Canada House Cannabis Group Inc.

Formerly as Canada House Wellness Group Inc.

Condensed Interim Consolidated Financial Statements

January 31, 2023

(Expressed in thousands of Canadian dollars)

(Unaudited)

Canada House Cannabis Group Inc.
(formerly 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 Cannabis 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.

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

Canada House Cannabis Group Inc.
(formerly 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	January 31, 2023	July 31, 2022
ASSETS			
Current assets:			
Cash		**460**	450
Trade and other receivables	5	**5,799**	3,058
Inventory	6	**3,394**	3,601
Biological assets	7	**1,095**	84
Prepaid expenses and deposits		**470**	534
		11,218	7,727
Property, plant and equipment, net	9	**11,951**	12,954
Investment in associates	8	**16,775**	-
Right-of-use assets, net	11	**2,107**	2,182
Intangible assets, net	10	**7,647**	7,640
Goodwill	4,10	**3,546**	3,546
Total assets		**53,244**	34,049
LIABILITIES			
Current liabilities:			
Trade and other payables		**12,597**	11,574
Due to related parties	13	**-**	3
Current portion of lease liability	11	**508**	378
Current portion of debentures	15	**857**	1,050
Mortgage payable	16	**2,000**	2,000
Promissory notes	12	**79**	76
Borrowings	14	**2,305**	1,766
Consideration payable	4	**197**	197
		18,543	17,044
Non-current liabilities			
Lease liability	11	**1,721**	1,910
Borrowings	14	**2,104**	2,160
Promissory notes	4,12,13	**11,656**	10,790
Consideration payable	4	**195**	195
Debentures	15	**4,026**	3,717
Deferred tax liabilities	4	**1,986**	1,986
Total liabilities		**40,231**	37,802
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	17	**65,531**	48,685
Equity component of convertible debentures	15	**2,174**	2,174
Contributed surplus	17,18	**14,310**	14,287
Deficit		**(69,002)**	(68,899)
Equity (deficiency)		**13,013**	(3,753)
Total liabilities and shareholders' equity		**53,244**	34,049

Nature of operations and going concern (note 1)
Commitments and contingencies (note 22)
Subsequent events (note 26)

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 Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Condensed Interim Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the three and six months ended January 31, 2023 and 2022

	Note	Three months ended January 31 2023 $000's	Three months ended January 31 2022 $000's	Six months ended January 31 2023 $000's	Six months ended January 31 2022 $000's
Revenue					
Referral revenue		**1,350**	1,330	**2,694**	2,658
Product revenue		**6,333**	6,004	**11,051**	10,506
License revenue and other		**656**	112	**1,174**	203
Less excise tax		**(520)**	(1,270)	**(1,119)**	(2,085)
Net revenue		**7,819**	6,176	**13,800**	11,282
Cost of sales	6	**2,666**	2,754	**4,847**	4,223
Inventory impairment	6	**-**	393	**-**	2,741
Gross profit before fair value adjustments		**5,153**	3,029	**8,953**	4,318
Realized loss on sale of inventory		**1,070**	582	**1,099**	903
Unrealized (gain) loss on biological assets	7	**(1,448)**	(5)	**(2,199)**	190
Gross profit		**5,531**	2,452	**10,053**	3,225
Expenses					
General and administrative	21	**2,482**	2,289	**4,608**	4,562
Sales and marketing	21	**301**	377	**725**	883
Share-based compensation	18	**5**	80	**23**	202
Right-of-use assets amortization	11	**117**	91	**240**	183
Depreciation and amortization	9,10	**479**	223	**967**	492
		3,384	3,060	**6,563**	6,322
Profit (loss) from operations		**2,147**	(608)	**3,490**	(3,097)
Finance costs	19	**1,419**	1,060	**2,347**	1,917
Acquisition costs	8	**-**	-	**905**	-
(Gain) loss on debt settlement and modifications	12	**249**	-	**249**	-
Share of income from investment in associates	8	**130**	-	**71**	-
Other expenses		**-**	1	**-**	2
Profit (loss) before income taxes		**349**	(1,669)	**(82)**	(5,016)
Provision for income taxes		**24**	30	**21**	60
Net profit (loss) and comprehensive profit (loss) for the period		**325**	(1,699)	**(103)**	(5,076)
Weighted average number of shares outstanding - basic and diluted		**45,567,767**	**22,788,427**	**41,957,926**	22,788,427
Net profit (loss) per share - basic and diluted	20	**$ 0.01**	$ (0.07)	**$ 0.00**	$ (0.22)

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

Canada House Cannabis Group Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(formerly Canada House Wellness Group Inc.)
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the six months ended January 31, 2023 and 2022

	Note	Number of Shares	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance as at July 31, 2021		**22,788,427**	**48,685**	**2,174**	**15,961**	**(62,336)**	**4,484**
Share-based compensation		-	-	-	202	-	202
Net loss and comprehensive loss for the period		-	-	-	-	(5,076)	(5,076)
Balance as at January 31, 2022		**22,788,427**	**48,685**	**2,174**	**16,163**	**(67,412)**	**(390)**
Balance as at July 31, 2022		22,788,427	48,685	2,174	14,287	(68,899)	(3,753)
Common shares issued pursuant to investment in associates	8	22,779,340	16,846	-	-	-	16,846
Share-based compensation	18	-	-	-	23	-	23
Net loss and comprehensive loss for the period		-	-	-	-	(103)	(103)
Balance as at January 31, 2023		**45,567,767**	**65,531**	**2,174**	**14,310**	**(69,002)**	**13,013**

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

Canada House Cannabis Group Inc.
(formerly 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 six months ended January 31, 2023 and 2022

	Note	January 31 2023	January 31 2022
Cash provided by (used in)			
Operating activities:			
Net profit (loss) and comprehensive profit (loss) for the period		**(103)**	(5,076)
Add (deduct) items not affecting cash			
Depreciation and amortization	9,10	**967**	492
Share-based compensation	18	**23**	202
Non-cash finance and transaction costs		**1,502**	2,812
Realized fair value loss on sale of inventory		**1,099**	(276)
Unrealized fair value (gain) loss in fair value of biological assets		**(2,199)**	190
Inventory impairment		**-**	2,741
Share of income from investment in associates	8	**71**	-
(Gain) loss on debt settlement and modifications		**249**	-
Right-of-use assets amortization	11	**240**	183
		1,849	1,268
Changes in non-cash working capital balances related to operations			
Trade and other receivables		**(2,741)**	(1,726)
Inventory		**(789)**	(1,873)
Biological assets		**1,264**	870
Prepaid expenses and deposits		**64**	(162)
Trade and other payables		**1,118**	(33)
Net cash provided by (used in) operating activities		**765**	(1,656)
Investing activities:			
Purchase of property, plant and equipment, net	10	**(193)**	(8)
Acquisition costs	8	**(330)**	-
Net cash used in investing activities		**(523)**	(8)
Financing activities:			
Borrowings		**258**	1,900
Lease payments		**(307)**	(301)
Cash interest payments on debenture		**-**	(57)
Repayment of convertible debentures		**(183)**	(50)
Net cash provided by (used in) financing activities		**(232)**	1,492
Increase in cash during the period		**10**	(172)
Cash, beginning of period		**450**	741
Cash, end of period		**460**	569

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

1. Nature of operations and going concern uncertainty

Canada House Cannabis Group Inc. (the "**Company**"), formerly Canada House Wellness 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 six months ended January 31, 2023, 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 six months ended January 31, 2023, the Company incurred a net loss of $103 and a net profit of $325, and as at January 31, 2023, had an accumulated deficit of $69,002 and a working capital deficit of $7,325. Cash flow provided by the operations for the six months ended January 31, 2023 was $765. 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.

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 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 March 23, 2023.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the 15-month period ended July 31, 2022.

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 15-month period ended July 31, 2022, no new standards were adopted other than the Company adopted IAS 28 Investments in Associates to account its new investment in an associate (note 8).

Investment in associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see "Equity Method" below), after initially being recognized at cost. The Company has received unaudited Financial Statements from MTL and has relied on this information provided by MTL management as input in the preparation of its unaudited condensed interim consolidated financial statements for the three and six months ended January 31, 2023 and 2022 (note 8).

Equity method

Under the equity method of accounting, investments in associates and joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

3. Significant accounting policies (continued)

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company. The carrying amount of equity-accounted investments is tested for impairment.

New and Amended Standards

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 is 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 adopted the Amendments to IAS 1 effective August 1, 2022 with no impact to the Company's consolidated financial statements.

IFRS 3 – Business Combinations ("IFRS 3")
Amendments to IFRS 3 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 - Provisions, Contingent Liabilities and Contingent Assets be used to identify liabilities and contingent assets arising from business combination. The Company adopted the Amendments to IFRS 3 effective August 1, 2022 with no impact to the Company's consolidated financial statements.

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.

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.

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

3. Significant accounting policies (continued)

IAS 8 – Accounting policies, Changes in accounting estimates and Errors (“IAS 8”)
Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023.

IAS 12 – Income Taxes (“IAS 12”)
Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively.

4. Business acquisitions

Margaree Health Group Inc. 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	
Cash	500
Earn-out	411
	911
Fair value of net identifiable assets acquired	
Intangible Assets	532
Deferred Tax Liability	(141)
	391
Goodwill	520
	911

4. Business acquisitions (continued)

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.

The earn-out consideration 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 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 for period from May 1, 2021 to April 30, 2022, $365 for period from May 1, 2022 to April 30, 2023, or $400 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. On June 30, 2022, the vendor elected 45% of the revenue for three years and CHC paid $181 of consideration based on 45% of the revenue $402 earned during the period from May 1, 2021 to April 30, 2022.

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. On July 31, 2022, the remaining balance of the contingent consideration was revalued to be $392 based on the increased sales since the acquisition resulting a $161 expense of remeasurement on contingent consideration in the three months.

IsoCanMed Inc. acquisition
On June 12, 2020 ("Closing Date"), the Company acquired 100% of the outstanding shares of IsoCanMed Inc. ("IsoCanMed"), a fully operational cannabis producer located in Louisville, Quebec, for total consideration of $19,843. The consideration consisted of 273,461,452 consideration shares valued as $9,444, plus assumption of three promissory notes ("Notes") for $12,500 payable, valued as $10,399, on or before June 12, 2023 and bearing interest at 5% payable annually. The Notes are secured by a general security agreement registered against the assets of IsoCanMed. The Company has the right at any time to prepay all or any portion of the principal amount of the Note without penalty or interest.

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

4. Business acquisitions (continued)

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

Purchase Consideration	
Share consideration	9,444
Assumption of promissory note	10,399
	19,843
Fair value of net identifiable assets acquired	
Net Working Capital	3,836
Tangible Assets	9,869
Intangible Assets	7,000
Other Liabilities	(2,039)
Deferred Tax Liability	(1,855)
	16,811
Goodwill	3,032
	19,843

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.

The share consideration comprised of 273,461,452 common shares of the Company ("Share Consideration") and are subject a lockup agreement whereby the IsoCanMed shareholders covenant not to sell, transfer or otherwise dispose of:

- With respect to 25% of the Share Consideration, for a period ending on the 6 month anniversary of the Closing Date;
- With respect to an additional 25% of the Share Consideration, for a period ending on the 12 month anniversary of the Closing Date;
- With respect to an additional 25% of the Share Consideration, for a period ending on the 18 month anniversary of the Closing Date; and
- An additional 25% of the Share Consideration, for a period ending on the 24 month anniversary of the Closing Date.

For accounting purposes, the Share Consideration transferred for the acquired business includes a discount in the value of the share consideration to reflect the trading restriction placed on the shares.

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

5. Trade and other receivables

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

	January 31 2022	July 31, 2022
Trade and other receivables	**5,595**	3,034
Input taxes and other taxes receivables	**204**	24
	5,799	3,058

As at January 31, 2023, $14 (July 31, 2022 - $14) of allowance for doubtful accounts has been provided for and is not expected to be collected.

6. Inventory

The Company's inventory is comprised of the following:

	January 31 2022	July 31, 2022
Dried cannabis		
- Work-in-process	**1,531**	2,146
- Finished goods	**1,855**	1,424
Packaging and consumables	**8**	7
Other	**-**	24
	3,394	3,601

As of January 31, 2023, the balance of inventory is comprised of a fair value gain of $205 (July 31, 2022 - $163) upon harvest, $662 (July 31, 2022 - $1,115) of cost capitalized to inventory and $2,527 (July 31, 2022 - $2,323) 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 six months ended January 31, 2023 is $2,666 and $4,847 (January 31, 2022 - $2,754 and $4,223). The Company assessed there was no impairment to the inventory for the three and six months ending January 31, 2023. The Company impaired the cannabis inventory during the three and six months ended January 31, 2022 for $393 and $2,741, due to the costs capitalized exceeding the net realizable value of the inventory.

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

7. Biological assets

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

	$'000
Balance as at April 30, 2021	**692**
Production costs capitalized	1,305
Changes in fair value due to biological transformation	(159)
Transferred to inventory upon harvest	(1,754)
Balance as at July 31, 2022	**84**
Production costs capitalized	835
Changes in fair value due to biological transformation	2,199
Transferred to inventory upon harvest	(2,023)
Balance as at January 31, 2023	**1,095**

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 $1,095 on January 31, 2023 (July 31, 2022 - $84).

As at January 31, 2023

Significant inputs and assumptions	Inputs	Sensitivity	Effect on biological asset balance
Weighted average selling price per gram	$1.80	10% Increase or decrease	$140
Average yield per plant	821 grams	10% Increase or decrease	$109
Post-harvest cost per gram	$0.39	10% Increase or decrease	$31

As at July 31, 2022

Significant inputs and assumptions	Inputs	Sensitivity	Effect on biological asset balance
Weighted average selling price per gram	$1.75	10% Increase or decrease	$11
Average yield per plant	586 grams	10% Increase or decrease	$8
Post-harvest cost per gram	$0.48	10% Increase or decrease	$3

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

8. Investment in associates

On August 9, 2021, the Company announced that they have entered into a definitive share exchange agreement for the Company acquisition of all of the issued and outstanding shares of Montréal Cannabis Medical Inc. ("**MTL**") (herein referred to as the "Transaction"). The Transaction is considered an arm's length transaction and will constitute a "reverse takeover" of the Company by MTL as it is anticipated that the Company's shareholders will account for approximately 20% of the combined company post merger.

On August 30, 2022, Canada House Cannabis Group closed the first tranche of its acquisition of MTL. With the closing of the first tranche of the Transaction (the "Initial Closing") the Company acquired 24.99% of the issued and outstanding shares of MTL in exchange for 49.99% of the issued and outstanding common shares of the Company. Following the completion of the Company's share consolidation, the Company issued 22,779,340 Common Shares to the shareholders of MTL on the Initial Closing. Subsequent to this transaction, 45,567,767 Common Share of the Company were issued and outstanding. Please see Company's news release on August 30, 2022.

The parties will proceed to satisfying the closing conditions to the second tranche of the Transaction, namely the preparation of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL in order for the Company to proceed to a shareholder meeting to approve the Transaction, as required by the rules and policies of the Canadian Securities Exchange. The definitive transaction agreement between the parties provides for the Company to acquire the remaining 75.01% of the issued and outstanding shares of MTL on the second tranche of the Transaction (the "Subsequent Closing") in exchange for such number of Common Shares that when added to the Common Shares issued on the Initial Closing, is equal to 80.0% of the issued and outstanding common shares of the Company.

At current stage, the Company owns 24.99% of the issued and outstanding shares of MTL and has significant influence over MTL and that is neither a subsidiary nor an interest in a joint venture.

The Company's was valued at $33,700 as of August 30, 2022, and the 22,779,340 Common Shares (49.99% of the issued and outstanding common shares of the Company) issued to acquire the investment in MTL was valued at $16,846. $905 of transaction including finders' fees and legal costs incurred to facilitate the Initial Closing, $330 of which has been paid by cash, and the remaining balances of $375 has been settled by the Company's 394,321 common shares (note 26) and $200 will be settled by issuing the Company's common shares.

The condensed interim consolidated financial statements include the Company's share of the MTL's income, expenses and equity movements. Where the Company transacts with its associates, unrealized profits or losses are eliminated to the extent of the Company's interest in the associate.

The carrying value of investment in MTL consists of [(1)]:

Balance as at July 31, 2022	**-**
Additions	16,847
Share of net income [(2)]	185
Unrealized gross profit [(3)]	(257)
Balance as at January 31, 2023	**16,775**

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

8. Investment in associates (continued)

(1) The Company received unaudited Financial Statements from MTL Cannabis and has relied on this information provided by MTL Cannabis management as input in the CHV financial statements as represented in Investment in associates.

(2) Represents an estimate of the Company's share of net income based on the latest available information of the investee.

(3) Represents the Company's 24.99% of the unrealized gross profit of the unsold inventory MTL purchased from IsoCanMed as of January 31, 2023, based on the latest available information of the investee.

The following table summarizes the financial information of MTL (4):

Highlight from the Statements of Financial Position	**As at January 31, 2023**
Current assets (including cash and cash equivalents)	20,062
Non-current assets	8,373
Current liabilities	(7,461)
Non-current liabilities	(13,107)
Net assets (liabilities) (100%)	7,867
Highlight from the Income Statement	**August 30, 2022 to January 31, 2023**
Revenue	10,399
Profit from operations	3,662
Net income and comprehensive income for the period	740
Share of net income (24.99%)	185

(4) The Company received unaudited Financial Statements from MTL Cannabis and has relied on this information provided by MTL Cannabis management as input in the CHV financial statements as represented in Investment in Associates.

9. Property, plant and equipment

Cost	**Leasehold Improvements**	**Equipment**	**Furniture and Fixtures**	**Building**	**Land**	**Total**
Balance as at April 30, 2021	**7,315**	**3,770**	**304**	**7,886**	**930**	**20,205**
Additions	50	633	17	1,386	63	2,149
Disposals	(174)	(635)	(11)	(3)	(364)	(1,187)
Balance as at July 31, 2022	**7,191**	**3,768**	**310**	**9,269**	**629**	**21,167**
Additions	-	106	-	36	-	142
Disposals	(4)	(3)	(1)	-	-	(8)
Balance as at January 31, 2023	**7,187**	**3,871**	**309**	**9,305**	**629**	**21,301**

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

9. Property, plant and equipment (continued)

Accumulated depreciation	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2021	**3,882**	**1,268**	**159**	**309**	**-**	**5,618**
Depreciation	1,862	724	35	384	-	3,005
Disposals	(108)	(295)	(7)	-	-	(410)
Balance as at July 31, 2022	**5,636**	**1,697**	**187**	**693**	**-**	**8,213**
Depreciation	698	257	10	173	-	1,138
Disposals	-	-	(1)	-	-	(1)
Balance as at January 31, 2023	**6,334**	**1,954**	**196**	**866**	**-**	**9,350**

Net book value	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at July 31, 2022	1,555	2,071	123	8,576	629	12,954
Balance as at January 31, 2023	**853**	**1,917**	**113**	**8,439**	**629**	**11,951**

Of total depreciation for the six months ended January 31, 2023 totaling $1,138 (January 31, 2022 - $588), $76 (January 31, 2022 - $206) was allocated to biological assets, $87 (January 31, 2022 - $120) was allocated to inventory, $58 (January 31, 2022 - Nil) was allocated to cost of sales, and $917 (January 31, 2022 - $262) was expensed as depreciation.

10. Intangible assets and goodwill

Cost	Computer Software	License	Client List	Total
Balance as at April 30, 2021	**398**	**7,000**	**-**	**7,398**
Additions	118	-	-	118
Acquired on business combination (note 4)	-	-	532	532
Balance as at July 31, 2022	**516**	**7,000**	**532**	**8,048**
Additions	57	-	-	57
Balance as at January 31, 2023	**573**	**7,000**	**532**	**8,105**

10. Intangible assets and goodwill (continued)

Accumulated Amortization	Computer Software	License	Client List	Total
Balance as at April 30, 2021	**311**	**-**	**-**	**311**
Amortization	51	-	46	97
Balance as at July 31, 2022	**362**	**-**	**46**	**408**
Amortization	29	-	21	50
Balance as at January 31, 2023	**391**	**-**	**67**	**458**

Net Book value	Computer Software	License	Intellectual Property	Total
Balance as at July 31, 2022	154	7,000	486	7,640
Balance as at January 31, 2023	**182**	**7,000**	**465**	**7,647**

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).

A continuity of the Company's goodwill balance is as follow:

	$000's
As at April 30, 2021	**3,032**
Additions (note 4)	520
Adjustment	(6)
As at July 31, 2022	**3,546**
As at January 31, 2023	**3,546**

The Company operates as two CGU and therefore goodwill and intangible assets have been allocated to their respective CGU and tested at the CGU level.

Licensed Producer
The Company's Licensed Producer CGU represents its operations dedicated to the cultivation and sale of cannabis products and has goodwill of $3,032. In assessing goodwill and indefinite-life intangible assets for impairment, the Company compared the aggregate recoverable amount of the assets included in the CGU to there respective carrying amounts. The recoverable amount of the CGU was based on value in use, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

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

10. Intangible assets and goodwill (continued)

The carrying value of the Licensed Producer CGU goodwill as at January 31, 2023 was $3,032. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represents management's assessment of the future trends in the industry and have been based on historical data from both external and internal resources.

Pre-tax discount rate	23%
Terminal growth rate	2%
Budgeted earnings growth rate (average)	1%

The estimated recoverable amount of the CGU exceeded its carrying amount and as such, there was no impairment recorded as at January 31, 2023.

Sensitivity to changes in assumptions

Management has performed an assessment to determinate whether an impairment would have been recognized if there was a change in any of the key assumptions identified above. An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the terminal growth rate, or a decrease of 50 basis points in the earnings growth rate, each used in isolation to perform the goodwill impairment tests, would not have results in an impairment charge being recognized for the three and six months ended January 31, 2023.

CHC
The Company's CHC business represents its clinical business focused on providing education services to assist their patients in selecting a licensed producer, identifying appropriate strains, and consult and support patients regarding the use of medical cannabis. CHC is not in the business of growing or distributing cannabis and has no plans to undertake these activities in the future. Management considered a revenue multiple to determine the recoverable amount of the CGU and determined the estimated recoverable amount to exceed its carrying amount and as such no impairment was recorded as at January 31, 2023. Management has performed an assessment to determinate whether an impairment would have been recognized if there was a change in any of the key assumptions, specifically the revenue multiple and determine that a decrease of 10% would not have resulted in an impairment charge.

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

11. 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	Lease Liability
Balance as at April 30, 2021	**2,413**	**2,476**
Additions	454	454
Disposal	(47)	(45)
Amortization expense	(638)	-
Interest expense	-	160
Payments	-	(757)
Balance as at July 31, 2022	**2,182**	**2,288**
Additions	183	183
Amortization expense	(258)	-
Interest expense	-	63
Payments	-	(305)
Balance as at January 31, 2023	**2,107**	**2,229**
Current	**-**	**508**
Non-current	**2,107**	**1,721**

Of total amortization for the six months ended January 31, 2023 totaling $258 (January 31, 2022 - $127), Nil (January 31, 2022 - $27) was allocated to biological assets, $17 (January 31, 2022 - $8) was allocated to inventory and $241 (January 31, 2022 - $92) was expensed as right-of-use assets amortization.

12. Promissory notes

Current
In January 2020, the Company issued 10,000,000 common shares at a deemed price per share of $1.5 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, $492 was repaid. As at January 31, 2023, the balance of promissory notes of $79 includes $53 of principal and $26 accrued interest payable at the rate of 8% per annum.

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 January 31, 2023, the amortized cost is $11,656.

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

12. Promissory notes (continued)

In July 2022, the maturity date for the one promissory note in the amount of $4,167 was extended to June 12, 2024 and two promissory notes in the total amount of $8,333 were extended to December 12, 2024. The amendment was treated as a debt modification under IFRS 9 as the terms were not substantially different given the discounted present value of the cash flows under the amended terms is less than 10% different from the discounted present value of the remaining cash flows of the original financial liability. The modification has resulted in a gain of $1,019 recorded in the consolidated statements of loss and comprehensive loss for the 15-month period ended July 31, 2022.

In December 2022. the Company revised repayment date of one promissory note in the amount of $4,167 from December 12, 2024 to December 12, 2023. The modification resulted in a $249 loss in the consolidated statements of profit (loss) and comprehensive profit (loss) for the 6-month period ending January 31, 2023.

13. 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 six months ended January 31, 2023 and 2022 is as follows:

	January 31, 2023	**January 31, 2022**
Salaries and wages	**777**	813
Share-based compensation	**13**	112
General and administrative	**-**	33
	790	958

During the six months ending January 31, 2023, the Company paid $63 of consulting fees to a shareholder and paid $11 of rent to a company owned by the same shareholder. As of January 31, 2023, the Company owes promissory notes in the total amount of $12,500 payable (July 31, 2022 - $12,500) to three shareholders (note 12).

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

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

14. Borrowings

Borrowings consist of the following for the six months ending January 31, 2023 and year ended July 31 2022:

	January 31, 2023	**July 31, 2022**
Current		
Loan from vendor (1)	**337**	334
Loan from other lender (2)	**868**	805
Retrofit loan from Montreal Cannabis Medical Inc. (3)	**1,100**	627
Total current borrowings	**2,305**	1,766
Non-current		
Retrofit loan from Montreal Cannabis Medical Inc. (3)	**870**	1,013
Loan from Montreal Cannabis Medical Inc. (3)	**1,114**	1,027
Loans from bank (4)	**120**	120
Total non-current borrowings	**2,104**	2,160
Total borrowings	**4,409**	3,926

(1) Loan from vendor
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 matured on October 31, 2021. As of January 31, 2023, the balance of $337 includes $313 of principal and $24 of accrued interest.

(2) Loan from other lender
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 January 31, 2023, the balance of Debenture $868 includes $700 of principal and $168 of accrued interest.

(3) Loans from Montreal Cannabis Medical Inc.

Retrofit loan from Montreal Cannabis Medical Inc.

On December 15, 2021, Montreal Cannabis Medical Inc. ("**MTL**") and IsoCanMed entered into a loan agreement for IsoCanMed to borrow up to $4,139 from MTL. The Loan amount is to be used by IsoCanMed for the completion of the Retrofit. IsoCanMed borrowed $1,870 for Phase 1 of the Retrofit as of January 31, 2023 and the total balance of the loan is $1,970 including $1,870 of principal and $100 of interest accrued at 8% per annum. $1,100 is classified as current and the $1,114 is classed as non-current to reflect the repayment terms.

The Loan Amount will be made available to IsoCanMed in two tranches as follows:

Tranche 1 (Phases 1 & 2 of the Retrofit)
Tranche 2 (Phases 3 to 7 of the Retrofit)

14. Borrowings (continued)

Each tranche of the Loan Amount will be paid repaid as follows:

Tranche 1:
Commencing on February 3, 2022 and continuing on each monthly anniversary thereafter to September 3, 2022, interest only payments on amounts advanced up to the Tranche 1 loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on December 3, 2022 and continuing on each three (3) month anniversary thereafter until the Tranche 1 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL eight (8) quarterly installments in the amount of $200,000, with the balance of principal and interest owing to be satisfied in full on the ninth (9th) quarterly anniversary thereafter.

Tranche 2:
Commencing on June 1, 2022 and continuing on each monthly anniversary thereafter to January 1, 2023, interest only payments on amounts advanced up to the Tranche 2 Loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on April 1, 2023 and continuing on each three (3) month anniversary thereafter until the Tranche 2 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL nine (9) quarterly installments in the amount of $300,000, with the balance of principal and interest owing to be satisfied in full on the tenth (10th) quarterly anniversary thereafter.

CHV unconditionally and irrevocably guarantees the due and punctual performance and observance by IsoCanMed of its obligations under this Agreement.

Loan from Montreal Cannabis Medical Inc.

During the 15-month period ending July 31, 2022, the Company borrowed $1,000 from MTL in total at 3% interest per annum. The interest rate was increased to 15% on June 28, 2022. The loan is unsecured and has no specific terms of repayment. As of January 31, 2023, the balance of $1,113 includes $1,000 of principal and $113 of accrued interest.

(4) Loans from bank
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, 2024 at the interest rate of 5% per annum starting from January 1, 2024. Repaying the balance of the loans on or before December 31, 2023 will result in loan forgiveness of 25 percent ($30).

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

15. Convertible debentures

During the six months ended January 31, 2023, the changes of the carrying value of the convertible debentures are as follows:

	2020 Debentures	2017 Debentures	Total
Balance as at April 30, 2021	3,115	873	**3,988**
Principal amount repaid	-	(120)	**(120)**
Interest payments	-	(165)	**(165)**
Interest accretion expense	602	462	**1,064**
Balance as at July 31, 2022	**3,717**	**1,050**	**4,767**
Principal amount repaid	-	(193)	**(193)**
Interest accretion expense	309	-	**309**
Balance as at January 31, 2023	4,026	857	**4,883**
Current	**-**	**857**	**857**
Non-current	**4,026**	**-**	**4,026**

2017 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) 175 detachable common share purchase warrants of the Company (each, a "2017 Warrant") exercisable into common shares of the Company over a 48 month period at fixed exercise prices. All of the 2017 Warrants have expired with none exercised.

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 $5.7 per share if converted within the first 12 months following issuance, and at a conversion price of $12 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 $10.5 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 $5.7 per share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to $15 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 $12 per share.

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

15. Convertible debentures (continued)

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.

Transaction costs consisted of $307 in cash and $356 of broker warrants with identical terms as the 2017 Warrants.

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

Convertible debentures, liability	1,934
Conversion feature (1)	1,955
Deferred tax liability on conversion feature	705
Warrants	3,368
	7,962

(1) Upon expiry, $1,955 related to the conversion feature was reclassified from contributed surplus to deficit.

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 January 31, 2023, $857 of the principal amount of the 2017 Debentures remains outstanding and presented within current liabilities.

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 did not enter into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures. As of March 23, 2023, all the principal and interest of the 2017 Debentures are due and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

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

15. Convertible debentures (continued)

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 $1.5 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 104,066 common shares in the capital of the Company and 165,787 securities of the Company convertible into or exercisable for 165,787 common shares.

Archerwill concurrently received 4.3 million common share purchase warrants, exercisable at $1.8 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:

Convertible debenture, liability	2,851
Conversion feature	1,755
Warrants	1,504
	6,110

As of January 31, 2023, $6,500 of the principal amount of the 2020 convertible debenture remains outstanding and the amortized cost is $4,026.

In August 2022, the conversion price of the Archerwill Debenture was amended from $1.50 (pre-consolidation $0.05) to the lower of $0.90 and the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the CSE, subject to a minimum price of $0.50. The excise price of the 4.3 million common share purchase warrants was amended from $1.80 per share (pre-consolidation $0.06) to the lower of $1.20 and 130% of the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the CSE.

16. 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 each time of renewal. The Loan was extended to January 1, 2024 and interest rate increased to 12% per annum starting from January 1, 2023. The Company paid $60 of commitment fee at the renewal.

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

17. 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	Common Shares $	Equity component of convertible debentures	Number of Warrants	Contributed Surplus
Balance as at April 30, 2021	**22,788,427**	**48,685**	**2,174**	**10,979,457**	**15,775**
Expiry of conversion feature	-	-	-	-	(1,955)
Warrants expired	-	-	-	(1,939,549)	-
Share-based compensation	-	-	-	-	467
Balance as at July 31, 2022 [b]	**22,788,427**	**48,685**	**2,174**	**9,039,908**	**14,287**
Common shares issuable in exchange for Investment	22,779,340	16,846	-	-	-
Warrants expired [a]	-	-	-	(539,063)	-
Share-based compensation	-	-	-	-	23
Balance as at January 31, 2023	**45,567,767**	**65,531**	**2,174**	**8,500,845**	**14,310**

(a) During the six months ending January 31, 2023, 539,063 warrants issued in September 2019 expired without being exercised.

(b) During the 15-month period ending July 31, 2022, the Company extended the expiry date of 3,244,762 (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.

18. 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.

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

18. Share-based compensation (continued)

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, 2021	**1,856,666**	**2.70**
Expired	(80,000)	7.50
Forfeited	(163,333)	3.60
Cancelled	(348,333)	5.70
Balance as at July 31, 2022	**1,265,000**	**1.50**
Balance as at January 31, 2023	**1,265,000**	**1.50**

The following table is a summary of the Company's share options outstanding as at January 31, 2023:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,261,667	2.37	1,261,667
4.80	3,333	1.48	3,333
1.50	1,265,000	2.37	1,265,000

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

18. Share-based compensation (continued)

The following table is a summary of the Company’s share options outstanding as at July 31, 2022:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,261,667	2.62	1,078,958
4.80	3,333	1.73	3,333
1.50	1,265,000	2.62	1,082,291

The Company recognized $23 of share-based compensation expense during the six months ended January 31, 2023 (January 31, 2022 – $202), with a corresponding amount recognized as a contributed surplus.

During the six months ended January 31, 2023, the Company did not issue any stock options. On May 12, 2022, the Company announced cancellation of 348,333 incentive stock options previously held by certain directors, officers, and employees of the Company.

19. Finance and transaction costs

The finance and transaction costs for the six months ended January 31, 2023 and 2022 are comprised of the follows:

	January 31, 2023	January 31, 2022
Interest and bank charges	525	80
Interest on debentures	366	359
Accretion on debentures	310	416
Interest on promissory notes	313	313
Accretion on promissory notes	616	343
Interest on mortgage	95	100
Accretion on leases	62	65
Transaction costs	60	241
Total	**2,347**	**1,917**

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

20. Profit (loss) per share

Net profit (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 profit (loss) per common share is calculated by dividing the applicable net profit (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 three and six months ended January 31, 2023, diluted profit (loss) per share equals basic profit (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 profit (loss) per share in the future, but would have decreased the profit (loss) per share (anti-dilutive) for the periods presented, are as follows:

	January 31, 2023 Number of Shares	**January 31, 2022 Number of Shares**
Convertible debentures	**7,222,222**	4,430,833
Warrants	**8,500,845**	10,787,319
Share options	**1,265,000**	1,613,333
	16,988,067	16,831,485

21. Nature of expenses

General and administrative expenses for the six months ended January 31, 2023 and 2022 are comprised of:

	January 31 2023	**January 31 2022**
Salaries, wages and consulting fees	**3,046**	3,375
General operating	**920**	579
Occupancy costs	**268**	244
Professional fees	**374**	364
	4,608	4,562

Sales and marketing expenses for the six months ended January 31, 2023 and 2022 are comprised of:

	January 31 2023	**January 31 2022**
Sales and marketing	**649**	828
Travel	**76**	55
	725	883

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

22. Commitments and contingencies

Commitments
As at January 31, 2023, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

2022	555
2023	505
2024	475
Thereafter	1,016
	2,551

Contingencies

(a) 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.

(b) On April 15, 2021, Canada House’s wholly owned subsidiary, IsoCanMed, 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, IsoCanMed provided the Plaintiff with a list of deficiencies related to the Plaintiff’s work installing the HVAC system at IsoCanMed’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 IsoCanMed discussed IsoCanMed’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, IsoCanMed provided the Plaintiff with comments on the items it disputed in the Plaintiff’s outstanding invoices. After receiving IsoCanMed’s requested comments, the Plaintiff halted all communication and proceeded with this application.

IsoCanMed retained external counsel to appear on IsoCanMed’s behalf and respond to the application. IsoCanMed’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 IsoCanMed’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 IsoCanMed’s Counterclaim have been delayed.

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

22. Commitments and contingencies (continued)

(c) The Company was served with an application to initiate proceedings for damages for its alleged failure to pay indebtedness in the amount of $65. The Company has retained external counsel to appear on the Company's behalf and respond to the application. 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.

(d) The Company is in the process of corresponding with the remaining holders of the Company's outstanding Convertible Debentures dated December 5, 2017, some of which were amended by Convertible Debenture Amending Agreements dated as of December 5, 2021 (collectively, the "2017 Debentures"), to propose repayment terms. The Company has not entered into repayment agreements with all holders of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to repayment agreements is due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

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.

23. 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.

	January 31, 2023	**July 31, 2022**
Share capital, including equity component of convertible debentures	67,705	50,859
Convertible debentures	4,883	4,767
Promissory notes	11,735	10,866
Borrowings	4,409	3,926
Mortgage payable	2,000	2,000
	90,732	72,418

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 January 31, 2023, the Company had raised, net of issuance costs, approximately $41,570 (July 31, 2022 - $41,312) 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.

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

24. 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 January 31, 2023 and July 31, 2022, three customers represented 51% and 42% of the outstanding trade and other receivable balance, respectively. For the three and six months ended January 31, 2023, three customers accounted for 31% of revenue (January 31, 2022 – three customers accounted for 48% of revenue).

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.

The aging of trade receivables is as follows:

	January 31, 2023	July 31, 2022
Not past due	**2,608**	1,726
1 to 30 days past due	**1,653**	724
31 to 60 days past due	**841**	358
Over 61 days past due	**493**	226
	5,595	3,034

As at January 31, 2023, the expected credit loss recognized was $14 (July 31, 2022 - $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.

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

24. Financial instruments and risk management (continued)

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

	Carrying Amount	Total Contractual Cash Flow	Year 1	Year 2	Year 3	Year 4 and Beyond
Lease liability	2,230	2,551	555	505	475	1,016
Promissory notes	79	79	79	-	-	-
Promissory note - non-current	11,656	12,500	4,167	8,333	-	-
Trade and other payables	12,597	12,597	11,304	-	1,293	-
Convertible debentures	4,883	10,111	1,011	-	9,100	-
Borrowings	4,409	4,409	3,539	870	-	-
Mortgage payable	2,000	2,220	2,220	-	-	-
	37,854	**44,467**	**22,875**	**9,708**	**10,868**	**1,016**

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.

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 January 31, 2023 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 January 31, 2023.

Fair values
The carrying values of cash, trade and other receivables, trade and other payables, promissory notes, 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.

24. Financial instruments and risk management (continued)

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 three and six months ended January 31, 2023, there were no transfers of amounts between levels.

25. Segmented information

The Company has two reportable and operating segments. The Company cultivates and distributes cannabis related products via federally approved cannabis programs by way of its Licensed Producer business. In addition, Company operates its clinic business through its CHC subsidiary. The Company derives substantially all of its revenue from these two segments. 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.

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

25. Segmented information (continued)

The following table presents details on the Company's segments for the six months ended January 31, 2023:

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	2,694	-	-	**2,694**
Product revenue	-	11,051	-	**11,051**
License revenue and other	33	1,141	-	**1,174**
Less: excise tax	-	(1,119)	-	**(1,119)**
Net revenue	2,727	11,073	-	**13,800**
Cost of sales	-	4,847	-	**4,847**
Gross profit before fair value adjustments	2,727	6,226	-	**8,953**
Realized loss on sale of inventory	-	1,099	-	**1,099**
Realized loss (gain) on biological assets	-	(2,199)	-	**(2,199)**
Gross profit	2,727	7,326	-	**10,053**
Expenses	1,910	3,477	1,176	**6,563**
Profit (loss) from operations	817	3,849	(1,176)	**3,490**
Finance costs	23	467	1,797	**2,287**
Acquisition costs	-	-	965	**965**
Share of loss from investment in associates	-	-	71	**71**
Loss on debt settlement and modifications	-	-	249	**249**
Profit (loss) before income tax	794	3,382	(4,258)	**(82)**
Provision for income tax	48	(27)	-	**21**
Net profit (loss) and comprehensive profit (loss)	746	3,409	(4,258)	**(103)**

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

25. Segmented information (continued)

The following table presents details on the Company's segments for the six months ended January 31, 2022:

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	2,658	-	-	**2,658**
Product revenue	-	10,506	-	**10,506**
License revenue and other	12	191	-	**203**
Less: excise tax	-	(2,085)	-	**(2,085)**
Net revenue	2,670	8,612	-	**11,282**
Cost of sales	2	4,221	-	**4,223**
Inventory impairment	-	2,741	-	**2,741**
Gross profit before fair value adjustments	2,668	1,650	-	**4,318**
Realized loss on sale of inventory	-	903	-	**903**
Realized loss (gain) on biological assets	-	190	-	**190**
Gross profit	2,668	557	-	**3,225**
Expenses	1,856	2,900	1,566	**6,322**
Profit (loss) from operations	812	(2,343)	(1,566)	**(3,097)**
Finance and transaction costs	21	108	1,788	**1,917**
Other expenses	-	2	-	**2**
Profit (loss) before income tax	791	(2,453)	(3,354)	**(5,016)**
Provision for income tax	60	-	-	**60**
Net profit (loss) and comprehensive profit (loss)	731	(2,453)	(3,354)	**(5,076)**

26. Subsequent events

On February 7, 2023, the Company issued 394,321 common shares to an arms' length party pursuant to a finder's fee agreement in respect of the closing of the first tranche of the acquisition of MTL.