weighted average exercise price and weighted average life are $0.1129 and 4.69 years, respectively. As of December 31, 2020, 35,024,244 stock options are exercisable.

For each accounting period the options fair value is calculated using the Black-Scholes Option Pricing Model using the following input assumptions:

(Expressed in GBP except where otherwise noted)

Risk-free interest rate	0.9%
Estimated life	5 year
Expected volatility	100%
Expected dividend yield	0%

Expected Volatility was determined based on an assessment of volatility measures from a peer group of comparable public companies in North America.

Purchase warrants:

A summary of the Company's warrant activities is as follows:

	Warrants Outstanding	Weighted Average Exercise Price $	Weighted Average Exercise Price £
Balance, December 31, 2018	13,571,200	0.34	0.20
Exercised, January 28, 2019	(25,000)	0.10	0.06
Exercised, February 06, 2019	(260,000)	0.10	0.06
Exercised, March 22, 2019	(265,000)	0.10	0.06
Exercised, March 25, 2019	(100,000)	0.10	0.06
Exercised, March 26, 2019	(97,433)	0.50	0.29
Exercised, March 26, 2019	(150,000)	0.10	0.06
Exercised, March 29, 2019	(131,372)	0.50	0.29
Exercised, April 05, 2019	(7,500)	0.50	0.29
Exercised, April 10, 2019	(510,000)	0.10	0.06
Exercised, April 30, 2019	(27,500)	0.50	0.29
Exercised, May 03, 2019	(69,000)	0.50	0.29
Exercised, May 15, 2019	(142,000)	0.50	0.29
Issued, May 7, 2019	12,076,925	1.73	1.01
Exercised, May 27, 2019	(114,000)	0.50	0.29
Exercised, June 06, 2019	(250,000)	0.50	0.29
Exercised, June 10, 2019	(200,000)	0.10	0.06
Exercised, July 10, 2019	(300,000)	0.10	0.06
Exercised, August 06, 2019	(162,500)	0.10	0.06
Exercised, August 09, 2019	(80,000)	0.10	0.06
Exercised, August 23, 2019	(80,000)	0.50	0.29
Exercised, August 26, 2019	(600,000)	0.50	0.29
Exercised, October 08, 2019	(215,500)	0.50	0.29
Exercised, October 09, 2019	(892,335)	0.50	0.29
Exercised, October 10, 2019	(1,020,000)	0.50	0.29
Expired, October 10, 2019	(4,774,560)	0.50	0.29
Balance, December 31, 2019	15,174,425	1.39	0.81
Expired, May 7, 2020	(12,076,925)	1.73	1.01
Issued, September 30, 2020	10,328,535	0.242	0.14
Balance, December 31, 2020	13,426,035	0.201	0.12

(Expressed in GBP except where otherwise noted)

During the year ended December 31, 2020, the Company issued nil common shares for exercise of warrants for proceeds of £nil.

During the year ended December 31, 2019, the Company issued nil common shares for exercise of warrants for proceeds of $nil.

As of December 31, 2020, the following warrants were outstanding and exercisable:

Number of Warrants Outstanding	Exercise Price $	Exercise Price £	Expiry Date	Number of Common Shares Issuable
3,097,500	0.10	0.06	January 12, 2023	3,097,500
10,328,533	0.242	0.14	December 18, 2022	10,328,533
13,426,033				13,426,033

The weighted average exercise price and weighted average life are £0.12 and 1.98 years, respectively.

15. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value of cash, cash equivalents, trade receivables, accounts payable, accrued liabilities, and other current liabilities approximate fair value due to the short-term nature of the financial instruments. Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk is the measure of the credit worthiness of the borrowing and the possibility of resulting loss which arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash and cash equivalents are held with major Canadian and UK. The board takes a low risk approach to cash equivalents and they are held in low risk investment accounts.

(Expressed in GBP except where otherwise noted)

Currency and foreign exchange risk

Currency risk is the possibility of losing money due to unfavorable moves in exchange rates. A portion of the Company's financial assets and liabilities are denominated in other currencies, mainly Polish Zloty and Canadian Dollars. Cash is also generated in different currencies than required to meet costs. The Company monitors this exposure and plans the exchange of cash between currencies to utilise the best available rates in advance but has no hedge positions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than ninety days. The Company prepares monthly forecasts and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020:

	Within 12 months £	After 12 months £
Accounts payable and accrued liabilities	1,066,908	-
Lease liability	168,919	330,721
Other liabilities	206,499	-
Deferred tax	152,000	-
Total	1,594,326	330,721

16. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth of the business and finance future expansion while maintaining strong creditor relationships and shareholder return. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the year to December 31, 2020.

(Expressed in GBP except where otherwise noted)

17. RELATED PARTY TRANSACTIONS

The Company has determined that its key management personnel consist of executive and non-executive directors of the Company and corporate officers.

The remuneration of directors and key management personnel for the year to December 31, 2020 and 2019 was as follows:

		Year ended	
		December 31, 2020	**December 31,2019**
Wages and salaries to Directors and key management	£	570,881	323,065
Directors Fees	£	139,033	193,000
Share-based compensation	£	1,016,986	286,984
	£	**1,726,900**	**803,049**

Other related party transactions for the year to December 31, 2020 and 2019 was as follows:

		Year ended	
		December 31, 2020	**December 31,2019**
Recharged expenses - Carbon Managers	£	2,840	6,561
Corporate Entertainment - Dairy House Farm Estate	£	3,000	11,500
Consultant fees – Carbon Managers	£	60,000	-
Rent-Carbon Managers	£	120,000	110,000
	£	**185,840**	**128,061**

Both Dairy House Farm Estate and Carbon Managers are owned by Geremy Thomas a Director and Executive Chairman. No amounts were owed to related parties as at December 31, 2020.

During 2020 14,184,630 options were issued to key management staff (excluding reissues).

During 2019 7,076,923 options, equivalent to 2,371,265 in the new combined company, were issued to key management staff.

(Expressed in GBP except where otherwise noted)

18. INCOME TAX

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

	December 31, 2020 £	December 31, 2019 £
Loss for the year	(4,786,932)	(3,797,528)
Tax at domestic rates in country concerned	(973,217)	(569,823)
Expenses not deductible for tax purposes	82,392	102,000
R&D tax credits	(123,753)	-
Change in deferred taxes not recognised	1,142,750	467,823
		-
Income tax recovery	128,172	-

Temporary differences that give rise to the following deferred tax asset and liabilities are:

	December 31, 2020 £	December 31, 2019 £
Share issuance costs	156,668	-
Tax Losses	1,488,868	946,044
Set off against deferred tax liabilities	(94,558)	(94,369)
Deferred tax assets not recognised	(1,550,978)	(851,675)
Deferred tax assets	-	-
Fixed Assets	(94,558)	(94,369)
Intangible Assets	(152,000)	-
Set-off against deferred tax assets	94,558	94.369
Deferred tax liabilities	(152,000)	-

The Company has non-capital losses in Canada of	688,341	That will expire in 2040
The Company has non-capital losses in Poland of	1,155,109	That will expire in 2025
The Company has non-capital losses in the UK of	5,702,868	That will not expire

19. SUBSEQUENT EVENTS

Effective August 19, 2020, Borganic, the Company's wholly owned subsidiary, terminated its Joint Venture agreement dated December 4, 2018 with Dragonfly Biosciences Limited ('Dragonfly'). In March 2021 there was a settlement agreement between Sativa Wellness Group and Dragonfly and all and all claims were revoked. This agreement included a £200K cash settlement received in and passed over the control of the Romanian facility to Dragonfly Biosciences Limited for and agreed value and included an agreement for the ongoing commercial supply of CBD in March 2021.

In April 2021 a private placement was offered. It was agreed to be in two tranches to issue . At the date of the signing of these accounts the first tranche had completed to issue 45,888,730 units at $0.07875 consisting of one common share and half a warrant per unit. Each warrant entitles the holder to purchase one share as C$0.105 until March 2023. In addition, placement fees were paid as 2,531,098 units plus 2,531,098 placement warrants. Gross proceeds were C$3,813,061.