Green Scientific Labs Holdings Inc. (formerly Prominex Resource Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 23, 2022

GREEN SCIENTIFIC LABS HOLDINGS INC. (FORMERLY PROMINEX RESOURCE CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2022 AND DECEMBER 31, 2021
(Expressed in United States dollars, except indicated otherwise)

	Note	June 30, 2022 *(Unaudited)* $	December 31, 2021 $
Assets			
Current assets			
Cash		**1,020,430**	**5,184,166**
Trade receivables	**4**	**426,447**	**720,569**
Prepayments and deposits	**6**	**63,408**	**179,904**
Other receivables	**6**	**163,264**	**264,725**
Inventories		**953,830**	**1,003,902**
Total current assets		**2,627,379**	**7,353,266**
Non-current assets			
Prepayment and deposits	**6**	**74,151**	**74,151**
Property and equipment	**5**	**4,705,965**	**3,957,758**
Intangible assets	**7**	**-**	**5,245**
Right-of-use assets	**6**	**5,980,307**	**6,106,934**
Total assets		**13,387,802**	**17,423,203**
Liabilities			
Accounts payable and other payables	**8**	**1,377,752**	**1,973,231**
Customer deposits		**5,625**	**102,859**
Current portion of lease liabilities	**6**	**989,043**	**949,721**
Total current liabilities		**2,372,420**	**3,025,811**
Non-current liabilities			
Other payables	**7**	**63,516**	**66,514**
Lease liabilities	**6**	**5,064,318**	**5,032,738**
Total Liabilities		**7,500,254**	**8,125,063**
Shareholders' Equity			
Share capital	**9**	**16,522,789**	**16,522,789**
Contributed surplus		**466,346**	**465,532**
Warrant reserve	**9**	**1,872,467**	**1,872,467**
Accumulated deficit		**(12,973,516)**	**(9,562,409)**
Accumulated other comprehensive inome (loss)		**(538)**	**(239)**
Total Shareholders' Equity		**5,887,548**	**9,298,140**
Total Liabilities and Shareholders' Equity		**13,387,802**	**17,423,203**

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

Contingencies (Note 10)

GREEN SCIENTIFIC LABS HOLDINGS INC. (FORMERLY PROMINEX RESOURCE CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars, except indicated otherwise)

	Note	Three months ended June 30, 2022 (Unaudited) $	June 30, 2021 (Unaudited) $	Six months ended June 30, 2022 (Unaudited) $	June 30, 2021 (Unaudited) $
Revenue		**1,185,915**	2,136,251	**2,346,910**	4,327,153
Operating expenses:					
Materials and consumables used		**(280,044)**	(656,909)	**(730,078)**	(1,376,920)
Employee wages and benefits		**(1,150,618)**	(1,132,658)	**(2,593,798)**	(2,078,147)
Consulting and professional fees		**(92,539)**	(203,238)	**(251,654)**	(313,955)
Depreciation and amortization		**(418,074)**	(300,981)	**(969,729)**	(550,235)
Supplies and small equipment		**(31,750)**	(62,343)	**(138,243)**	(95,938)
Share-based compensation		**(814)**	-	**(814)**	-
Rent and occupancy cost		**(102,880)**	(41,639)	**(200,845)**	(69,962)
Travel and entertainment		**(39,136)**	(76,048)	**(118,953)**	(94,386)
Advertising and promotion		**(61,241)**	(14,558)	**(67,327)**	(15,921)
General and administration		**(239,504)**	(79,078)	**(407,545)**	(137,939)
Loss from operations		**(1,230,685)**	(431,201)	**(3,132,076)**	(406,250)
Other operating expenses:					
Finance cost		**(176,929)**	(82,677)	**(348,090)**	(265,905)
RTO transaction	**15**	**-**	-	**(10,849)**	-
Gain on change in fair value of derivative liabilities	**14**	**-**	-	**-**	33,312
Gain on disposal of property and equipment	**5**	**-**	-	**90,000**	-
Loss on conversion of convertible debentures	**13**	**-**	-	**-**	(197,440)
Write-off of trade receivables		**-**	-	**(16,634)**	-
Reversal of (provision for) expected credit losses	**4**	**(31,121)**	-	**6,542**	(6,841)
Gain on loan forgiveness	**11**	**-**	-	**-**	189,639
		(208,050)	(82,677)	**(279,031)**	(247,235)
Loss from operations before income taxes		**(1,438,735)**	(513,878)	**(3,411,107)**	(653,485)
Income tax expense - current		**-**	-	**-**	-
Income tax expense - deferred		**-**	-	**-**	-
Net loss		**(1,438,735)**	(513,878)	**(3,411,107)**	(653,485)
Other comprehensive loss					
Foreign exchange translation adjustment		**(569)**	-	**(299)**	-
Comprehensive loss		**(1,439,304)**	(513,878)	**(3,411,406)**	(653,485)
Net Loss per share:					
Basic	**16**	**(0.10)**	(0.030)	(0.23)	(0.048)
Diluted	**16**	**(0.10)**	(0.030)	(0.23)	(0.048)

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

GREEN SCIENTIFIC LABS HOLDINGS INC. (FORMERLY PROMINEX RESOURCE CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in United States dollars, except indicated otherwise)

	Note	Subordinate Voting Shares #	Multiple Voting Shares #	Units $	Distributions $	Share Capital $	Contributed Surplus $	Warrant Reserve $	Accumulated Deficit $	Accumulated Other Comprehensive Income $	Total $
Balance, January 1, 2021		-	-	1,839,911	(575,613)	**1,264,298**	262,493	-	(1,038,367)	-	**488,424**
Net loss for the period		-	-	-	-	**-**	-	-	(653,485)	-	**(653,485)**
Partial repayment of convertible debentures	**14**	-	-	-	-	**-**	101,720	-	-	-	**101,720**
Conversion of convertible debentures	**9**	-	-	714,712	-	**714,712**	-	-	-	-	**714,712**
Issuance of units for services	**9**	-	-	8,204,703	-	**8,204,703**	-	-	-	-	**8,204,703**
Distributions	**9**	-	-	-	(30,000)	**(30,000)**	-	-	-	-	**(30,000)**
						-					
Balance, June 30, 2021 *(Unaudited)*		-	-	10,759,326	(605,613)	**10,153,713**	364,213	-	(1,691,852)	-	**8,826,074**
Balance, January 1, 2022		14,701,745	64,972	17,128,402	(605,613)	**16,522,789**	465,532	1,872,467	(9,562,409)	(239)	**9,298,140**
Net loss for the period		-	-	-	-	**-**	-	-	(3,411,107)		**(3,411,107)**
Other comprehensive income for the period		-	-	-	-	**-**	-	-	-	(299)	**(299)**
Share-based compensation	**9**	-	-	-	-	-	814	-	-	-	**814**
Conversion of Multiple Voting Shares into Subordinate Voting Shares	**9**	80,600	(806)	-	-	**-**	-	-	-	-	**-**
Balance, June 30, 2022 *(Unaudited)*		14,782,345	64,166	17,128,402	(605,613)	**16,522,789**	466,346	1,872,467	(12,973,516)	(538)	**5,887,548**

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

GREEN SCIENTIFIC LABS HOLDINGS INC. (FORMERLY PROMINEX RESOURCE CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in United States dollars, except indicated otherwise)

	Note	Six months ended June 30, 2022 (Unaudited) $	June 30, 2021 (Unaudited) $
Cash flow from operating activities			
Net loss for the period		(3,411,107)	(653,485)
Items not affecting cash:			
Depreciation and amortization	**5,6,7**	969,729	550,235
Accretion on lease liabilities	**6**	348,090	146,386
Accretion on convertible debentures	**13**	-	93,713
Change in fair value of derivative liabilities	**14**	-	(33,312)
Loss on conversion of convertible debentures	**13**	-	197,440
Write-off of trade receivables		16,634	-
Provision for expected credit losses	**4**	(6,542)	6,841
Share-based compensation	**9**	814	-
Gain on loan forgiveness	**11**	-	(189,639)
Changes in non-cash working capital items:			
Decrease (increase) in trade and other receivables		284,030	(232,416)
Decrease (increase) in prepayments and deposits		42,345	(76,369)
Increase in other receivables		101,461	(9,444)
Decrease (increase) in inventories		50,072	(45,950)
Increase (decrease) in accounts payable and other payables		(598,477)	1,652,130
Decrease in customer deposits		(97,234)	(181,407)
Cash flow used in operating activities		**(2,300,185)**	**1,224,723**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	**5**	(1,124,991)	(2,629,887)
Cash flow used in investing activities		**(1,124,991)**	**(2,629,887)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of units, net	**9**	-	8,204,703
Issuance of convertible debentures, net		-	100,556
Repayment of convertible debentures	**13**	-	(369,427)
Distributions paid to members	**9**	-	(30,000)
Payment of lease liabilities	6	(738,261)	(394,803)
Cash flow (used in) from financing activities		**(738,261)**	**7,511,029**
Effect of exchange rate changes on cash		**(299)**	**-**
Increase (decrease) in cash		**(4,163,437)**	**6,105,865**
Cash, beginning of period		**5,184,166**	**154,076**
Cash, end of period		**1,020,430**	**6,259,941**

Supplementary information		
Interest paid, net	-	83,752
Taxes paid	-	-
Conversion of convertible debt and derivative liabilities	-	714,712

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

1. NATURE OF OPERATIONS

Green Scientific Labs Holdings Inc. (formerly Prominex Resource Corp.) ("GSL" or the "Company") was incorporated under the *Companies Act* (British Columbia) on April 29, 1980. The common shares of the Company, which have been redesignated as Class A subordinate voting shares ("Subordinate Voting Shares") are traded on the Canadian Securities Exchange ("CSE") under the stock symbol "GSL". The head office of the Company is located at 4001 SW 47th Avenue, Suite 208 Davie, Florida 33314 and provides hemp and marijuana testing services in Florida, the United States.

Closing of the RTO
On November 15, 2021, the Company completed a reverse takeover transaction (the "RTO") (Note 15) pursuant to which the Company acquired Green Scientific Labs, LLC ("GSL LLC"), a limited liability company formed on April 19, 2018 under the Delaware *Limited Liability Company Act*. GSL LLC is a leading cannabis and hemp testing laboratory that operates a Certified Marijuana Testing Laboratory licensed testing lab facility in Davie, Florida which provides analytical testing services for state licensed cannabis and hemp growers, product formulators, processors, distributors and retailers. The RTO constituted a reverse takeover of the Company by GSL LLC for accounting purposes and the business of the amalgamated entities became the business of the Company. In connection with the closing of the RTO, the Company's name changed to Green Scientific Labs Holdings Inc. and also implemented a dual share class structure consisting of Subordinate Voting Shares and Class B multiple voting shares ("Multiple Voting Shares"). Following the RTO, there were 14,701,745 Subordinate Voting Shares and 64,972 Multiple Voting Shares issued and outstanding. Each Subordinate Voting Share carries one vote per share and each Multiple Voting Share carries one hundred votes per share. The Multiple Voting Shares are not listed for trading on the CSE but may be converted into Subordinate Voting Shares in certain circumstances. As GSL LLC was deemed to be the acquirer for accounting purposes, the condensed consolidated interim financial statements are presented as a continuation of GSL LLC and the comparative figures presented are those of GSL LLC.

Concurrent Financing
In connection with the RTO, on November 12, 2021, GSL LLC completed a non-brokered private placement of 1,176,416 subscription receipts (the "Subscription Receipts") at a price of USD$3.85 per Subscription Receipt for aggregate gross proceeds of USD$4,529,200 (the "Concurrent Financing") Immediately prior to the completion of the RTO, each Subscription Receipt automatically converted into one unit of GSL LLC (a "Unit"), each Unit consisting of one GSL LLC membership interest ("GSL Unit") and one GSL Unit purchase warrant (each a "Unit Warrant") and, immediately thereafter, pursuant to the RTO (a) each such GSL Unit was exchanged for either one Subordinate Voting Share or 1/100 of a Multiple Voting Share and (b) each Unit Warrant was exchanged for one share purchase warrant of the Company (each a "Warrant"). Each Warrant entitles the holder thereof to purchase either one Subordinate Voting Share or 1/100 of a Multiple Voting Share at a price of USD$4.50 for a period of 36 months following the Closing Date, provided that if the trading price of the Subordinate Voting Shares on the CSE is greater than CAD$8.50 (equivalent to USD$6.70) for ten consecutive trading days, the Company may accelerate notice of such acceleration is given to holders of Warrants.

2. BASIS OF PRESENTATION AND MEASUREMENT

The unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These financial statements meet the requirements of International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and follow the same accounting policies as the consolidated financial statements for the years ended December 31, 2021 and 2020.

(Expressed in United States dollars)

2. BASIS OF PRESENTATION AND MEASUREMENT (continued)

These condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and 2021 were approved and authorized for issue by the Board of Directors of the Company on August 23, 2022.

These condensed consolidated interim financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from the Company's involvement with the entity and have the ability to affect those returns through the power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit and loss or other comprehensive income (loss) of subsidiaries acquired during the period are recognized from the date of acquisition or effective date of disposal as applicable. Significant intercompany accounts and transactions have been eliminated on consolidation.

The Company has the following subsidiaries:

Name of Entity	% Ownership*	Country of incorporation
Green Scientific Labs Management (Michigan) LLC	100	United States
Green Scientific Labs AZ LLC	100	United States
Green Scientific Labs NJ, LLC	100	United States
Green Scientific Labs IL, LLC	100	United States
Green Scientific Labs CT, LLC	100	United States

**There were no changes in the percentage of ownership during the period ended June 30, 2022.*

When the proportion of the equity (deficiency) held by non-controlling interest changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity (deficiency) any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the shareholders of the Company.

Functional and Presentation Currency

GSL's functional currency is the Canadian dollar and those of its wholly owned subsidiaries, as determined by management, is the United States ("U.S.") dollar. For financial reporting purposes, the condensed consolidated interim financial statements of the Company have been presented in the U.S. dollars, the presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

and future periods if the revision affects both current and future periods. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Significant Accounting Judgments, Estimates and Assumptions (continued)

(i) *Estimated useful lives and of property and equipment and intangible assets*

Depreciation of property and equipment and amortization of intangible assets are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(ii) *Fair value of derivative liabilities*

Management uses the multinomial lattice model to calculate the fair value of derivative liabilities. Use of this method requires management to make assumptions and estimates about the Company's unit price, the risk-free rate, the probability of an event of default for the instruments, alternative financing, and capital raising events to take place, and the expected volatility of the Company's unit or share price. In making these assumptions and estimates, management relies on historical market data.

(iii) *Fair value of share-based payments and warrants*

Management uses the Black-Scholes option-pricing model to calculate the fair value of share-based payments and warrants. Management considers factors that knowledgeable, willing market participants would consider when selecting the appropriate valuation model to apply. Use of this method requires management to make assumptions and estimates about the share price on the measurement date, expected useful life of the instruments, expected dividends, the risk-free rate (based on government bonds), the expected volatility of the Company's share price (based on weighted average historical volatility of comparable companies adjusted for changes expected due to publicly available information) and the probabilities of certain events occurring. In making these assumptions and estimates, management relies on historical market data. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of these instruments. The fair value reported may not represent the transaction value if these options or warrants were exercised/exchanged at any point in time.

(iv) *Lease liabilities*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the renewal period as part of the lease term for leases of office and laboratory because there will be a significant negative effect on operations if a replacement asset is not readily available.

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the condensed consolidated interim statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

(v) *Expected credit losses*

In calculating the expected credit loss on financial assets carried at amortized cost, management is required to make a number of judgments including the probability of possible outcomes with regards to credit losses, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

(vi) *Going concern risk assessment*

The assessment of the Company's ability to continue as a going concern, meet its liabilities for the ensuing year, involves significant judgment based on expectation of future events that are believed to be reasonable under the circumstances.

(vii) *Deferred tax assets*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. Changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Standards, Amendments, and Interpretations Issued but Not Yet Adopted

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

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors was amended. The amendment introduces the definition of an accounting estimate and sets criteria to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

(Expressed in United States dollars)

4. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on a 30 days term.

Below is the movement in the allowance for expected credit losses of trade receivables:

	June 30, 2022 $ *(Unaudited)*	December 31, 2021 $
Opening balance, January 1	45,473	31,366
Provision for (reversal of) expected credit losses	(6,542)	14,107
Ending balance	**38,931**	**45,473**

5. PROPERTY AND EQUIPMENT

As at June 30, 2022 (unaudited) and December 31, 2021, property and equipment consists of:

	Leasehold improvements $	Furniture and equipment $	Computer software $	Vehicles $	Total $
Cost					
Balance, January 1, 2021	**203,458**	**1,477,491**	**-**	**-**	**1,680,949**
Additions	987,159	1,849,203	224,725	24,055	3,085,142
Transfer from ROU assets (Note 6)	-	-	-	55,270	55,270
Balance, December 31, 2021	**1,190,617**	**3,326,694**	**224,725**	**79,325**	**4,821,361**
Additions	538,441	480,073	106,477	-	1,124,991
Balance, June 30, 2022 *(Unaudited)*	**1,729,058**	**3,806,767**	**331,202**	**79,325**	**5,946,352**
Accumulated depreciation					
Balance, January 1, 2021	**22,210**	**393,725**	**-**	**-**	**415,935**
Depreciation	122,367	309,858	9,667	5,776	447,668
Balance, December 31, 2021	**144,577**	**703,583**	**9,667**	**5,776**	**863,603**
Depreciation	146,075	210,202	11,599	8,908	376,784
Balance, June 30, 2022 *(Unaudited)*	**290,652**	**913,785**	**21,266**	**14,684**	**1,240,387**
Net book value					
At December 31, 2021	1,046,040	2,623,111	215,058	73,549	3,957,758
At June 30, 2022 *(Unaudited)*	**1,438,406**	**2,892,982**	**309,936**	**64,641**	**4,705,965**

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The Company's leases assets include office space, equipment and vehicle leases. Leases of office space and equipment generally have lease term between 3 to 15 years, while motor vehicles generally have lease terms of 6 years. There are several lease contracts that include extension options and management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (Note 3). The right-of-use assets consist of the following:

(Expressed in United States dollars)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

	Right of use Buildings $	Right of use Equipment $	Right of use Vehicles $	Right of use Total $
Cost				
Balance, January 1, 2021	**772,538**	**2,196,539**	**75,082**	**3,044,159**
Lease additions	1,913,191	2,797,545	-	4,710,736
Lease modification	(65,598)	-	-	(65,598)
Transfer to property and equipment	-	-	(75,082)	(75,082)
Balance, December 31, 2021	**2,620,131**	**4,994,084**	**-**	**7,614,215**
Lease additions	461,073	-	-	461,073
Balance, June 30, 2022 *(Unaudited)*	**3,081,204**	**4,994,084**	**-**	**8,075,288**
Accumulated amortization				
Balance, January 1, 2021	**94,873**	**750,869**	**9,385**	**855,127**
Amortization	226,869	529,543	10,427	766,839
Lease modification	(94,873)	-	-	(94,873)
Transfer to property and equipment	-	-	(19,812)	(19,812)
Balance, December 31, 2021	**226,869**	**1,280,412**	**-**	**1,507,281**
Amortization	169,056	418,643		587,700
Balance, June 30, 2022 *(Unaudited)*	**395,925**	**1,699,055**	**-**	**2,094,981**
Net book value				
At December 31, 2021	2,393,262	3,713,672	-	6,106,934
At June 30, 2022 *(Unaudited)*	**2,685,278**	**3,295,029**	**-**	**5,980,307**

During the year ended December 31, 2021, there was a modification to one of the existing office leases to extend the lease term for an additional thirty months upon the original expiration date, resulting in the remeasurement of the carrying amounts of the related right-out-use assets and lease liabilities as at the effective date of the lease amendment. During the year ended December 31, 2021, the Company paid-off the outstanding balances on the vehicle leases with a net book value of $55,270 (Note 5), The amount was transferred from right-of-use assets to property and equipment upon repayment.

As at June 30, 2022 (unaudited), included on the condensed consolidated interim statements of financial position in prepayment and deposits was $74,151 (December 31, 2021 - $74,151) of security deposits made by the Company in relations to the office space leases.

As at June 30, 2022 (unaudited), included on the condensed consolidated interim statements of financial position in other receivables was approximately $145,035 (December 31, 2021 - $250,000) of leasehold improvement made by the Company to be reimbursed by the landlord upon completion of construction of the new laboratory facility located in Illinois.

Lease liabilities

The Company's corresponding lease liabilities are composed of the following:

Balance, January 1, 2021	**2,112,146**
Additions	4,710,736
Payments and interest	(869,698)
Lease modification	29,275
Balance, December 31, 2021	5,982,459
Additions	461,073
Payments and interest	(390,171)
Balance, June 30, 2022 *(Unaudited)*	6,053,361

(Expressed in United States dollars)

Interest expense on lease liabilities for the three and six months ended June 30, 2022 was $177,002 and $348,090, respectively (three and six months ended June 30, 2021 - $81,648 and $146,386, respectively).

During the six months ended June 30, 2022, the incremental borrowing rate applied ranges from 9.57% to 15.62%. The Company's minimum contractual undiscounted cash flows for lease obligations as at June 30, 2022, and December 31, 2021 are presented below:

	June 30, 2022 $ *(Unaudited)*	December 31, 2021 $
Undiscounted lease liabilities		
Within 1 year	1,648,790	1,655,244
2 to 3 years	3,339,044	3,349,898
Thereafter	3,891,562	4,552,451
Total undiscounted lease liabilities	8,879,396	9,557,593
Impact of discounting	2,826,036	(3,575,134)
Present value of lease liabilities	6,053,361	5,982,459
Less: current portion of lease liabilities	**(989,043)**	**(949,721)**
Non-current portion of lease liabilities	**5,064,318**	**5,032,738**

7. INTANGIBLE ASSETS

During the year ended December 31, 2020, the Company obtained a license to operate as a testing laboratory from the State of Florida Department of Health Office of Medical Marijuana Use ("OMMU"). Intangible assets consist of application fees incurred to obtain the license. The Company amortizes the license on a straight-line basis, over a 2-year useful life.

	License $
Cost	
Balance, January 1, 2021	**62,945**
Additions	-
Balance, December 31, 2021	**62,945**
Additions	-
Balance, June 30, 2022 *(Unaudited)*	**62,945**
Accumulated depreciation	
Balance, January 1, 2021	**26,227**
Depreciation	31,473
Balance, December 31, 2021	**57,700**
Depreciation	5,245
Balance, June 30, 2022 *(Unaudited)*	**62,945**
Net book value	
At December 31, 2021	5,245
At June 30, 2022 *(Unaudited)*	**-**

(Expressed in United States dollars)

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	June 30, 2022 $ *(Unaudited)*	December 31, 2021 $
Accounts payable	1,243,598	1,582,337
Other payables	111,822	197,791
Accrued liabilities	85,848	259,617
	1,441,268	2,039,745
Less: Non-current other payables	(63,516)	(66,514)
Current portion	1,377,752	1,973,231

Accounts payable are non-interest bearing and are normally settled on 30 to 60-day terms. Accrued liabilities and current portion of other payables are non-interest bearing and have an average term of three months to twelve months. Non-current portion of other payables is non-interest bearing, repayable in monthly installments of $1,494 and will be fully repaid by September 2026.

9. SHAREHOLDERS' EQUITY

Authorized share capital
The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares, both without par value.

Subordinate Voting Shares
Holders of Subordinate Voting Shares will be entitled to notice of and to attend and vote at any meeting of the shareholders of the Company, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.

Multiple Voting Shares
Holders of Multiple Voting Shares will be entitled to notice of and to attend and vote at any meeting of the shareholders of the Company, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to 100 votes in respect of each Multiple Voting Share held.

Each Multiple Voting Share shall be convertible, at the option of the holder thereof, into such number of Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares in respect of which the share conversion right is exercised by 100. The ability of a holder to convert the Multiple Voting Shares during the period (the "Restricted Conversion Period") prior to September 1, 2022 is subject to a restriction that, unless the Company's Board determines otherwise, the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined by the applicable laws and regulations), may not exceed 40% of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares and outstanding after giving effect to such conversions, determined in accordance with the articles of the Company.

(Expressed in United States dollars)

9. SHAREHOLDERS' EQUITY (continued)

Outstanding share capital as at June 30, 2022 and December 31, 2021

		Number of units	Number of Subordinate Voting Shares	Number of Multiple Voting Shares	Share capital
					$
Balance, January 1, 2021		10,000,000	-	-	1,264,298
Conversion of convertible debentures	(a)	500,000	-	-	714,712
Issuance of units, net	(b),(c),(d)	8,956,699			10,455,409
Issuance of units for services	(e),(f)	1,233,072			2,910,050
Issuance of units for RTO (Note 15)		512,000			1,208,320
Distributions	(g)	-			(30,000)
Shares exchange under dual share class structure	(h)	(21,201,771)	14,701,745	64,972	-
Balance, December 31, 2021		-	14,701,745	64,972	16,522,789
Conversion of Multiple Voting Shares into Subordinate Voting Shares	(i)	-	80,600	(806)	-
Balance, June 30, 2022 *(unaudited)*		-	14,782,345	64,166	16,522,789

Year ended December 31, 2021

a) During the year ended December 31, 2021, the Company converted $481,555 of the 2019 Debentures and $18,445 of the 2020 Debentures via the issuance of 500,000 units. Derivative liabilities of $212,260 related the 2019 Debentures and $2,452 related to the 2020 Debentures were reclassified to share capital upon conversion.
b) On April 6, 2021, the Company completed a non-brokered private placement, raising gross proceeds of $6,440,000 through the issuance of 6,440,000 units at $1.00 per unit and incurred issuance costs of $35,297.
c) On May 3, 2021, the Company received gross proceeds of $1,800,000 from a non-brokered private placement through the issuance of 1,340,283 units at $1.343 per unit.
d) On November 12, 2021, the Company completed the Concurrent Financing, raising gross proceeds of $4,529,200 through the issuance of 1,176,416 Subscription Receipts at a price of $3.85 per Subscription Receipt. The Subscription Receipts were automatically converted into Units, each Unit consisting of one GSL Unit and one Unit Warrant and immediately prior to the completion of the RTO and immediately thereafter, pursuant to the RTO, the GSL Units were exchange for 3,779,854 Subordinate Voting Shares and 7,796 Multiple Voting Shares. Each Unit Warrant was exchanged for one Warrant. The Company recorded a warrant reserve of $1,751,085 attributable to the value of these warrants. In consideration of the services rendered by the Advisors, the Company paid a cash commission equal to CAD155,000 (equivalent to $122,869) and issued 40,000 advisor warrants (the "Advisory Warrants") with a fair value of $121,381 (see Note 9 *Warrants*). In addition, the Company incurred issuance costs of $283,158.
e) On November 15, 2021, the Company awarded two directors performance bonuses consisting of $400,000 and 260,000 units. The units are fair valued at $2.36 per unit (Note 15) for an aggregate amount of $613,600 and recorded as unit-based compensation expense.
f) On November 15, 2021, the Company issued an aggregate of 973,072 units at a fair value of $2.36 per unit (Note 15) to certain consultants as payment for finder's fees and certain advisory services provided in connection with the RTO and certain making and strategic advisory services to be provided to the Company following the completion of the RTO.
g) During the year ended December 31, 2021, distributions of $30,000 were made.
h) In connection with closing of the RTO and as a result of the implementation of a dual share class structure by the Company, all outstanding units as at the time of closing were exchanged into an aggregate of 14,701,745 Subordinate Voting Shares and 64,972 Multiple Voting Shares.

(Expressed in United States dollars)

9. SHAREHOLDERS' EQUITY (continued)

Period ended June 30, 2022

i) During the period ended June 30, 2022, 806 Multiple Voting Shares of the Company were converted into 80,600 Subordinate Voting Shares of the Company at a ratio of 1:100.

Stock options

The Company's Board of Directors is authorized to grant stock options to directors, officers, employees, consultants, consulting companies or management company employees of the Company and its subsidiaries, not exceeding 10% of the issued and outstanding Subordinate Voting Shares and the Multiple Voting Shares calculated on an as-converted to Subordinate Voting Share basis of the Company. Stock options granted are exercisable over a period not exceeding 10 years from the date granted. Options shall vest in the manner imposed by the Board of Directors as a condition at the grant date.

Stock options (continued)

The following table summarizes the Company's stock option activity for the periods indicated:

	Number of options	Weighted average exercise price
		$
Balance, January 1, 2021	-	-
Replacement options*	76,500	3.75
Balance, December 31, 2021	76,500	3.75
Granted	100,000	0.50
June 30, 2022 *(unaudited)*	176,500	1.91

*On November 15, 2021, the Company issued replacement options pursuant to the RTO. The stock options are fully vested and are exercisable for Subordinate Voting Shares at an exercise price of $3.75 per share with an expiry date of October 31, 2023. The replacement options which were issued are not considered to be a modification to the original options upon completion of the RTO. The fair value of the replacement options was estimated to be $101,319 (Note 15).

During the period ended June 30, 2022, 100,000 options were granted with vesting periods ranging from 12 to 24 months. During the year ended December 31, 2021, no issuance was made besides the replacement options and the Company recognized stock-based compensation expense of Nil.

The following table presents information related to the stock options outstanding as at June 30, 2022 and December 31, 2021:

Grant date	Exercise price ($)	Weighted average remaining life (yrs)	Number of options outstanding	Number of options exercisable
October 15, 2021	3.75	1.32	76,500	76,500
June 22, 2022	0.50	9.99	100,000	-

(Expressed in United States dollars)

9. SHAREHOLDERS' EQUITY (continued)

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

	Period ended June 30, 2022 *(Unaudited)*	Year ended December 31, 2021
Volatility	160.74%	131.46%
Risk-free interest rate	3.41%	0.99%
Expected life (years)	10 years	2 years
Dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil
Weighted average fair value per common share	$ 0.50	$ 2.18

Warrants

The following table summarizes the Company's warrants activity for the periods indicated:

	Number of Warrants	Weighted average exercise price $
Balance, January 1, 2021	-	-
Issued	1,216,416	4.48
Balance, December 31, 2021 and June 30, 2022 *(unaudited)*	1,216,416	4.48

The following table presents information related to warrants outstanding as at June 30, 2022 and December 31, 2021:

Issue Date		Weighted Average Exercise Price ($)	Weighted Average Remaining Life (yrs)	Number of Warrants Outstanding
November 12, 2021	(1), (2)	4.50	2.62	1,216,416
		4.50	2.62	1,216,416

(1) As part of the Concurrent Financing completed on November 12, 2021, the Company issued 1,176,416 Warrants with an exercise price of $4.50 per either one Subordinate Voting Share or 1/100 of a Multiple Voting Shares, exercisable until November 12, 2024. The fair value of $1,751,085 of the Warrants was estimated using the Black-Scholes pricing model using the following assumptions: expected life – 3 years; annualized volatility – 125.12%; risk-free interest rate – 1.22%; dividend rate – 0%; stock price - $2.36 (Note 15).

(2) As part of the Concurrent Financing completed on November 12, 2021, the Company issued 40,000 Advisor Warrants to the financial advisors. Each Advisor Warrant entitles the holder to acquire one unit comprised of one Subordinate Voting Share and one Subordinate Voting Share purchase warrant, at an exercise price equal to $4.50, exercisable until November 12, 2024, provided that if the trading price of the Subordinate Voting Shares on the CSE is greater than CAD$8.50 for ten consecutive trading days, the Company may accelerate the time of expiry to the day that is 30 days from the date that notice of such acceleration is given to the holders. The fair value of $121,381 of the Warrants was estimated using the Black-Scholes pricing model using the following assumptions: expected life – 3 years; annualized volatility – 125.12%; risk-free interest rate – 1.22%; dividend rate – 0%; stock price - $2.36 (Note 15).

(Expressed in United States dollars)

10. CONTINGENCIES

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2022 (unaudited) and December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

11. LOANS AND BORROWINGS

PPP loan
On May 10, 2020, the Company received a $188,300 loan under the Paycheck Protection Program ("PPP") offered by the U.S. Small Business Administration in the context of the COVID-19 pandemic outbreak. The loan is interest-bearing at 1.00% per annum and with a maturity date in 2 years. On January 22, 2021, the full amount of $188,300 in principal and $1,339 in accrued interest was forgiven and the total amount of $189,639 is presented as gain on loan forgiveness in the condensed consolidated interim statement of loss and comprehensive loss income during the year ended December 31, 2021.

As at June 30, 2022 and December 31, 2021, loan balance outstanding were $Nil and $Nil, respectively. Interest expense incurred for the three and six months ended June 30, 2022 was $Nil (three and six months ended June 30, 2021 – $Nil and $122).

12. RELATED PARTY TRANSACTIONS

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the condensed consolidated interim financial statements, related party transactions and balances are as follows:

	Three months ended June 30, 2022 **$** *(Unaudited)*	**Three months ended June 30, 2021** **$** *(Unaudited)*	**Six months ended June 30, 2022** **$** *(Unaudited)*	**Six months ended June 30, 2021** **$** *(Unaudited)*
Short-term compensations	147,679	128,000	348,339	222,523
Share-based compensations	-	-	814	-
	147,679	**128,000**	**349,153**	**222,523**

13. CONVERTIBLE DEBENTURES

2019 Debentures
On November 7, 2019, the Company entered into an agreement to issue a series of convertible debentures with an aggregate amount of $987,765 (the "2019 Debentures"). The 2019 Debentures bore interest at 13% per annum. The Company was required to make principal and interest payments until the 2019 Debentures was fully repaid. The 2019 Debentures was secured by a security interest in the Company's property and assets pursuant to the security agreement entered into with the holder. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. In 2019 the Company closed two tranches and raised gross proceeds of $224,009. In 2020, the Company closed the remaining amount in four tranches and raised gross proceeds of $763,757. The monthly principal and interest payments for the different tranches range from $3,735 to $19,828. During the year ended December 31, 2021, $481,555 of the 2019 Debentures was converted into 481,555 membership units of the Company at $1 per unit. Upon conversion, the Company recorded a loss on conversion of $168,271.

(Expressed in United States dollars)

13. CONVERTIBLE DEBENTURES (continued)

2020 Debenture
On August 11, 2020, the Company entered into a secured credit line with a principal amount of $200,000. The note bore interest of 13% per annum with a maturity date of November 11, 2020. The Company was to make interest only monthly payment of $2,250. The promissory note is secured by a security interest in equipment owned by the Company up to a value of $200,000. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. On November 4, 2020, the Company entered into an amendment to the promissory note to extend the maturity date to February 11, 2021 and the monthly interest payment was be in the amount of $2,500. During the year ended December 31, 2021, $18,445 of the 2018 Debenture was converted into 18,445 membership units of the Company at $1 per unit and the remaining portion was repaid in full.

2021 Debenture
On February 2, 2021, the Company entered into a promissory note with a principal amount of $101,500. The note bore interest of 13% per annum with a maturity date of August 2, 2021. The principal amount and accrued interest were due on maturity. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. During the year ended December 31, 2021, the outstanding principal and accrued interest were repaid in full. Upon early repayment, the Company recorded a loss of $29,169 on settlement.

	2019 Debentures $	2020 Debenture $	2021 Debenture $	Total $
Balance, January 1, 2021	315,333	200,000	-	515,333
Amounts issued	-	-	101,500	101,500
Less: allocated to derivative liabilities (Note 14)	-	-	(37,615)	(37,615)
Less: issuance costs	-	-	(944)	(944)
Accretion	84,323	-	9,390	93,713
Repayment	(86,372)	(181,555)	(101,500)	(369,427)
Conversion	(481,555)	(18,445)	-	(500,000)
Loss on conversion	168,271	-	29,169	197,440
Balance, December 31, 2021 and June 30, 2022 *(Unaudited)*	**-**	**-**	**-**	**-**

14. DERIVATIVE LIABILITIES

2019 Debentures
Similar to the 2018 Debenture, the 2019 Debentures contained down round protection on the conversion feature and was classified as derivatives liabilities and measured at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2019 Debentures at each reporting date. This is a Level 3 recurring fair value measurement (Note 18). The following assumptions were used:

(Expressed in United States dollars)

14. DERIVATIVE LIABILITIES (continued)

2019 Debentures	March 15, 2021*	December 31, 2020	December 31, 2019	At inception
Volatility	101.00% to 119.90%	114.20% to 123.70%	97.30% to 98.20%	95.00% to 108.00%
Risk-free interest rate	0.06%	0.09% to 0.10%	1.59%	0.17% to 1.68%
Term remaining (years)	0.65 to 0.97	0.85 to 1.17	1.85 to 1.96	1.95 to 2.00
Stock price	$ 1.00	$ 0.94	$ 0.72	$0.68 to $0.75

**Date of conversion*

Upon initial recognition, the Company recorded derivative liabilities of $142,598 in 2019 and $460,508 in 2020. During the year ended December 31, 2020, a balance of $ $255,538 was transferred to contributed surplus upon partial payment made by the Company throughout the year. During the year ended December 31, 2021, the Company recorded a gain of $52,612 on the revaluation of the derivative liabilities. During the year ended December 31, 2021, $481,555 of the 2019 Debentures were converted and the Company recorded $212,260, representing the fair value of the derivative liability at the conversion date, as members' capital.

2020 Debenture

Similar to the 2018 and 2019 Debentures, the 2020 Debenture contained down round protection on the conversion feature and shall be classified as derivatives liabilities and measure at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

2020 Debenture (continued)

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2020 Debenture at each reporting date. This is a Level 3 recurring fair value measurement (Note 16). The following assumptions were used:

2020 Debenture	March 15, 2021*	December 31, 2020	At inception
Volatility	93.02%	84.24%	149.84%
Risk-free interest rate	0.01%	0.08%	0.12%
Term remaining (years)	0.25	0.11	0.50
Stock price	$ 1.00	$ 0.94	$ 0.86

**Date of conversion/repayment*

Upon initial recognition, the Company recorded derivative liabilities of $92,939 in 2020. During the year ended December 31, 2021, the Company recorded a loss of $26,586 on the revaluation of the derivative liabilities. During the year ended December 31, 2021, $18,455 of the 2020 Debenture were converted and the Company recorded $2,452, representing the fair value of the derivative liability at the conversion date, as members' capital.

2021 Debenture

Similar to the other debentures, the 2021 Debenture contained down round protection on the conversion feature and was classified as derivatives liabilities and measured at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2021 Debenture at each reporting date. This is a Level 3 recurring fair value measurement (Note 18). The following assumptions were used:

(Expressed in United States dollars)

14. DERIVATIVE LIABILITIES (continued)

2021 Debenture	March 15, 2021*	At inception
Volatility	94.07%	96.00%
Risk-free interest rate	0.03%	0.07%
Term remaining (years)	0.34	0.50
Stock price	$ 1.00	$ 0.96

**Date of repayment*

Upon initial recognition, the Company recorded derivative liabilities of $37,615 in February 2021. During the year ended December 31, 2021, the Company recorded a gain of $7,286 on the revaluation of the derivative liabilities. During the year ended December 31, 2021, the 2021 Debenture was fully repaid and the Company transferred $30,329, representing the fair value of the derivative liability to contributed surplus.

	2019 Debentures $	**2020 Debenture $**	**2021 Debenture $**	**Total $**
Balance, Januray 1, 2021	312,129	-	-	312,129
Allocated from derivative liabilities (Note 13)	-	-	37,615	37,615
Transferred to contributed surplus upon repayment	(47,257)	(24,134)	(30,329)	(101,720)
Transferred to member's capital upon conversion	(212,260)	(2,452)	-	(214,712)
Change in fair value	(52,612)	26,586	(7,286)	(33,312)
Balance, December 31, 2021 and June 30, 2022 *(Unaudited)*	-	-	-	-

15. REVERSE TAKOVER (RTO) TRANSACTION

On November 15, 2021, the Company completed the RTO transaction of GSL LLC. In connection with the closing of the RTO, the Company's name changed to Green Scientific Labs Holdings Inc. and also implemented a dual share class structure consisting of Subordinate Voting Shares and Class B multiple voting shares ("Multiple Voting Shares"). At closing of the RTO, there were 14,701,745 Subordinate Voting Shares and 64,972 Multiple Voting Shares issued and outstanding.

The Transaction was accounted for as a reverse takeover transaction that was not a business combination. Instead, the Transaction has been accounted under IFRS 2 Share-Based Payment. In the accounting for the reverse takeover, the RTO Transaction consideration was determined by reference to the fair value of equity the legal subsidiary, being GSL LLC, would have issued to the legal parent entity, being Green Scientific Labs Holdings Inc., for the shareholders of Green Scientific Labs Holdings Inc. to obtain the same percentage ownership interest of approximately 2.45% in the combined entity. The fair value of the issued equity was determined based on the most reliable and observable fair value measures being the price per unit of a concurrent financing (note 9 (g)) for Subscription Receipts consisting of common shares and warrants. The Company applied Black-Scholes pricing model to determine the split between the fair value of the common shares and the warrants using an iterative approach such that the value of the warrant plus the share are equal to the offering price of the unit. The share price was determined to be 61% of the $3.85 unit offering after using the following assumptions: expected life – 3 years; annualized volatility – 125.12%; risk-free interest rate – 1.22%; dividend rate – 0%; exercise price - $4.50; and share price of $2.36.

GSL LLC has been treated as the accounting acquirer and the Company has been treated as the accounting acquiree in these condensed consolidated interim financial statements, with the equity consideration and identifiable assets acquired and liabilities assumed being measured at fair value using the acquisition method of accounting.

(Expressed in United States dollars)

15. REVERSE TAKOVER (RTO) TRANSACTION (continued)

The following table summarizes the consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed as of the date of acquisition:

Common shares (512,000 common shares at $2.36 per share)	$ 1,208,320
Replacement options (Note 9)	101,319
Total consideration	1,309,639
Identifable assets acquired and liabilities assumed:	
Cash	214,761
Other receivables	11,830
Accounts payable and other payables	(207,824)
Excess of RTO transaction consideration over net assets acquired	**1,290,872**

In connection with the RTO, the Company incurred other listing costs of $2,853,966 which included finders' fee, advisory fees, legal and regulatory expenses.

16. LOSS PER SHARE

The following table shows the components used in the calculation of basic and diluted loss per share for loss attributable to common shareholders.

	Three months ended June 30, 2022 *(Unaudited)*	Three months ended June 30, 2021 *(Unaudited)*	**Six months ended June 30, 2022 *(Unaudited)***	Six months ended June 30, 2021 *(Unaudited)*
Net loss attributable to common shares ($)	**(1,438,735)**	(513,878)	**(3,411,107)**	(653,485)
Weighted-average number of shares outstanding - basic (#)	**14,766,759**	17,165,211	**14,766,759**	13,749,372
Weighted-average number of shares outstanding - diluted (#)	**14,766,759**	17,165,211	**14,766,759**	13,749,372
Loss per share: ($)				
Basic	**(0.10)**	(0.03)	**(0.23)**	(0.05)
Diluted	**(0.10)**	(0.03)	**(0.23)**	(0.05)

The Company's potentially dilutive securities which include stock options and warrants have been excluded from the computation of diluted loss per share as the effect would be to reduce the loss per share. Therefore, the weighted-average number of common share outstanding used to calculate both basic and diluted net loss per share attributable to common shareholders is the same. For the six months ended June 30, 2022, the Company excluded 176,500 and 1,256,416 common shares issuable, respectively, upon exercise of the Company's stock options and warrants as the effect was anti-dilutive.

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to execute its operating and strategic plans, managing healthy liquidity reserves and access to capital. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support business development. The directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and seek to raise additional amounts, as needed. The Company is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing

(Expressed in United States dollars)

17. CAPITAL MANAGEMENT (continued)

basis and believes that this approach, given the relative size of the Company, is reasonable. The Company plans to use existing funds, as well as funds from the future sale of services, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Company will be able to continue raising capital in this manner.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The classification of the financial instruments, as well as their gross carrying values, are shown in the table below:

	June 30, 2022 $ *(Unaudited)*	December 31, 2021 $
Financial assets at amortized cost		
Cash	1,020,430	5,184,166
Trade receivables	426,447	720,569
Other receivables	163,264	264,725
Total financial assets	**1,610,141**	**6,169,460**
Financial liabilities at amortized cost		
Accounts payable and other payables	1,441,268	2,039,745
Lease liabilities	6,053,361	5,982,459
Total financial liabilities	**7,494,629**	**8,022,204**

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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

There have been no transfers between fair value levels during the three and six months ended June 30, 2022 (unaudited) and the year ended December 31, 2021.

As at June 30, 2022, cash, trade receivables, other receivables, accounts payable and all other payables, except $63,525 (December 31, 2021 - $66,514), are all short-term in nature and, as such, their carrying values approximate fair value.

As at June 30, 2022, and December 31, 2021, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

(Expressed in United States dollars)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial Risk Management

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

a. Credit Risk

Credit risk is the risk of a potential loss to the Company if one party of a financial instrument fails to meet its contractual obligations. The maximum credit exposures at June 30, 2022, and December 31, 2021, are the carrying amount of cash and trade receivables. To reduce credit risk, all significant cash balances are placed with major, reputable, U.S. financial institutions. The Company has concentration of credit risk as the top three trade debtors accounted for approximately 33% and 84% of its total trade receivables balance as at June 30, 2022, and December 31, 2021, respectively. Three of the Company's customers accounted for 11% of total revenue for the six months ended June 30, 2022. In view of this, management regularly assesses by monitoring the individual profile of its trade receivables. In this regard, management considers that the credit concentration risk has been significantly mitigated. The following table provides information regarding the aged trading receivables:

	Current	31-60 days	61-90 days	91+ days
June 30, 2022	73%	15%	8%	4%
December 31, 2021	79%	15%	1%	5%

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due. The Company has the following undiscounted contractual obligations:

	Less than 1 year	**2 to 3 years**	**4 to 5 years**	**Greater than 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and other payables	1,377,752	35,873	27,643	-	**1,441,268**
Lease liabilities	1,648,790	3,339,044	3,891,562	-	**8,879,396**
June 30, 2022 *(Unaudited)*	**3,026,542**	**3,374,917**	**3,919,205**	**-**	**10,320,664**
Accounts payable and other payables	1,973,231	35,873	30,641	-	**2,039,745**
Lease liabilities	1,655,244	3,349,898	4,552,451	-	**9,557,593**
December 31, 2021	**3,628,475**	**3,385,771**	**4,583,092**	**-**	**11,597,338**

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently, the Company has no assets or liabilities with a variable interest rate. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's lease obligations bear fixed interest rates. As at June 30, 2022, and December 31, 2021, the Company did not have any outstanding loans and borrowings.

19. COVID-19 AND ITS IMPACT ON THE BUISNESS ENVIROMENT

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2022.