GREENRISE

# GREENRISE GLOBAL BRANDS INC.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2023

**(Unaudited – Prepared by Management)**

### NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**GREENRISE GLOBAL BRANDS INC.**
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023, and DECEMBER 31, 2022
(Expressed in Euros)

| | Notes | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | € | 296,111 | € | - |
| Accounts receivable and prepaid expenses | 5 | | - | | 586,832 |
| Asset held for sale | 6 | | - | | 387,500 |
| | | | 296,111 | | 974,332 |
| **Non-current assets** | | | | | |
| Loans receivable | 7 | | 288,991 | | 271,463 |
| **Total assets** | | € | 585,102 | € | 1,245,795 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | | | |
| **Current liabilities** | | | | | |
| Bank overdraft | | € | 68,393 | € | 20,594 |
| Trade and other payable | 12 | | 151,276 | | 344,884 |
| Loans payable | 8 | | 174,260 | | 619,678 |
| Derivative liability | 11 | | 1,303 | | 67,894 |
| | | | 395,232 | | 1,053,050 |
| **Non-current liabilities** | | | | | |
| Loans payable | 8 | | 2,096,176 | | 2,084,265 |
| Convertible debenture | 9 | | 424,095 | | 424,095 |
| **Total liabilities** | | | 2,915,503 | | 3,561,410 |
| **Shareholders' deficiency** | | | | | |
| Share capital | 11 | | 5,678,306 | | 5,678,306 |
| Share based payment reserve | 11 | | 2,648,925 | | 2,648,925 |
| Subscriptions received in advance | | | 87,246 | | 87,246 |
| Foreign currency translation reserve | | | 22,787 | | 22,787 |
| Deficit | | | (10,767,665) | | (10,752,879) |
| **Total shareholders' deficiency** | | | (2,330,401) | | (2,315,615) |
| **Total liabilities and shareholders' deficiency** | | € | 585,102 | € | 1,245,795 |

**Nature and Continuance of Operations (Note 1)**

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

**GREENRISE GLOBAL BRANDS INC.**
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31,
(Expressed in Euros)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Expenses** | | | |
| General and administrative expenses | 10 | € 35,461 | € 135,472 |
| Interest | 8 | 29,714 | 41,591 |
| Transfer agent, filing fees and shareholder communication | | 362 | 9,053 |
| Total expenses | | (65,537) | (186,116) |
| **Other income (expense)** | | | |
| Foreign exchange gain (loss) | | (15,700) | (3,203) |
| Unrealized gain (loss) on derivative liability | 11 | 66,451 | (14,326) |
| **Net loss from continuing operations** | | (14,786) | (203,645) |
| **Net loss from discontinued operations** | 4 | - | (223,502) |
| **Net and comprehensive loss for the period** | | € (14,786) | € (427,147) |
| Weighted average number of common shares outstanding | | 47,236,039 | 36,919,039 |
| Loss per common share, basic and diluted | | € 0.( | € 0.( |

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

**GREENRISE GLOBAL BRANDS INC.**
(Formerly AMP Alternative Medical Products Inc.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
(Expressed in Euros)

| | Capital Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Share-based payment reserve | Subscriptions received in advance | Foreign currency translation reserve | Deficit | Total Equity |
| **Balance, December 31, 2021** | 30,919,039 | € 4,593,312 | € 2,563,601 | € - | € 22,787 | € (9,183,213) | € (2,003,513) |
| Loss for the period | - | - | - | | - | (427,147) | (427,147) |
| Subscriptions received in advance | - | - | - | 404,965 | - | - | 404,965 |
| **Balance, March 31, 2022** | 36,919,039 | 4,593,312 | 2,563,601 | 404,965 | 22,787 | (9,610,360) | (2,025,695) |
| Loss for the period | - | - | - | | - | (1,142,519) | (1,142,519) |
| Shares issued in private placement, net of fees and derivative liability (note 11) | 5,317,000 | 180,870 | - | | - | - | 180,870 |
| Share issued to purchase CannaCare (note 11) | 5,000,000 | 945,386 | - | | - | - | 945,386 |
| Subscriptions received in advance | - | - | - | (317,719) | - | - | (317,719) |
| Share issuance costs (note 11) | - | (30,783) | - | | - | - | (30,783) |
| Fair value of warrants (note 11) | - | (10,479) | 10,479 | | - | - | - |
| Share-based compensation (note 11) | - | - | 74,845 | | - | - | 74,845 |
| **Balance, December 31, 2022** | 47,236,039 | 5,678,306 | 2,648,925 | 87,246 | 22,787 | (10,752,879) | (2,315,615) |
| Loss for the period | - | - | - | | - | (14,786) | (14,786) |
| **Balance, March 31, 2023** | 47,236,039 | € 5,678,306 | € 2,648,925 | € 87,246 | € 22,787 | € (10,767,665) | € (2,330,401) |

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

**GREENRISE GLOBAL BRANDS INC.**
(Formerly AMP Alternative Medical Products Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31,
(Expressed in Euros)

| | 2023 | 2022 |
|---|---|---|
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Loss for the period from continuing operations | € (14,786) | € (203,645) |
| Items not affecting cash: | | |
| Non-cash loan interest | 47,242 | 43,655 |
| Accretion of note receivable | (17,528) | - |
| Non-cash foreign exchange | (140) | 9,595 |
| (Gain) / loss on derivative liability | (66,451) | 14,326 |
| | (51,663) | (136,069) |
| Changes in non-cash working capital items: | | |
| Accounts receivable and prepaid expenses | 586,832 | - |
| Trade and other payables | (193,608) | 51,892 |
| Net cash used in operating activities | 341,561 | (84,177) |
| **INVESTING ACTIVITIES** | | |
| Proceeds from sale of CannaCare | 387,500 | - |
| Deposit to acquire CannaCare | - | (250,000) |
| Net cash provided from investing activities | 387,500 | (250,000) |
| **FINANCING ACTIVITIES** | | |
| Subscription receipts | - | 404,965 |
| Loan and overdraft payable | (432,950) | 289,509 |
| Net cash used in investing activities | (432,950) | 694,474 |
| Cash flows from continuing operations | 296,111 | 360,297 |
| Cash flows from discontinued operations | - | (210,732) |
| **Change in cash during the period** | 296,111 | 149,565 |
| **Cash, beginning of period** | - | 27,448 |
| **Cash (overdraft), end of period** | € 296,111 | € 177,013 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

Greenrise Global Brands Inc. ("the Company" or "Greenrise") is an investment holding company with investments in Germany.

Greenrise is incorporated in the Province of British Columbia in Canada, with its registered office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol "XCX" and on the Frankfurt Stock Exchange under the trading symbol "C4T."

On November 2, 2021, the Company changed its name to Greenrise Global Brands Inc. from AMP Alternative Medical Products Inc.

The reporting currency of Greenrise's consolidated financial statements is the Euro ("€").

### Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2023, the Company had an accumulated deficit of €10,767,665 and a working capital deficit of €99,121. To date, the Company has not generated sufficient revenues to meet its operating and administrative expenses or its other obligations. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately attain profitable operations. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with private placements of the Company's common shares and loans from related parties.

## 2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on an accrual basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and with the accounting policies and selected annual disclosures disclosed in Note 3.

The consolidated financial statements were authorized for issue by the Board of Directors on July 14, 2023.

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

### Basis of consolidation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and jointly controlled entities that are accounted for using the equity method and certain financial instruments and investments which are measured at fair value.

## 2. BASIS OF PRESENTATION (cont'd)

The Company consolidates subsidiaries over which it has control, where control is the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. These consolidated financial statements include the accounts of the Company.

### Use of estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period and contingent assets and liabilities. Significant estimates include the fair value measurements and assumptions relating to consolidated financial instruments, changes in equity accounted investments, deferred income taxes and the recoverability of receivables and loans receivable.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

### Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's consolidated financial statements include the assessment of the Company's influence on associates, the fair value of financial assets and liabilities, the Company's ability to continue as a going concern and the determination of functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries is the Euro. These consolidated financial statements are presented in EUROS.

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

Exchange differences arising in the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Exchange differences arising from the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**Discontinued operations**

Effective December 15, 2022, the Company sold its subsidiary in Germany, AMP Alternative Medical Products GmbH ("AMP Germany"), which operated in the medicinal cannabis segment. The medical cannabis segment meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. This operating segment was not previously classified as held-for-sale or discontinued operations. The comparative Consolidated Statement of Comprehensive Loss for the period ended March 31, 2022, has been restated to show the discontinued operation separately from continuing operations. See Note 4.

**Financial instruments**

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

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

| Financial assets / liabilities | |
|---|---|
| Cash | FVTPL |
| Accounts receivable | Amortized cost |
| Loans receivable | Amortized cost |
| Derivative liabilities | FVTPL |
| Trade and other payables | Amortized cost |
| Loans payable | Amortized cost |
| Convertible Debenture | FVTPL |

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
Financial assets:
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities:
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

**Equity accounted investments**

Equity accounted investments are those entities in which the Company has significant influence but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $Nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in reserves as part of shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be realized.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is determined by dividing the net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the dilutive effect of all potential common shares issuances upon exercise of options, warrants and similar instruments. For the periods presented, the Company had no dilutive instruments.

### Reserves

Share-based payments

The Company's share option plan allows employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in share-based payment reserve in equity.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(Expressed in EUROS)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When options are exercised, the proceeds received, together with any related amount in share-based payments reserve, are credited to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of subsidiaries and equity accounted investments of the Company that have a functional currency other than the Euro.

## 4. DISCONTINUED OPERATIONS

During the year ended December 31, 2022, the Company sold its interest in AMP Germany effective December 15, 2022.

The medicinal cannabis business of AMP Germany meets the criteria for discontinued operations under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. This operating segment was not previously classified as held-for-sale or as a discontinued operation.

The comparative Consolidated Statement of Comprehensive Loss has been restated to show the discontinued operation separately from continuing operations.

**Results from discontinued operations:**

| | Three months ended March 31, 2022 |
|---|---|
| Sales | € (145,462) |
| Cost of goods sold | 122,051 |
| General and administrative expenses | 246,913 |
| Total loss from discontinued operations | € (223,502) |

## 5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

| | March 31, 2023 | December 31, 2021 |
|---|---|---|
| Amount due from sale of AMP Germany | - | 586,832 |
| | € - | € 586,832 |

## 6. INVESTMENTS

During the three months ending March 31, 2023, the Company sold its remaining 31% of CannaCare Health GmbH ("CannaCare") for gross proceeds of €387,500.

During the year ending December 31, 2022, the Company acquired 51% of CannaCare for 5,000,000 common shares with a fair market value of €945,386; cash payment of €250,000 and receipt of a €608,920 loan that CannaCare owed to a shareholder in exchange for a convertible debenture convertible into units in the Company, under the same conditions as the private placement (see Note 9). The Company sold 20% of CannaCare for gross proceeds of €250,000 on November 11, 2022.

## 7. LOANS RECEIVABLE

a) During the year ending December 31, 2022, the Company obtained a loan receivable owing from CannaCare in the amount of €608,920 in exchange for a €608,920 convertible debenture due to a shareholder of CannaCare. The loan is due on December 31, 2024, and bears interest at 2% per annum. During the three months ending March 31, 2022, the Company amended the loan receivable by extending the repayment date to December 31, 2024, and discounting the principal payment by 50% if paid prior to the extended repayment date. The fair value on inception was determined to be €541,778 based on a discount rate of 10% per annum. During the three months period ended March 31, 2023, interest and accretion of €8,348 was recorded. At March 31, 2023, the recoverable value of the loan receivable including accrued interest was determined to be €151,214;

b) The Company has a loan drawdown facility with CannaCare for €531,000 and which is unsecured and bears interest at 4% per annum and due on the later of December 31, 2024. During the three months ending March 31, 2022, the Company amended the loan drawdown facility by extending the repayment date to December 31, 2024, and discounting the principal payment by 50% if paid prior to the extended repayment date. The fair value of the loan drawdown facility was determined to be €484,606 based on a discount rate of 10% per annum as of December 31, 2022. During the three months ending March 31, 2023, interest and accretion of €9,180 had been accrued. At March 31, 2023, the recoverable value of the loans including accrued interest was determined to be €137,777.

## 8. LOANS PAYABLE

a) The Company has drawdown €1,675,086 and accrued interest totalling €421,089 against its unsecured revolving drawdown loan payable which bears an interest rate of 10% per annum and matures on December 31, 2024. During the three months ended March 31, 2023, interest of €43,706 (2022 - €40,411) was accrued on this loan. A director of this lender is the interim CFO of the Company;

b) The Company has drawdown €174,260 including accrued interest against its loan payable with a private lender bearing an interest rate of 5% per annum, and due on December 31, 2023. During the interim period, the Company repaid €432,950 towards the drawdown loan payable.

(Expressed in EUROS)

## 9. CONVERTIBLE DEBENTURE

On June 14, 2022, the Company issued a convertible debenture in the amount of €608,920 in exchange for a loan receivable (see Note 7(a)). The convertible debenture is unsecured, matures on December 31, 2024, bears interest at 2% per annum and is convertible into 4,201,552 Units. Each Unit is comprised of one Greenrise common share (“Common Share”) and two share purchase warrants (“Warrant”), exercisable for one Common Share at an exercise price of CAD$0.35 which expired on April 30, 2023, and one Common Share at CAD$0.50 at any time up to April 30, 2024.

The Company has elected to account for the entire convertible debentures at FVTPL under IFRS 9. The fair value was determined by using a 10% discount rate, a risk-free rate of 3.46%-4.06%, a conversion option price of $0.20 and a volatility of 100%. The Company determined the fair value of the convertible debenture to be €541,778 on grant, and €424,095 at March 31, 2023.

## 10. GENERAL AND ADMINISTRATION EXPENSES

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Consulting and executive management fees | € 29,125 | € 50,011 |
| Office and supplies | 2,570 | 18,078 |
| Professional fees | 836 | 54,654 |
| Salaries and benefits | 2,930 | 12,749 |
| | € 35,461 | € 135,472 |

## 11. CAPITAL AND OTHER COMPONENTS OF EQUITY

### Authorized and issued shares

The authorized share capital of the Company is an unlimited number of Class A Voting Common Shares (the “common shares”). As at March 31, 2023, there were 47,236,039 common shares outstanding.

a) On June 20, 2022, the Company closed a non-brokered private placement of 1,700,000 units of the Company at CAD$0.20 (€0.15) per share for gross proceeds of CAD$340,000 (€251,163). Each unit is comprised of one common share in the Company and two share purchase warrants, exercisable for one common share at an exercise price of CAD$0.35 at any time up to one year and at CAD$0.50 at any time up to two years following closing. The Company paid cash finder's fees of CAD$23,800 (€17,444) and issued 119,000 finders' warrants with a fair value of CAD$8,587 (€6,319) which are exercisable at CAD$0.20 each and expired on October 21, 2022;

## 11. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd)

b) On April 14, 2022, the Company closed a non-brokered private placement of 812,000 units of the Company at CAD$0.20 (€0.15) per share for gross proceeds of CAD$162,400 (€119,027). Each unit is comprised of one common share in the Company and two share purchase warrants exercisable for one common share at an exercise price of CAD$0.35 at any time up to one year and at CAD$0.50 at any time up to two years following closing. The Company paid cash finder's fees of CAD$7,700 (€5,644) and issued 38,500 finders' warrants with a fair value of CAD$3,536 (€2,602) which are exercisable at CAD$0.20 each and expired on October 14, 2022;

c) On April 5, 2022, the Company closed a non-brokered placement of 2,805,000 units of the Company at a price of CAD$0.20 per unit for gross proceeds of CAD$561,000 (€404,965). Each unit is comprised of one common share in the Company and two share purchase warrants, exercisable for one common share at an exercise price of CAD$0.35 at any time up to one year and at CAD$0.50 at any time up to two years following the closing date. In connection with the private placement, the Company paid finders' fee of CAD$10,500 (€7,696) and issued 52,500 finders' warrants with a fair value of CAD$2,117 (€1,558) which are exercisable at CAD$0.20 each and expired on October 5, 2022;

d) In March 2022, the Company issued 5,000,000 common shares to acquire CannaCare with a fair market value of €945,386 based on the closing price of the Company's common shares at the date of the transaction (Note 6).

**Stock options and warrants**

The Option Plan adopted by the Board of Directors (the "Board") is a "rolling" stock option plan, pursuant to which the Board may, from time to time, in its discretion, and in accordance with CSE and regulatory requirements, grant to directors, officers, employees and consultants, non-assignable and non-transferable options to purchase common shares of the Company, provided that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company.

The Company uses a fair value method of accounting for all stock-based payments, with a corresponding credit to reserves. Under this method the Company recorded a stock-based compensation expense of €nil (2022: €nil) for the three months ended March 31, 2023.

(Expressed in EUROS)

## 11. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd)

The continuity of incentive stock options issued outstanding is as follows:

| | Stock options | |
|---|---|---|
| | **Number** | **Weighted Average Exercise Price (CAD$)** |
| **Balance, December 31, 2021** | 3,558,500 | 0.39 |
| Granted | 870,000 | 0.18 |
| Cancelled | (3,558,500) | 0.47 |
| **Balance, December 31, 2022, and March 31, 2023** | 870,000 | $ 0.18 |

The following stock options were outstanding as at March 31, 2023:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| **Exercise price range** | **Number of stock options outstanding** | **Weighted average remaining contractual life (years)** | **Weighted average exercise price (CAD$)** | **Number of stock options exercisable** | **Weighted average exercise price (CAD$)** |
| CAD$0.18 | 870,000 | 1.08 | $ 0.18 | 870,000 | $ 0.18 |
| | 870,000 | 1.08 | $ 0.18 | 870,000 | $ 0.18 |

## 11. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd)

A continuity of warrants issued and outstanding is as follows:

| | Warrants | |
|---|---|---|
| | **Number** | **Weighted Average Exercise Price (CAD$)** |
| **Balance, December 31, 2021** | 1,351,868 | 0.58 |
| Granted | 10,844,000 | 0.42 |
| Expired | (1,561,868) | 0.53 |
| **Balance, December 31, 2022, and March 31, 2023** | 10,634,000 | $ 0.43 |

In April 2022, the Company issued an aggregate of 91,000 non-transferable finders warrants, exercisable at a price of CAD$0.20 per share until October 14, 2022, with a fair value of €4,160 (CAD$5,652). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 93%, ii) risk-free interest rate of 2.67%; iii) dividend yield of $nil; and iv) expected life of 0.5 years.

In April 2022, the Company issued an aggregate of 2,805,000 non-transferrable warrants to the subscribes of the unit private placement, exercisable at a price of CAD$0.35 per share until April 5, 2023, with a fair value of €64,622 (CAD$87,875). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 93%, ii) risk free interest rate of 2.28%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In April 2022, the Company issued an aggregate of 2,805,000 non-transferrable warrants to the subscribes of the unit private placement, exercisable at a price of CAD$0.50 per share until April 5, 2024, with a fair value of €177,909 (CAD$241,778). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 134%, ii) risk free interest rate of 2.28%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In April 2022, the Company issued an aggregate of 812,000 non-transferrable warrants to the subscribes of the unit private placement, exercisable at a price of CAD$0.35 per share until April 14, 2023, with a fair value of €43,631 (CAD$59,294). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 101%, ii) risk free interest rate of 2.35%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In April 2022, the Company issued an aggregate of 812,000 non-transferrable warrants to the subscribes of the

## 11. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd)

unit private placement, exercisable at a price of CAD$0.50 per share until April 14, 2024, with a fair value of €84,016 (CAD$114,178). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 139%, ii) risk free interest rate of 2.35%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In June 2022, the Company issued an aggregate of 1,700,000 non-transferrable warrants to the subscribes of the unit private placement, exercisable at a price of CAD$0.35 per share until June 20, 2023, with a fair value of €75,509 (CAD$102,617). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 104%, ii) risk free interest rate of 3.26%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In June 2022, the Company issued an aggregate of 1,700,000 non-transferrable warrants to the subscribes of the unit private placement, exercisable at a price of CAD$0.50 per share until June 20, 2024, with a fair value of €148,558 (CAD$201,891). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 139%, ii) risk free interest rate of 3.26%; iii) dividend yield of $nil; and iv) expected life of 1 year. Since these warrants are exercisable in Canadian dollars the warrants are considered a derivative liability and as such their fair value is recognized on the Company's Consolidated Statement of Financial Position as a liability.

In June 2022, the Company issued an aggregate of 119,000 non-transferrable finders warrants, exercisable at a price of CAD$0.20 per share until December 12, 2022, with a fair value of €6,319 (CAD$8,587). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 104%, ii) risk free interest rate of 2.67%; iii) dividend yield of $nil; and iv) expected life of 0.5 years.

### Derivative liability

The Black-Scholes valuation model is used to estimate the fair value of the derivate liability when warrants are issued in Canadian dollars. The warrants are fair valued again at each period end and the difference in fair value between the fair value at the period end and the previous valuation is recognized as an unrealized gain or loss on derivative liability. During the three months ended March 31, 2022 the Company recognized an unrealized gain on derivative liability of €66,451 (2021 – unrealized loss of €14,326).

## 12. RELATED PARTY TRANSACTIONS

Included in accounts payable at March 31, 2023, is €25,418 (December 31, 2022 - €11,078) owing to directors and officers of the Company for management fees and expenses incurred on behalf of the Company.

## 13. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity, less reserves, and liabilities. Cash and loans receivable are managed for liquidity and operational requirements in conjunction with budgeted or expected capital needs. The Company's objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and allocate operating capital for investment opportunities arising from market conditions.

The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

## 14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, loans receivable, accounts payable, derivative liability, loans payable and convertible debenture.

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

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

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, loans receivable, trade payables, loans payable and convertible debenture approximate their fair value. The derivative liability is measured using level 3 inputs.

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed is described below.

**Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts and on its loans receivable. The majority of cash is deposited in bank accounts held with major banks in Canada and Germany. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Loan receivables are owed from one lender and as a result a high concentration of credit risk

## 14. FINANCIAL INSTRUMENTS (cont'd)

exists. The Company manages its credit risk on loans receivable by closely monitoring amounts loaned and by maintaining regular communication with the note holder to keep apprised of the lenders operational and financial situation and to ensure a repayment plan is in place.

**Currency risk**
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's reporting currency is the Euro and major purchases are transacted in the Euro and Canadian dollars. The Company maintains Euro's and Canadian dollar in bank accounts in Germany and Canada. The Company is subject to gains and losses from fluctuations in the Canadian dollar against the Euro. The Company held a net monetary liability position of $316,000 in Canadian dollars as of March 31, 2023, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being approximately €21,900.

The Company's investments are subject to foreign currency risk, which may adversely affect the Company's financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company's financial instruments in Euros at March 31, 2023:

| | **Euro** | **CAD Dollar** | **Total** |
|---|---|---|---|
| Cash and accounts receivable | 95% | 5% | 100% |
| Loans receivable | 0% | 100% | 100% |
| Investment in CannaCare | 100% | 0% | 100% |
| Trade and other payables | 44% | 56% | 100% |
| Loans payable | 100% | 0% | 100% |
| Convertible debenture | 100% | 0% | 100% |

**Interest rate risk**
Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loan receivable and loans payable have fixed interest rates and are not affected by changes in interest rates.

**Liquidity risk**
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 13. Liquidity risk is assessed as high.

* * *