

DUCKHORN VENTURES LTD.

Financial Statements
(Expressed in Canadian Dollars)
For the year ended December 31, 2020 and
for the period from incorporation on
March 25, 2019 to December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Duckhorn Ventures Ltd.

Opinion

We have audited the accompanying financial statements of Duckhorn Ventures Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year ended December 31, 2020 and the period from incorporation on March 25, 2019 to December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for year ended December 31, 2020 and the period from incorporation on March 25, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates 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 Information

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

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



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

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

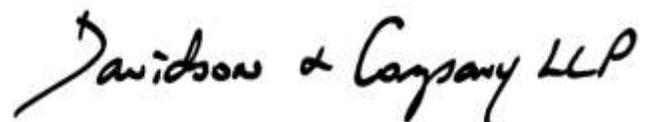
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 Alyson Neil.

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 21, 2021

DUCKHORN VENTURES LTD.
 Statements of Financial Position
 (Expressed in Canadian dollars)
 As at

	December 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash	\$ 830	\$ 3,095
GST receivable	11,317	4,409
Marketable securities (Note 4)	-	10,800
Promissory note receivable (Note 6)	-	206,740
	<u>12,147</u>	<u>225,044</u>
Investment in Enosi (Note 6)	<u>207,452</u>	-
Total Assets	\$ 219,599	\$ 225,044
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 238,436	\$ 98,555
Promissory notes payable (Note 5, 7)	256,413	230,866
	<u>494,849</u>	<u>329,421</u>
Shareholders' Deficiency		
Share capital (Note 8)	124,653	124,653
Share-based payment reserve	6,692	6,692
Deficit	(406,595)	(235,722)
	<u>(275,250)</u>	<u>(104,377)</u>
Total Liabilities and Shareholders' Deficiency	\$ 219,599	\$ 225,044

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on April 21, 2021:

"Scott Ackerman"
 Scott Ackerman – CEO/CFO/Director

"Brent Ackerman"
 Brent Ackerman – Director

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

DUCKHORN VENTURES LTD.Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
Expenses		
Administration expenses	\$ 12,420	\$ 7,792
Filing fees	1,845	1,111
Finance expense (Note 5, 7)	26,597	9,716
Management fees (Note 5)	-	20,000
Professional fees	126,223	87,148
Share-based payments (Note 8)	-	6,692
Transaction costs (Note 8)	-	99,653
	(167,085)	(232,112)
Other Items		
Interest income (Note 6)	712	6,740
Gain on debt settlement	2,700	-
Changes in fair value of investment (Note 4)	(7,200)	(10,350)
Loss and comprehensive loss for the period	\$ (170,873)	\$ (235,722)
Weighted average number of shares outstanding – basic and diluted		
	24,930,500	23,299,178
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

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

DUCKHORN VENTURES LTD.

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total Shareholders' Deficiency
	Number (Note 8)	Amount			
Balance, (incorporation) – March 25, 2019	-	\$ -	\$ -	\$ -	\$ -
Common shares issued - Cash	5,000,000	25,000	-	-	25,000
Common share issued – Plan of arrangement	19,930,500	99,653	-	-	99,653
Share-based payments	-	-	6,692	-	6,692
Loss for the period	-	-	-	(235,722)	(235,722)
Balance, December 31, 2019	24,930,500	\$ 124,653	\$ 6,692	\$ (235,722)	\$ (104,377)
Balance, December 31, 2019	24,930,500	\$ 124,653	\$ 6,692	\$ (235,722)	\$ (104,377)
Loss for the year	-	-	-	(170,873)	(170,873)
Balance, December 31, 2020	24,930,500	\$ 124,653	\$ 6,692	\$ (406,595)	\$ (275,250)

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

DUCKHORN VENTURES LTD.
 Statements of Cash Flows
 (Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
Cash provided by (used in):		
Operating Activities:		
Loss for the period	\$ (170,873)	\$ (235,722)
Item not involving cash:		
Accrued interest income	(712)	(6,740)
Accrued interest expense	26,597	9,716
Share-based payments	-	6,692
Transaction costs (note 8)	-	99,653
Changes in fair value of investment	7,200	10,350
Gain on debt settlement	(2,700)	-
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	145,131	98,555
GST receivable	(6,908)	(4,409)
	(2,265)	(21,905)
Investing Activity:		
Promissory note payable	-	200,000
Promissory note receivable (Note 6)	-	(200,000)
	-	-
Financing Activity:		
Proceeds from share issuance (Note 6)	-	25,000
	-	25,000
Increase (decrease) in cash for the period	(2,265)	3,095
Cash, beginning of the period	3,095	-
Cash, end of the period	\$ 830	\$ 3,095
Supplemental information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
The Company entered into the following non-cash transactions:		
Promissory note issued to settle accounts payable	\$ 5,250	\$ -
Transfer of marketable securities to settle promissory note	\$ 3,600	\$ -
Shares received to settle promissory note	\$ 207,452	\$ -
Note payable issued for marketable securities	\$ -	\$ 21,150

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

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Duckhorn Ventures Ltd. (the “Company” or “Duckhorn”) was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3. The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

On May 29, 2019, ECC Diversified Inc. (“ECC”) completed a strategic reorganization of its assets by way of a plan of arrangement (the “Arrangement”) in which it spun out Duckhorn and other investee subsidiaries. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019. Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued (Note 8).

In August 2019, the Company entered into a non-binding letter of intent (the “LOI”) with Enosi Pharmaceuticals Corp. (“Enosi”) with respect to the proposed acquisition by the Company of all the issued and outstanding equity securities of Enosi, and pursuant to which the Company loaned \$200,000 to Enosi. In January 2020, the parties mutually agreed to terminate the LOI and the Company converted the loan into an equity interest in Enosi. See Note 6 for details of this transaction.

The Company incurred a net loss and comprehensive loss of \$170,873 for the year ended December 31, 2020. As at December 31, 2020, the Company has an accumulated deficit of \$406,595 and a working capital deficiency of \$482,702. Continuing business as a going concern is dependent upon the ability of the Company to obtain additional debt or equity financing, both of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

i. Income tax

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

ii. Stock options

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company’s future operating results or on other components of shareholders’ equity.

iii. Fair value of investments

The Company recognizes its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models. The inputs to these models are derived

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Critical accounting estimates (continued)

from observable market data where possible, but where observable data is not available, judgment is required to establish fair values.

There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

(b) Critical accounting judgment

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

i. Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and financial instruments classified as FVTOCI, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements were authorized by the Audit Committee and the Board of Directors of the Company on April 21, 2021.

(b) Share-based payments

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders’ equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Share-based payments (continued)**

provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(c) Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(d) Income (loss) per share

The Company presents basic and diluted income (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted income (loss) per share is calculated by dividing the income by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share.

(e) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. The Company does not have any provisions for the period presented.

(g) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The measurement of the Company's financial instruments is disclosed in Note 13 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

IFRS 9, *Financial Instruments*

The following is the accounting policy under IFRS 9:

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 determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

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 (loss) in which they arise.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instrument measurement and valuation (continued)

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial instrument	IFRS 9 Classification
Cash	Amortized cost
GST receivable	Amortized cost
Investments	FVTPL
Promissory note receivable	Amortized cost
Accounts payable & accrued liabilities	Amortized cost
Promissory notes payable and loan payable	Amortized cost

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

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

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

4. INVESTMENTS

All of the Company's investments have been classified as FVTPL.

	December 31, 2020		December 31, 2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Publicly traded securities	-	-	10,800	21,150
	-	-	10,800	21,150

Changes in the Company's investments at fair value were as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Opening Balance	10,800	-
Purchase of marketable securities	-	21,150
Disposal of investment (Note 7)	(3,600)	-
Changes in fair value of investments	(7,200)	(10,350)
Ending Balance	-	10,800

Publicly traded securities

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. During fiscal 2020, the Company sold 180,000 common shares of World Class Extractions Inc. ("WCE") with a fair value of \$3,600 to ECC. As consideration, the promissory note between ECC and the Company was reduced by \$6,300, resulting in a gain of \$2,700. See Note 7 for details relating to this promissory note. As at December 31, 2020 the Company did not own any investments in publicly traded securities.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

Summary of expenses incurred:

Nature	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
	\$	\$
Share-based payments	-	5,375
Management fees	-	20,000
Interest on promissory notes	26,597	9,716

The Company has secured promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) (“ESOF2017”) are both shareholders of the Company. During fiscal 2020, an additional \$5,250 was secured from ESOF2017. See Note 7 for details relating to these promissory notes.

During the year ended December 31, 2020, the Company repaid a portion of a promissory note with ECC.

Amount due to related parties included in promissory notes payable:

Nature	Relationship	December 31, 2020	December 31, 2019
Promissory note (ECC)	Shareholder of the Company	\$ 18,535	\$ 22,778
Promissory note (ESOF2017)	Shareholder of the Company	\$ 237,878	\$ 208,088

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

6. INVESTMENT IN ENOSI

ENOSI

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the "Settlement Agreement"), resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 82,500 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company incorporated under the laws of the province of British Columbia that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease.

7. PROMISSORY NOTES PAYABLE

ECC

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of WCE (Note 4) from ECC for an aggregate price of \$21,150, payable by promissory note. This promissory note bears interest at the simple rate of 10% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. During the year ended December 31, 2020 the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700. The Company incurred interest expense of \$2,057 on the promissory note during the year ended December 31, 2020 (2019 - \$1,628). As at December 31, 2020, the promissory note had a balance of \$18,535 (2019 - \$22,778) including accrued interest payable of \$388 (2019 - \$1,628).

THE EMPRISE SPECIAL OPPORTUNITIES FUND (2017) LIMITED PARTNERSHIP ("ESOF2017")

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000 from ESOF2017, payable by promissory note. This promissory note bears interest at the simple rate of 12% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

In the current fiscal year, ESOF2017 has advanced a further \$5,250 bearing interest at a simple rate of 12% per annum.

The Company incurred interest expense of \$24,540 on the promissory note during the year ended December 31, 2020 (2019 - \$8,088). As at December 31, 2020, the promissory note had a balance of \$237,878 (2019 - \$208,088) including accrued interest payable of \$32,628 (2019 - \$8,088).

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

8. SHARE CAPITAL**(a) Authorized**

Unlimited number of common and preferred shares without par value. There are no preferred shares issued or outstanding.

(b) Issued and outstanding

As at December 31, 2019 and 2020, the Company had 24,930,500 common shares issued and outstanding.

On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount \$
Balance, (incorporation) March 25, 2019	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – plan of arrangement	19,930,500	99,653
Balance, December 31, 2019 and 2020	24,930,500	124,653

(c) Stock options

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**(c) Stock options (continued)**

not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of \$0.02 per share and expire in five years.

Share purchase option transactions are summarized as follows:

	Number	Options Weighted Average Exercise Price
Balance, (incorporation) March 25, 2019	-	\$ -
Grants	2,490,000	0.02
Outstanding and exercisable, December 31, 2019 and 2020	2,490,000	\$ 0.02

The fair value of the options granted was determined to be \$6,692 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 1.36%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

As at December 31, 2020, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	3.41
Total	2,490,000	\$0.02		3.41

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended December 31, 2020 was based on the loss attributable to common shareholders of \$170,873 and the weighted average number of common shares outstanding of 24,930,500.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2020	2019
Loss before income taxes	\$ 170,873	\$ 235,722
Expected income tax recovery at statutory rates	(46,000)	(64,000)
Changes in statutory, foreign tax, foreign exchange and other	(1,000)	(2,000)
Change in unrecognized deferred tax assets	47,000	66,000
Income tax expense (recovery)	\$ -	\$ -

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

	2020 \$	Expiry Date Range	2019 \$	Expiry Date Range
Temporary Differences				
Allowable capital losses	7,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	410,000	2039-2040	240,000	2039

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

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION

The Company operates in one segment, being the investigation and evaluation of business opportunities in which to participate. All of the Company's assets are held in Canada.

12. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the 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. As at December 31, 2020, the Company is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2020, the Company is not exposed to currency risk.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2020, the Company has no revenue and has a cash balance of \$830 to settle current liabilities of \$494,849. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (continued)

Consequently, the Company is exposed to liquidity risk as at December 31, 2020.

Fair Value Risk

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All of the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and promissory notes payable at December 31, 2020 approximate their carrying values due to their short term to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value of the Company's private company investment is determined using Level 2 inputs. The key assumptions used by the Company in the valuation of its private company investment include, but are not limited to, the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.