



Canada House Wellness Group Inc.

Condensed Interim Consolidated Financial Statements

April 30, 2022

(Expressed in thousands of Canadian dollars)

(Unaudited)

Canada House Wellness Group Inc.

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Notice of no auditor review of condensed interim consolidated financial statements

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

The accompanying unaudited condensed interim consolidated financial statements of Canada House Wellness Group Inc. (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 condensed interim consolidated 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.

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)

	Note	April 30, 2022 \$000's	April 30, 2021 \$000's
ASSETS			
Current assets:			
Cash		758	1,835
Trade and other receivables	5	3,751	1,945
Inventory	6	3,599	5,018
Biological assets	7	-	692
Prepaid expenses and deposits		1,588	383
		9,696	9,873
Property, plant and equipment, net	8	12,188	14,587
Right-of-use assets, net	10	2,125	2,413
Intangible assets, net	4,9	7,653	7,087
Goodwill	4	3,546	3,032
		35,208	36,992
LIABILITIES			
Current liabilities:			
Trade and other payables		11,906	8,345
Due to related parties	12	3	3
Current portion of lease liability	10	466	524
Current portion of convertible debentures	14	1,090	873
Promissory notes	11,12	74	68
Borrowings	13	332	326
Mortgage payable	15	2,000	2,000
Consideration payable	4	411	-
		16,282	12,139
Non-current liabilities			
Lease liability	10	1,760	1,952
Borrowings	13	2,460	120
Promissory notes	4,11,12	11,625	10,938
Convertible debentures	14	3,578	3,115
Deferred tax liabilities	4	1,986	1,855
		37,691	30,119
SHAREHOLDERS' EQUITY			
Share capital	16	48,685	48,685
Equity component of convertible debentures	14	2,174	2,174
Contributed surplus	16,17	16,216	15,775
Deficit		(69,558)	(59,761)
		(2,483)	6,873
		35,208	36,992

Nature of operations and going concern (note 1)
Commitments and contingencies (note 20)
Subsequent events (note 24)

Approved by the Board:

"Dennis Moir" Chair of the Board

"Norman Betts" Director

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

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the three and twelve months ended April 30, 2022 and 2021

		Three months ended		Twelve months ended	
		April 30	April 30	April 30	April 30
		2022	2021	2022	2021
	Note	\$000's	\$000's	\$000's	\$000's
Revenue					
Referral revenue		1,316	1,342	5,324	5,141
Product revenue		4,387	1,578	18,103	6,309
License revenue and other		230	367	546	430
Less excise tax		(436)	(389)	(3,170)	(1,320)
Net revenue		5,497	2,898	20,803	10,560
Cost of sales	6	2,750	2,713	9,540	6,066
Inventory impairment	6	1,259	1,834	4,000	2,266
Gross profit before fair value adjustments		1,488	(1,649)	7,263	2,228
Fair value adjustment on sale of inventory		(5)	869	1,174	1,136
Fair value adjustment on biological assets	7	88	(1,088)	337	(1,866)
Gross profit		1,405	(1,430)	5,752	2,958
Expenses					
General and administrative	19	2,241	2,555	8,711	8,253
Sales and marketing	19	259	164	1,453	506
Share-based compensation	17	53	270	441	461
Right-of-use assets amortization	10	90	110	367	460
Depreciation and amortization	8,9	263	257	1,017	911
Loss from operations		2,906	3,356	11,989	10,591
		(1,501)	(4,786)	(6,237)	(7,633)
Finance and transaction costs		810	770	3,635	2,736
(Gain) loss on debt settlement		(75)	533	(77)	918
Other expenses		-	3	2	10
Loss before income taxes		(2,236)	(6,092)	(9,797)	(11,297)
Provision for income taxes		(90)	64	-	68
Net loss and comprehensive loss for the period		(2,146)	(6,156)	(9,797)	(11,365)
Weighted average number of shares outstanding					
- basic and diluted		683,453,630	683,453,630	683,453,630	651,237,623
Net loss per share - basic and diluted	18	\$ (0.00)	\$ (0.01)	\$ (0.01)	(0.02)

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

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the twelve months ended April 30, 2022 and 2021

	Note	Number of Shares	Share Capital \$000's	Equity Component of Convertible Debentures \$000's	Contributed Surplus \$000's	Deficit \$000's	Total Shareholders' Equity \$000's
Balance as at May 1, 2020		409,992,178	39,241	419	13,810	(48,396)	5,074
Common shares issued pursuant to business acquisition		273,461,452	9,444	-	-	-	9,444
Convertible debenture		-	-	1,755	1,504	-	3,259
Share-based compensation		-	-	-	461	-	461
Net loss and comprehensive loss for the period		-	-	-	-	(11,365)	(11,365)
Balance as at April 30, 2021		683,453,630	48,685	2,174	15,775	(59,761)	6,873
Balance as at May 1, 2021		683,453,630	48,685	2,174	15,775	(59,761)	6,873
Share-based compensation	17	-	-	-	441	-	441
Net loss and comprehensive loss for the period		-	-	-	-	(9,797)	(9,797)
Balance as at April 30, 2022		683,453,630	48,685	2,174	16,216	(69,558)	(2,483)

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

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the twelve months ended April 30, 2022 and 2021

	Note	April 30 2022 \$000's	April 30 2021 \$000's
Cash provided by (used in)			
Operating activities:			
Net loss and comprehensive loss for the period		(9,797)	(11,365)
Add (deduct) items not affecting cash			
Depreciation and amortization	8,9	1,017	1,371
Share-based compensation		441	461
Non-cash finance and transaction costs		4,579	1,436
Realized fair value loss on sale of inventory		1,174	1,136
Unrealized fair value (gain) loss in fair value of biological assets		337	(1,866)
Inventory impairment		4,000	2,266
(Gain) loss on debt settlement		(77)	918
Right-of-use assets amortization	10	367	-
		2,041	(5,643)
Changes in non-cash working capital balances related to operations			
Trade and other receivables		(1,805)	(931)
Inventory		(3,065)	(3,598)
Biological assets		1,210	(232)
Prepaid expenses and deposits		(1,205)	(158)
Trade and other payables		833	7,207
Net cash used in operating activities		(1,991)	(3,355)
Investing activities:			
Purchase of property, plant and equipment, net		(51)	(794)
Business acquisition	4	(500)	130
Net cash used in investing activities		(551)	(664)
Financing activities:			
Borrowings		2,267	120
Lease payments		(600)	(707)
Cash interest payments on debenture		(122)	(133)
Repayment of convertible debentures		(80)	-
Issuance of convertible debenture, net of transaction costs		-	6,110
Repayment of convertible debenture		-	(2,818)
Mortgage payable		-	2,000
Repayment of promissory note		-	(485)
Net cash provided by financing activities		1,465	4,087
Increase (decrease) in cash during the period		(1,077)	68
Cash, beginning of period		1,835	1,767
Cash, end of period		758	1,835

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

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

1. Nature of operations and going concern uncertainty

Canada House Wellness Group Inc. (the "**Company**"), formerly Abba Medix Group Inc., was incorporated on September 29, 1982 under the *Company Act* of the Province of British Columbia and is listed on the Canadian Securities Exchange (the "**Exchange**") under the symbol CHV (formerly ABA).

These unaudited condensed interim consolidated financial statements of the Company for the three and twelve months ended April 30, 2022, comprise the results of the Company and its wholly owned subsidiaries Abba Medix Corp. ("**Abba**"), Canada House Clinics Inc. ("**CHC**"), The Longevity Project Corp. ("**TLP**"), 690050 NB Inc. doing business as Knalysis Technologies ("**Knalysis**"), 2104071 Alberta Inc., which holds the dispensary license in Edmonton, Alberta, IsoCanMed Inc. ("**IsoCanMed**"), a licensed producer in Louiseville, Quebec, that produces high quality medical grade cannabis, and Margaree Health Group Inc. ("**Margaree**"), a medical cannabis clinic dedicated to Veterans in Nova Scotia. Canada House's goal is to become the leading cultivator of premium craft cannabis and provider of cannabinoid therapy, targeting the national medical cannabis markets, the recreational adult-use market in Quebec and across Canada.

Using its own proprietary patient management software developed by Knalysis, CHC provides education services concerning appropriate cannabinoid therapies to patients. Abba initially received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations, as well as its license to produce cannabis oil and subsequently received an amendment to its Producer's Licence from Health Canada to include the sale and provision of marijuana seeds. In December 2018, Abba received a sales license to sell products from others, but not its own production. In August 2019, Abba was granted an amended license to sell its own production to provincially and territorially authorized provincial retailers and to holders of a license for medical purposes. The Company commenced sale of its Abba branded cannabis flower on October 1, 2019. On June 7, 2021, the Company announced that the registered office of the Company changed to 551 Rue SaintMarc, Louiseville, Quebec from 1773 Bayly Street, Pickering, Ontario.

Going concern uncertainty

The unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the three and twelve months ended April 30, 2022, the Company incurred a net loss of \$2,146 and \$9,797, and as at April 30, 2022, had an accumulated deficit of \$69,558 and a working capital deficit of \$6,586. Cash flow used in operations for the twelve months ended April 30, 2022 was \$1,991. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so in the future on terms favorable for the Company.

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

1. Nature of operations and going concern uncertainty (continued)

COVID-19 global pandemic

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic resulting in uncertain economic and business impact on a global scale. Taking into consideration the impact of COVID-19, the Company has reviewed its significant estimates, assumptions and judgments used in the preparation of these unaudited condensed interim consolidated financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties that the Company transacts with.

Based on this analysis, the Company has determined that there was no significant impact to any of managements estimates, assumptions or judgments, however, the continuing uncertainty associated with the COVID-19 pandemic may require changes to certain of these estimates, assumptions or judgments which could have a material impact on the Company's financial position and results of operations.

2. Basis of preparation

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"), as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on June 28, 2022.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2021.

3. Significant accounting policies

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended April 30, 2021, no new standards were adopted.

Future Accounting Pronouncements

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

3. Significant accounting policies (continued)

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

4. Business acquisition

On May 27, 2021 ("**Closing Date**"), the Company's wholly-owned subsidiary, CHC, acquired 100% of the issued and outstanding shares of Margaree Health Group Inc. ("**Margaree**"), a medical cannabis clinic dedicated to veterans in Nova Scotia, for total consideration of \$911. The consideration consisted of \$500 of cash and a three year earn-out measured against Margaree's revenue during the earn-out period, valued as \$411.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed:

Purchase Consideration	\$000's
Cash	500
Earn-out	411
	911
Fair value of net identifiable assets acquired	\$000's
Intangible Assets	532
Deferred Tax Liability	(141)
	391
Goodwill	520
	911

The acquisition was accounted for as a business combination using the acquisition method, with the results of operations consolidated with the Company from the date of acquisition. Goodwill represents the excess of the purchase price of the acquisition over the fair value of the net identifiable assets acquired. The goodwill recognized is attributable mainly to expected future growth potential and expected synergies. Goodwill arising from the acquisition is deductible for tax purposes.

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

4. Business acquisition and reverse takeover (continued)

The earn-out considerable payable in cash or, at the joint election and agreement of CHC and vendor, shall be payable as follows:

- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023; and
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2023 to April 30, 2024 during the first week of July 2024.

In the event CHC achieves a Margaree earn-out revenue target of \$350,000 for period from May 1, 2021 to April 30, 2022, the vendor may elect to amend the earn-out consideration such that is payable as follows:

- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023.

In the event CHC achieves a Margaree earn-out revenue target of \$330,000 for period from May 1, 2021 to April 30, 2022, \$365,000 for period from May 1, 2022 to April 30, 2023, or \$400,000 for period from May 1, 2023 to April 30, 2024, the vendor may elect to amend the earn-out consideration such that the vendor will receive a payment of 45% of Margaree earn-out revenue for the period in which it achieves the earn-out revenue target.

For accounting purposes, the consideration payable is valued at the net present value of the estimated earn-out payments using a discount of 10% on the Closing date.

5. Trade and other receivables

The Company's trade and other receivables include the following:

	April 30 2022 \$000's	April 30, 2021 \$000's
Trade and other receivables	3,737	1,926
Input taxes and other taxes receivables	14	19
	3,751	1,945

As at April 30, 2022, \$14 (April 30, 2021 - \$14) of allowance for doubtful accounts has been provided for and is not expected to be collected.

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

6. Inventory

The Company's inventory is comprised of the following:

	Carrying Value \$000's
Balance as at April 30, 2020	1,773
Purchased cannabis	1,330
Harvested cannabis	1,915
Balance as at April 30, 2021	5,018
Purchased cannabis	566
Harvested cannabis	(1,985)
Balance as of April 30, 2022	3,599

As of April 30, 2022, the balance of inventory is comprised of a fair value loss of \$214 (April 30, 2021 - \$411) upon harvest, \$967 (April 30, 2021 - \$3,149) of cost capitalized to inventory and \$2,846 (April 30, 2021 - \$2,280) of purchased products.

Products purchased from other producers are carried at the lower of their carrying amount and net realizable value. Carrying amount approximates the price paid to acquire the products.

Cost of sales for the three and twelve months ended April 30, 2022 is \$2,750 and \$9,540 (April 30, 2021 - \$2,713 and \$6,066). The Company impaired \$1,259 and \$4,000 (April 30, 2021 - \$1,834 and \$2,266) cannabis inventory during the three and twelve months ended April 30, 2022, due to the costs capitalized exceeding the net realizable value of the inventory.

7. Biological assets

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	\$000's
Balance as at April 30, 2020	203
Acquired on business combination	585
Production costs capitalized	3,580
Changes in fair value due to biological transformation	2,492
Transferred to inventory upon harvest	(6,168)
Balance as at April 30, 2021	692
Production costs capitalized	1,070
Changes in fair value due to biological transformation	(8)
Transferred to inventory upon harvest	(1,754)
Balance as at April 30, 2022	-

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

7. Biological assets (continued)

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model that estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected wholesale selling price.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. Harvested cannabis is transferred from biological assets to inventory at their fair value less costs to sell at harvest.

The biological assets were measured at their fair value less costs to sell of Nil on April 30, 2022 (April 30, 2021 - \$692). During the three months ended April 30, 2022, the Company preserved its genetics through the transfer of mother plants to Montreal Cannabis Medical Inc. ("MTL") while the Company's cultivation facilities are retrofit and the grow methodologies at the IsoCanMed facility are converted to align with existing methodologies at MTL's licensed facility.

As at April 30, 2022, it is expected that the Company's cannabis plants biological assets will yield approximately Nil grams (April 30, 2021 - 488,338 grams) of dry cannabis flowers and approximately Nil grams (April 30, 2021 - 6,949 grams) of dry cannabis trim upon completion of production. For the three and twelve months ended April 30, 2022, \$88 and \$337 of loss (April 30, 2021 - \$1,088 and \$1,866 of gain) is recognized as fair value adjustment on biological assets.

8. Property, plant and equipment

Cost	Leasehold	Furniture	Building	Land	Total
	Improvements	Equipment and Fixtures			
	\$000's	\$000's	\$000's	\$000's	\$000's
Balance as at April 30, 2020	6,904	1,509	311	261	9,540
Acquired on business combination	-	1,848	21	7,625	9,869
Additions	608	427	16	-	1,051
Disposals	(197)	(14)	(44)	-	(255)
Balance as at April 30, 2021	7,315	3,770	304	7,886	20,205
Additions	31	162	10	89	292
Disposals	(174)	(281)	(1)	-	(456)
Balance as at April 30, 2022	7,171	3,651	313	7,975	20,040

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

8. Property, plant and equipment (continued)

Accumulated depreciation	Leasehold Improvements		Furniture and Fixtures		Building	Land	Total
	\$000's	\$000's	\$000's	\$000's			
Balance as at April 30, 2020	2,501	705	155	39	-	3,400	
Additions	1,424	575	34	270	-	2,303	
Disposals	(43)	(12)	(30)	-	-	(85)	
Balance as at April 30, 2021	3,882	1,268	159	309	-	5,618	
Additions	1,458	565	27	298	-	2,348	
Disposals	(114)	-	-	-	-	(114)	
Balance as at April 30, 2022	5,226	1,833	186	607	-	7,852	

Net book value	Leasehold Improvements		Furniture and Fixtures		Building	Land	Total
	\$000's	\$000's	\$000's	\$000's			
Balance as at April 30, 2021	3,433	2,502	145	7,577	930	14,587	
Balance as at April 30, 2022	1,945	1,818	127	7,368	930	12,188	

Of total depreciation for the twelve months ended April 30, 2022 totaling \$2,387 (April 30, 2021 - \$2,293), \$750 (April 30, 2021 - \$1,126) was allocated to biological assets, \$656 (April 30, 2021 - \$293) was allocated to inventory and \$981 (April 30, 2021 - \$874) was expensed as depreciation.

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

9. Intangible assets

Cost	Computer Software \$000's	License \$000's	Client List \$000's	Total \$000's
Balance as at April 30, 2020	398	-	-	398
Acquired on business combination	-	7,000	-	7,000
Balance as at April 30, 2021	398	7,000	-	7,398
Additions	64	-	-	64
Acquired on business combination	-	-	532	532
Balance as at April 30, 2022	462	7,000	532	7,994

Accumulated Amortization	Computer Software \$000's	License \$000's	Client List \$000's	Total \$000's
Balance as at April 30, 2020	274	-	-	274
Amortization	37	-	-	37
Balance as at April 30, 2021	311	-	-	311
Amortization	30	-	-	30
Balance as at April 30, 2022	341	-	-	341

Net Book value	Computer Software \$000's	License \$000's	Intellectual Property \$000's	Total \$000's
Balance as at April 30, 2021	87	7,000	-	7,087
Balance as at April 30, 2022	121	7,000	532	7,653

In May 2021, the Company acquired 100% of issued and outstanding shares of Margaree, and as part of the transaction, a client list was acquired and valued at \$532 (note 4).

Canada House Wellness Group Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

10. Right-of-use assets and lease liability

The change in carrying value of the Company's right-of-use assets and lease liability was as follows:

	Right-of-use Assets \$000's	Lease Liability \$000's
Balance as at April 30, 2020	3,182	3,208
Additions	119	115
Disposal	(286)	(289)
Amortization expense	(602)	-
Interest expense	-	150
Payments	-	(708)
Balance as at April 30, 2021	2,413	2,476
Additions	246	247
Disposal	(27)	(24)
Amortization expense	(507)	-
Interest expense	-	128
Payments	-	(601)
Balance as at April 30, 2022	2,125	2,226
Current	-	466
Non-current	2,125	1,760

Of total amortization for the twelve months ended April 30, 2022 totaling \$507 (April 30, 2021 - \$604), \$106 (April 30, 2021 - \$123) was allocated to biological assets, \$34 (April 30, 2021 - \$21) was allocated to inventory and \$367 (April 30, 2021 - \$460) was expensed as right-of-use assets amortization.

11. Promissory notes

Current

In January 2020, the Company issued 30,000,000 common shares at a deemed price per share of \$0.05 to each of two former shareholders of MFT and TLP pursuant to separate debt settlement agreements entered into between the Company and each such individual for the satisfaction of \$3,000 of remaining contingent consideration of \$3,545 owing to the shareholders, which payments were originally due in November 2019. The remaining \$545 remains owing under two promissory notes, part of which was repaid in the year ended April 30, 2021. As at April 30, 2022, the balance of promissory notes of \$74 includes \$53 of principal and the accrued interest at the rate of 8% per annum payable.

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11. Promissory notes (continued)

Non-current

On June 12, 2020, the Company acquired 100% of the outstanding shares of IsoCanMed. As part of the consideration, the Company assumed three promissory notes in the total amount of \$12,500 payable on or before June 12, 2023 and bearing interest at 5% payable annually. The promissory notes are secured by a general security agreement registered against the asset of IsoCanMed. At the time of acquisition, the promissory notes were valued at \$10,398. As of April 30, 2022, the amortized cost is \$11,625 (note 12).

12. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the twelve months ended April 30, 2022 and 2020 is as follows:

	April 30, 2022 \$000's	April 30, 2021 \$000's
Salaries and wages	1,713	1,819
Share-based compensation	247	342
General and administrative	69	-
	2,029	2,161

During the twelve months ending April 30, 2022, the Company paid \$150 of consulting fees to a shareholder and paid \$22 of rent to a company owned by the same shareholder. As of April 30, 2022, the Company owes \$146 (April 30, 2021 - \$3) to a shareholder of the Company and owes promissory notes in the total amount of \$12,500 payable (April 30, 2021 - \$12,500) to three shareholders (note 11).

All related party transactions were in the normal course of operations, measured at the exchange amount.

13. Borrowings

Borrowings consist of the following:

	April 30, 2022 \$000's	April 30, 2021 \$000's
Loan from vendor	332	326
Loans from MTL	1,567	-
Loan from other lender	773	-
Loans from bank	120	120
	2,792	446

The loan from vendor is a three-year loan of \$313 at 2% interest per annum. The interest is payable annually. The loan is unsecured and matures on October 31, 2021.

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13. Borrowings (continued)

During the twelve months ending April 30, 2022, the Company borrowed \$1,000 from MTL in total at 3% interest per annum. The loan is unsecured and has no specific terms of repayment.

On December 15, 2021, MTL and IsoCanMed entered into a loan agreement for IsoCanMed to borrow up to \$4,139 from MTL. The loan will be used for capital expenditures related to the retrofit of IsoCanMed. As of April 30, 2022, the balance of the loan is \$567.

In October 2021, the Company issued a \$700 principal amount secured debenture (the "**Debenture**") to DMMB (Pty) Holdings Ltd. The Debenture has a two-year term and bears interest at 18% per annum. As of April 30, 2022, the balance of Debenture \$773 includes \$700 of principal and the accrued interest.

The loans from bank in the amount of \$120 are loans from a Canadian financial institution under the Canada Emergency Business Account ("**CEBA**") program. The loans are due by December 31, 2023 at the interest rate of 5% per annum starting from January 1, 2023. Repaying the balance of the loans on or before December 31, 2022 will result in loan forgiveness of 25 percent (\$30).

14. Convertible debentures

During the twelve months ended April 30, 2022, the changes of the carrying value of the convertible debentures are as follows:

	2020 Debentures \$000's	2017 Debentures \$000's	2019 Debenture \$000's	Total \$000's
Balance as at April 30, 2020	-	560	2,551	3,111
Principal amount issued	6,500	-	(2,587)	3,913
Issuance costs	(390)	-	-	(390)
Conversion feature at inception	(1,755)	-	-	(1,755)
Warrants at inception	(1,504)	-	-	(1,504)
Interest payments	-	(99)	(518)	(617)
Loss on settlement	-	-	385	385
Interest accretion expense	264	412	169	845
Balance as at April 30, 2021	3,115	873	-	3,988
Principal amount repaid	-	(80)	-	(80)
Interest payments	-	(122)	-	(122)
Interest accretion expense	463	419	-	882
Balance as at April 30, 2022	3,578	1,090	-	4,668
Current	-	1,090	-	1,090
Non-current	3,578	-	-	3,578

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14. Convertible debentures (continued)

2017 convertible debentures

On December 5, 2017, the Company issued 8,624 unsecured convertible debenture ("2017 Debentures") units for gross proceeds of \$8,624. Of the gross proceeds received, \$2,000 represented promissory notes that were settled through the issuance of these convertible debenture units, \$75 represented convertible debentures issued to former key management as severance and \$130 represented convertible debentures issued as settlement of \$176 of trade payables. Each 2017 Debentures unit comprises: (i) \$1,000 principal amount of 8.5% unsecured convertible debentures with a maturity date of December 5, 2021; and (ii) 5,263 detachable common share purchase warrants of the Company (each, a "2017 Warrant"). Each 2017 Debenture shall be convertible at the holder's option into fully paid common shares of the Company at any time prior to the maturity date at a conversion price of \$0.19 per share if converted within the first 12 months following issuance, and at a conversion price of \$0.40 per share if converted at any time following the date that is 12 months and one day following issuance until maturity. If the volume weighted average closing price of the common shares is greater than or equal to \$0.35 for a period of five consecutive days at any time within the first 12 months of the closing date, the Company has the option to force conversion at \$0.19 per share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to \$0.50 for a period of five consecutive days at any time after 12 months and before maturity, the Company has the option to force conversion at \$0.40 per share.

The debentures may be redeemed at any time after issuance on the following basis:

Redemption price	Redemption date
115% of the principal amount plus any accrued and unpaid interest	0–12 months from closing
112% of the principal amount plus any accrued and unpaid interest	12–24 months from closing
109% of the principal amount plus any accrued and unpaid interest	24–36 months from closing
106% of the principal amount plus any accrued and unpaid interest	36–48 months from closing

The interest payable on the debenture is payable monthly in cash. Each December Warrant shall be exercisable into one common share of the Company at an exercise price of \$0.30 per share for a period of 12 months following issuance; at an exercise price of \$0.40 from 12 months to 24 months following issuance; at an exercise price of \$0.60 from 24 months to 36 months following issuance and at an exercise price of \$0.80 from 36 months to 48 months following issuance.

Transaction costs consisted of \$307 in cash and \$356 of broker warrants with identical terms as the December Warrants.

On initial recognition, the Company allocated the proceeds, net of transaction costs, as follows:

	\$000's
Convertible debentures, liability	1,934
Conversion feature	1,955
Deferred tax liability on conversion feature	705
Warrants	3,368
	7,962

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14. Convertible debentures (continued)

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 20.37% over a term of 48 months. As of April 30, 2022, \$1,090 of the principal amount of the 2017 debentures remains outstanding.

Prior to the maturity of the 2017 Debentures, the Company corresponded with the remaining holders of 2017 Debentures and proposed Convertible Debenture Amending Agreements (the "**Amending Agreements**") to: i) extend the Maturity Date of the 2017 Debentures to December 5, 2022; ii) increase the interest rate on the outstanding Principal from 8.5% per annum to 18.0% per annum from and after December 5, 2021; iii) remove the conversion right under the Debenture; and, iv) reaffirm the Company's obligations under the 2017 Debentures. The Company has not entered into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to such extensions is due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

2020 convertible debenture

On August 8, 2020, the Company closed the strategic investment transaction with Archerwill Investments Inc. ("**Archerwill**"). Archerwill invested \$6,500 in the form of a secured convertible debenture, repaying the 2019 convertible debentures in full. The debenture may be converted into common shares at a price of \$0.05 per common share and bears interest at 8.0%, compound annually, convertible into shares or payable in cash at maturity, at the option of Archerwill. Unless converted earlier, the debentures mature in five years.

Prior to the transaction, Archerwill beneficially owned or had control or direction over 3,122,000 common shares in the capital of the Company and 4,973,635 securities of the Company convertible into or exercisable for 4,973,635 common shares.

Archerwill concurrently received 130 million common share purchase warrants, exercisable at \$0.06 per share for a period of four years, which, if exercised in full, would subsequently increase Archerwill's ownership interest to 28.3% (assuming Archerwill's conversion and exercise in full of all securities it holds in the Company but no other conversions of outstanding securities of the Company). The transaction costs were allocated pro rata based on each individual component's fair value.

On initial recognition, the Company allocated the proceeds, net of \$390 of transaction costs, as follows:

	\$000's
Convertible debenture, liability	2,851
Conversion feature	1,755
Warrants	1,504
	6,110

As of April 30, 2022, \$6,500 of the principal amount of the 2020 convertible debenture remains outstanding and the amortized cost is \$3,578.

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15. Mortgage payable

On December 24, 2020, the Company closed a \$2,000 non-dilutive term loan financing at an annual interest rate of 10% (the "Loan"). The Loan is secured by the property and assets of the Company's wholly owned subsidiary, IsoCanMed, in Louiseville, Quebec and is subject to monthly interest-only installments of \$17, with the principal amount repayable at the end of one year. The Loan may be extended for an additional year, at the discretion of the lender, upon 30 days written renewal notice by the Company. The renewal notice will indicate if the Company intends to repay any portion of the loan, up to a maximum of \$1,000. A commitment fee, equal to 4% of the loan amount less the amount repaid, is payable at the time of renewal. The Loan was extended to January 1, 2023.

16. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

(b) Issued and outstanding

	Common Shares Number	Shares \$000's	Equity component of convertible debentures \$000's	Number of Warrants	Contributed Surplus \$000's
Balance as at April 30, 2020	409,992,178	39,241	419	199,383,696	13,810
Common shares issued pursuant to business combination ^(b)	273,461,452	9,444	-	-	-
Convertible debenture ^(note 14)	-	-	1,755	130,000,000	1,504
Share-based compensation	-	-	-	-	461
Balance as at April 30, 2021	683,453,630	48,685	2,174	329,383,696	15,775
Warrants expired	-	-	-	(58,186,464)	-
Share-based compensation	-	-	-	-	441
Balance as at April 30, 2022 ^(a)	683,453,630	48,685	2,174	271,197,232	16,216

During the twelve months ending April 30, 2022:

- (a) The Company extended the expiry date of 97,342,857 (subject to adjustment) outstanding common share purchase warrants of the Company issued on March 4, 2020 (the "Warrants") from March 3, 2023, to December 31, 2026. Aside from the extension of the expiry date, all other terms of the Warrants will remain unchanged.

During the year ending April 30, 2021:

- (b) The Company issued 273,461,452 common shares pursuant to the acquisition of IsoCanMed Inc. valued at \$9,444.

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17. Share-based compensation

The Company has established a stock option plan (the “**Option Plan**”) for directors, officers, employees and consultants of the Company. The Company’s Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company’s Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the common shares that are outstanding unless the Board of Directors shall have increased such limit by a Board of Directors resolution. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired or cancelled shall again be available under the Option Plan.

The changes in the number of stock options during the period were as follows:

	Number of Options #	Weighted Average Exercise Price \$
Balance as at April 30, 2020	37,200,000	0.12
Granted	21,925,000	0.05
Exercised	(3,425,000)	0.15
Balance as at April 30, 2021	55,700,000	0.09
Expired	(2,400,000)	0.25
Forfeited	(4,900,000)	0.12
Balance as at April 30, 2022	48,400,000	0.08

The following table is a summary of the Company’s share options outstanding as at April 30, 2022:

Exercising Price \$	Number Outstanding #	Weighted Average Exercising Contractual Life Years	Number Exercisable #
0.050	37,850,000	2.87	29,628,125
0.155	1,000,000	1.99	1,000,000
0.160	100,000	1.98	100,000
0.170	2,700,000	1.56	2,700,000
0.190	1,250,000	1.50	1,250,000
0.200	5,500,000	1.16	5,500,000
0.090	48,400,000	3.24	40,178,125

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17. Share-based compensation (continued)

The following table is a summary of the Company's share options outstanding as at April 30, 2021:

Exercising Price \$	Number Outstanding #	Weighted Average Exercising Contractual Life Years	Number Exercisable #
0.050	40,400,000	4.40	19,682,293
0.155	1,000,000	2.96	1,000,000
0.160	100,000	2.98	100,000
0.170	3,550,000	2.56	2,662,500
0.190	1,250,000	2.50	1,250,000
0.200	7,000,000	2.21	7,000,000
0.250	2,400,000	0.53	2,400,000
0.090	55,700,000	3.77	34,094,793

The Company recognized \$441 of share-based compensation expense during the twelve months ended April 30, 2022 (April 30, 2021 – \$461), with a corresponding amount recognized as a contributed surplus.

18. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For the twelve months ended April 30, 2022, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debentures, warrants and stock options. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future, but would have decreased the loss per share (anti-dilutive) for the periods presented, are as follows:

	April 30, 2022 Number of Shares	April 30, 2021 Number of Shares
Convertible debentures	130,000,000	132,925,000
Warrants	271,197,232	329,383,696
Share options	48,400,000	55,700,000
	449,597,232	518,008,696

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19. Nature of expenses

General and administrative expenses for the twelve months ended April 30, 2022 and 2020 are composed of:

	Three months ended		Twelve months ended	
	April 30 2022 \$000's	April 30 2021 \$000's	April 30 2022 \$000's	April 30 2021 \$000's
Salaries, wages and consulting fees	1,669	2,017	6,499	6,221
General operating	360	406	1,207	1,280
Occupancy costs	130	132	393	411
Professional fees	82	-	612	341
	2,241	2,555	8,711	8,253

Sales and marketing expenses for the twelve months ended April 30, 2022 and 2020 are comprised of:

	Three months ended		Twelve months ended	
	April 30 2022 \$000's	April 30 2021 \$000's	April 30 2022 \$000's	April 30 2021 \$000's
Advertising and promotion	252	168	1,371	480
Travel	7	(4)	82	26
	259	164	1,453	506

20. Commitments and contingencies

Commitments

As at April 30, 2022, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	\$000's
2022	556
2023	426
2024	379
Thereafter	1,239
	2,600

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20. Commitments and contingencies (continued)

Contingencies

- (a) On September 23, 2020, the Company was served with a Statement of Claim for damages for the alleged breach of a former employee's employment agreement, or in the alternative, for the alleged constructive dismissal of a former employee, in the amount of \$728 plus interest and costs. The claim was initiated in the Ontario Superior Court of Justice. The Company filed a Statement of Defence to the claim on November 6, 2020 and believes the claim is without merit. This matter has been set down for trial the week of June 20, 2022.
- (b) The Company and its subsidiary, Abba, were served with a Statement of Claim for damages for the alleged failure to pay invoices in the amount of \$200 plus pre- and post-judgment interest. Pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. Given that examinations for discovery have not yet occurred, it is too early in the process to have a reasonable expectation or evaluation of the Plaintiff's claim, but the Company believes the claim to be without merit.
- (c) On April 15, 2021, Canada House's wholly owned subsidiary, ICM, was served with an application to initiate proceedings for damages for its alleged failure to pay invoices in the amount of \$304 plus pre and post judgment interest. Prior to the Plaintiff initiating proceedings, ICM provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at ICM's facility. The list of deficiencies includes the Plaintiff's supply and installation of a chiller which has not yet been put into operation by the Plaintiff. The Plaintiff and ICM discussed ICM's payment of the balance owing (approximately \$305) on the total contract value of \$2,300 when the Plaintiff had successfully remedied the outstanding deficiencies in its workmanship. In addition, at the request of the Plaintiff, ICM provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving ICM's requested comments, the Plaintiff halted all communication and proceeded with this application.

ICM retained external counsel to appear on ICM's behalf and respond to the application. ICM's external counsel has filed a Defence and Counterclaim to the Plaintiff's application along with the expert report relied upon in same. At this time, the Plaintiff's defense to ICM's Counterclaim and any expert evidence to be relied upon by the Plaintiff have not been filed with the Court. Initial discoveries of the Parties related to the Plaintiff's claim and ICM's Counterclaim have been delayed.

- (d) Prior to the maturity of the Company's outstanding Convertible Debentures dated December 5, 2017 (the "**2017 Debentures**"), the Company corresponded with the remaining holders of 2017 Debentures and proposed Convertible Debenture Amending Agreements (the "**Amending Agreements**") to: i) extend the Maturity Date of the 2017 Debentures to December 5, 2022; ii) increase the interest rate on the outstanding Principal from 8.5% per annum to 18.0% per annum from and after December 5, 2021; iii) remove the conversion right under the Debenture; and, iv) reaffirm the Company's obligations under the 2017 Debentures. The Company has not entered into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to such extensions is due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.
- (e) In the ordinary course of business and from time to time, the Company is involved in various other claims related to its ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these consolidated financial statements.

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21. Capital management

The Company defines the capital that it manages as the amounts it classifies in share capital, augmented by any amounts raised through the issuance of convertible debentures, promissory notes, borrowings and mortgage payable.

	April 30, 2022 \$000's	April 30, 2021 \$000's
Share capital, including equity component of convertible debentures	50,859	50,859
Convertible debentures	4,668	3,988
Promissory notes	11,699	11,006
Borrowings	2,792	446
Mortgage payable	2,000	2,000
	72,018	68,299

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing initiatives and business development activities in order to provide returns for its shareholders.

The Company is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break-even. As at April 30, 2022, the Company had raised, net of issuance costs, approximately \$42,879 (April 30, 2021 - \$40,612) by the issuance of common shares, warrants, convertible debentures and long-term debt. The Company may raise additional equity in the future, although there can be no assurance that the Company will be successful in doing so.

22. Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at April 30, 2022 and April 30, 2021, three customers represented 57% and 73% of the outstanding trade and other receivable balance, respectively.

The Company does not hold any collateral as security, but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

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22. Financial instruments and risk management (continued)

The aging of trade receivables is as follows:

	April 30, 2022 \$000's	April 30, 2021 \$000's
Not past due	2,309	1,627
1 to 30 days past due	1,294	94
31 to 60 days past due	46	196
Over 61 days past due	88	9
	3,737	1,926

As at April 30, 2022, the expected credit loss recognized was \$14 (April 30, 2021 - \$14).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying Amount \$000's	Total Contractual Cash Flow \$000's	Year 1 \$000's	Year 2 \$000's	Year 3 \$000's	Year 4 and Beyond \$000's
Lease liability	2,226	2,600	556	426	379	1,239
Promissory notes	74	74	74	-	-	-
Promissory note - non-current	11,625	14,375	1,797	12,578	-	-
Trade and other payables	11,906	11,906	11,906	-	-	-
Convertible debentures	4,668	10,313	1,213	-	-	9,100
Borrowings	2,792	2,792	1,899	-	893	-
Due to related parties	3	3	3	-	-	-
Mortgage payable	2,000	2,133	2,133	-	-	-
	35,294	44,196	19,581	13,004	1,272	10,339

Market risk

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

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22. Financial instruments and risk management (continued)

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at April 30, 2022 as the Company does not have any variable interest rate assets or liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at April 30, 2022.

Fair values

The carrying values of cash, trade and other receivables, loan receivable, trade and other payables, borrowings and convertible debentures approximate the fair values due to the short-term nature of these items or the interest rates and discount rates being at market. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the twelve months ended April 30, 2022, there were no transfers of amounts between levels.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

For the three and twelve months ended April 30, 2022 and 2021

23. Segmented information

The Company has one reportable and operating segment, which primarily cultivates and distributes cannabis related products via federally approved cannabis programs, and this single reportable segment derives its revenue from the sale of such products. The Company reports segment information based on internal reports used by the Chief Operating Decision maker (“**CODM**”) to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The Company primarily operates in one principal geographical area, Canada, accordingly all of the Company’s long lived assets are located in Canada.

24. Subsequent events

On May 12, 2022, the Company announced cancellation of 10,450,000 incentive stock options previously held by certain directors, officers, and employees of the Company.

On May 30, 2022, the Company announced change of fiscal year end to July 31. The annual audited financial statements of the transition year will be 15 months and will include the period stating May 1, 2021 to July 31, 2022. The interim and annual reporting periods of the transition year will be changed based on new fiscal year end date.