C21 INVESTMENTS INC.

Consolidated Financial Statements

For the years ended **January 31, 2023 and 2022**

(Expressed in U.S. Dollars)

NOTICE TO READER

C21 Investments Inc. (the “**Company**”) is re-filing its annual audited financial statements for the years ended January 31, 2023 and 2022 (the “**Annual Financial Statements**”) originally filed on SEDAR on June 13, 2023 to correct a clerical error contained in the audit report to such Annual Financial Statements prepared by the Company’s former auditor, Baker Tilly US, LLP (the “**Correction**”). Other than the Correction, the re-filed Annual Financial Statements, as set forth below, do not contain any changes or amendments from the version previously filed on June 13, 2023.

MARCUM
ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
C21 Investments Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2023, the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the adjustments described in Note 2 that were applied to restate the 2022 consolidated financial statements to correct an error. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Marcum LLP

We have served as the Company's auditor since 2022.

San Jose, California
June 13, 2023

PCAOB #ID 688

bakertilly

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors
C21 Investments Inc.

Opinion on the Financial Statements

We have audited, before the effects of the adjustments described in Note 2, the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2022, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cashflows for the year then ended, and related notes. (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements, before the effects of the adjustments described in Note 2, present fairly, in all material respects, the financial position of the Company as of January 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments for the change described in Note 2 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We served as the Company's auditor from 2020 to 2022.

Baker Tilly US, LLP

Irvine, CA
August 15, 2022

C21 INVESTMENTS INC.
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	$	$
ASSETS		
Current assets		
Cash	**1,891,772**	3,067,983
Receivables	**412,310**	210,423
Inventory	**4,173,573**	4,054,473
Prepaid expenses and deposits	**881,628**	773,450
Assets classified as held for sale	**1,383,089**	2,178,145
	8,742,372	10,284,474
Non-current assets		
Property and equipment	**4,685,118**	4,869,593
Right-of-use assets	**8,385,533**	8,875,884
Intangible assets	**7,886,825**	9,224,165
Goodwill	**28,541,323**	28,541,323
Security deposit	**46,871**	49,011
Deferred tax asset	**23,362**	-
Total assets	**58,311,404**	61,844,450
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**2,921,426**	2,508,869
Promissory note payable - current portion	**2,026,667**	6,080,000
Convertible promissory notes	**1,156,259**	1,281,442
Income taxes payable	**7,736,858**	4,870,170
Deferred revenue	**94,068**	-
Lease liabilities - current portion	**398,723**	325,698
Liabilities classified as held for sale	**640,266**	874,379
Deferred income tax liability	**-**	33,558
	14,974,267	15,974,116
Non-current liabilities		
Lease liabilities	**8,554,702**	8,953,425
Deposit liability	**175,000**	100,000
Promissory note payable	**-**	2,026,667
Derivative liability	**239,700**	1,006,368
Reclamation obligation	**52,659**	55,272
Total liabilities	**23,996,328**	28,115,848
Commitments and contingencies (Notes 17 and 20)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized; 120,047,814 and 120,047,814 shares issued and outstanding as of January 31, 2023 and 2022, respectively	**105,445,792**	105,236,351
Commitment to issue shares	**628,141**	628,141
Accumulated other comprehensive loss	**(2,287,145)**	(2,370,967)
Deficit	**(69,471,712)**	(69,764,923)
Total shareholders' equity	**34,315,076**	33,728,602
Total liabilities and shareholders' equity	**58,311,404**	61,844,450

On behalf of the Board:

"Bruce Macdonald" Director *"Michael Kidd"* Director

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

C21 INVESTMENTS INC.
Consolidated Statements of Income and Comprehensive Income
(Expressed in U.S. dollars, except number of shares)

	Years ended January 31	
	2023	2022 (As restated - Note 2)
	$	$
Revenue	**28,888,410**	32,982,976
Cost of sales	**15,487,264**	14,172,991
Gross profit	**13,401,146**	18,809,985
Selling, general and administrative expenses	**9,445,908**	9,055,174
Income from operations	**3,955,238**	9,754,811
Accretion expense	**-**	(230,462)
Gain on change in fair value of derivative liabilities	**742,483**	8,576,290
Impairment loss	**(20,726)**	-
Interest expense	**(456,691)**	(1,077,068)
Other (expenses) income	**(28,996)**	108,470
Net income from continuing operations before income taxes	**4,191,308**	17,132,041
Income tax expense	**(2,809,768)**	(4,934,467)
Net income from continuing operations after income taxes	**1,381,540**	12,197,574
Net loss from discontinued operations after income taxes	**(1,088,329)**	(2,242,644)
Net income	**293,211**	9,954,930
Other comprehensive income (loss)		
Cumulative translation adjustment	**83,822**	(766,841)
Comprehensive income	**377,033**	9,188,089
Basic income per share from continuing operations	**0.01**	0.10
Diluted income per share from continuing operations	**0.01**	0.10
Basic and diluted loss per share from discontinued operations	**(0.01)**	(0.02)
Basic income per share	**0.00**	0.08
Diluted income per share	**0.00**	0.08
Weighted average number of common shares outstanding - basic	**120,047,814**	118,308,584
Weighted average number of common shares outstanding - diluted	**122,880,907**	121,141,677

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

C21 INVESTMENTS INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars, except number of shares)

	Number of shares	Common stock	Commitment to issue shares	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	#	$	$	$	$	$
Balance, January 31, 2021 (As restated - Note 2)	117,057,860	103,636,830	649,928	(1,604,126)	(79,719,853)	22,962,779
Commitment to issue shares on purchase of EFF	19,774	21,787	(21,787)	-	-	-
Shares issued on exercise of Phantom Farms warrants	456,100	533,326	-	-	-	533,326
Shares issued on exercise of guaranteed warrants	1,214,080	-	-	-	-	-
Shares issued - settlement of earn out shares	1,300,000	677,939	-	-	-	677,939
Share-based compensation	-	366,469	-	-	-	366,469
Net income and other comprehensive loss for the year	-	-	-	(766,841)	9,954,930	9,188,089
Balance, January 31, 2022 (As restated - Note 2)	120,047,814	105,236,351	628,141	(2,370,967)	(69,764,923)	33,728,602
Share-based compensation	-	209,441	-	-	-	209,441
Net income and other comprehensive income for the year	-	-	-	83,822	293,211	377,033
Balance, January 31, 2023	**120,047,814**	**105,445,792**	**628,141**	**(2,287,145)**	**(69,471,712)**	**34,315,076**

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

C21 INVESTMENTS INC.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

	Years ended January 31, 2023	2022 (As restated - Note 2)
	$	$
OPERATING ACTIVITIES		
Net income after taxes from continuing operations	**1,381,540**	12,197,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion expense	**-**	230,462
Amortization of right-of-use assets	**490,351**	461,364
Deferred income tax (recovery) expense	**(56,920)**	590,072
Depreciation and amortization	**1,843,366**	1,818,325
Foreign exchange (gain) loss	**(21,670)**	500,462
Gain on change in fair value of derivative liabilities	**(742,483)**	(8,576,290)
Impairment loss	**20,726**	-
Interest expense	**456,360**	83,058
Provision to record inventory at net realizable value	**174,453**	-
Share-based compensation	**209,441**	366,469
Changes in operating assets and liabilities:		
Receivables	**(201,887)**	(94,406)
Inventory	**(293,553)**	(1,361,826)
Prepaid expenses and deposits	**(108,178)**	4,587
Assets classified as held for sale	**-**	790,828
Accounts payable and accrued liabilities	**184,662**	1,568,932
Income taxes payable	**2,866,688**	1,198,502
Deferred revenue	**94,068**	-
Lease liabilities	**(325,697)**	(534,098)
Liabilities classified as held for sale	**-**	(805,406)
Cash provided by operating activities of continuing operations	**5,971,267**	8,438,609
Cash used in operating activities of discontinued operations	**(71,292)**	(1,602,478)
INVESTING ACTIVITIES		
Purchases of property and equipment	**(442,285)**	(2,562,304)
Cash used in investing activities of continuing operations	**(442,285)**	(2,562,304)
Cash provided by investing activities of discontinued operations	**51,357**	1,168,349
FINANCING ACTIVITIES		
Principal repayments on promissory note payable	**(6,080,000)**	(6,080,000)
Repayments of convertible promissory notes	**(40,000)**	(1,210,000)
Cash proceeds from warrants	**-**	533,326
Interest paid in cash	**(505,747)**	(1,082,500)
Lease payments received	**-**	100,000
Cash used in financing activities of continuing operations	**(6,625,865)**	(7,739,174)
Cash used in financing activities of discontinued operations	**(58,032)**	(105,360)
Effect of foreign exchange on cash	**(1,361)**	(766,841)
Decrease in cash during the year	**(1,176,211)**	(3,169,199)
Cash beginning of year	**3,067,983**	6,237,182
Cash end of year	**1,891,772**	3,067,983
Supplemental disclosure of cash flow information		
Interest paid in cash	**505,747**	2,322,855
Income taxes paid in cash	**-**	3,145,893
Non-cash financing activities		
Fair value of common shares issued in settlement of Phantom Farms earn out shares	**-**	677,939
Fair value of common shares issued as partial settlement of commitment to issue shares	**-**	21,787

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

1. NATURE OF OPERATIONS

C21 Investments Inc. (the "Company" or "C21") was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publicly traded company with its registered office is 170-601 West Cordova Street, Vancouver, BC, V6B 1G1.

Pursuant to a change of business announced on January 29, 2018 to the Cannabis industry, the Company commenced acquiring and operating revenue-producing cannabis operations in the USA.

On June 15, 2018, the Company's common shares were delisted from the TSX Venture Exchange ("TSX-V") at the Company's request and on June 18, 2018 the Company commenced trading on the Canadian Securities Exchange ("CSE"), completed its change of business to the cannabis industry and commenced trading under the symbol CXXI. The Company registered its common shares in the United States and on May 6, 2019, its shares were cleared by the Financial Industry Regulatory Authority for trading on the OTC Markets platform under the U.S. trading symbol CXXIF. On September 28, 2020, the Company began trading on the OTCQB® Venture Market.

For the year ended January 31, 2021, the Company operated in two segments: recreational cannabis in Oregon, USA and recreational and medical cannabis in Nevada, USA (Note 16). During the year ended January 31, 2022, the Company made the strategic decision to exit operations in Oregon. The comparative results of operations have been re-stated to present the operating results of the Oregon segment as discontinued operations. The Nevada segment remains engaged in the cultivation of and manufacturing of cannabis flower products, vape products and extract products for wholesale and retail sales.

At January 31, 2023, the Company had a working capital deficit of $6,231,895 (2022 - $5,689,642) and an accumulated deficit of $69,471,712 (2022 - $69,764,923). However, for the year ended January 31, 2023, the Company generated net income and positive cash flows from continuing operations.

At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal status. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

2. BASIS OF PREPARATION

a) Basis of presentation

These consolidated financial statements as of and for the years ended January 31, 2023 and 2022 ("consolidated financial statements") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments classified as fair value through profit or loss.

b) Functional and reporting currency

The functional currency of C21 Investments Inc. is Canadian dollars ("C$"), and the functional currency of the Company's subsidiaries is U.S. dollars. C21 has determined that the U.S. dollar ("USD") is the most relevant and appropriate reporting currency as the Company's operations are conducted in U.S. dollars and its financial results are prepared and reviewed internally by management in U.S. dollars. The consolidated financial statements are presented in U.S. dollars unless otherwise noted.

(Expressed in U.S. dollars, except as noted)

2. BASIS OF PREPARATION (continued)

c) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all the entities in which the Company has a controlling voting interest and is deemed to be the primary beneficiary. All consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements from the date of acquisition. All intercompany balances and transactions are eliminated upon consolidation.

A summary of the Company's subsidiaries included in these financial statements as at January 31, 2023 is as follows:

Name of subsidiary (1)	Principal activity
320204 US Holdings Corp.	Holding Company
320204 Oregon Holdings Corp.	Holding Company
320204 Nevada Holdings Corp.	Holding Company
320204 Re Holdings, LLC	Holding Company
Eco Firma Farms LLC (2)	Cannabis producer
Silver State Cultivation LLC	Cannabis producer
Silver State Relief LLC	Cannabis retailer
Swell Companies LTD (2)	Cannabis processor, distributor
Megawood Enterprises Inc. (2)	Cannabis retailer
Phantom Venture Group, LLC (2)	Holding Company
Phantom Brands, LLC (2)	Holding Company
Phantom Distribution, LLC (2)	Cannabis distributor
63353 Bend, LLC (2)	Cannabis producer
20727-4 Bend, LLC (2)	Cannabis processor
4964 BFH, LLC (2)	Cannabis producer
Workforce Concepts 21, Inc.	Payroll and benefits services

(1) All subsidiaries of the Company were incorporated in the USA, are wholly owned and have USD as their functional currency.

(2) Operations discontinued and results included in discontinued operations.

d) Restatement of the January 31, 2022 consolidated financial statements

The January 31, 2022 balances have been restated for an error in the Company's measurement of income taxes payable. The Company identified amounts of depreciation, amortization and lease payments included in its calculation of income taxes payable for the years ended January 31, 2022 and 2021 that are ineligible for deduction. The Company also identified amounts of inventory impairments that were not included as deductible expenses.

The effects of the restatement in the consolidated balance sheet as at January 31, 2022 are as follows:

	Previously reported	Change	**Restated**
	$	$	**$**
Income taxes payable	3,658,162	1,212,008	**4,870,170**
Deferred tax asset	9,024	(9,024)	**-**
Deferred tax liability	-	33,558	**33,558**
Deficit	(68,510,333)	(1,254,590)	**(69,764,923)**

The effects of the restatement in the consolidated statement of comprehensive income for the year ended January 31, 2022 are as follows:

	Previously reported	Change	**Restated**
	$	$	**$**
Income tax expense	(3,973,246)	(961,221)	**(4,934,467)**

2. BASIS OF PREPARATION (continued)

For the year ended January 31, 2022, the consolidated statement of cash flows contains an adjustment of $961,221 within net income after taxes from continuing operations and changes in income taxes payable. Opening deficit as at January 31, 2022 contains an adjustment of $293,370 in respect of income tax expense pertaining to ineligible deductions in the year ended January 31, 2021.

For the year ended January 31, 2022, basic and diluted income per share from continuing operations and basic and diluted income per share decreased from $0.11 and $0.09, respectively, to $0.10 and $0.08, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and assumptions

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of recoverability of goodwill, recoverability of intangible assets, fair value less costs to sell of assets classified as held for sale, estimates used in valuation and costing of inventory, impairment of long-lived assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities, share-based compensation, and fair value of derivative liabilities.

b) Cash

Cash held in financial institutions and cash held at retail locations, have carrying values that approximate fair value.

The recent closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Band and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. We do not currently have a commercial relationship with a bank that has failed or is, to our knowledge, otherwise is experiencing operational distress, nor have we experienced delays or other issues in meeting our financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our cash may be threatened and could have a material adverse effect on our business operations and financial condition.

As at January 31, 2023, the Company had FDIC coverage over $697,945 (January 31, 2022 - $850,704) of its cash balance.

c) Foreign currency translation

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventory consists of raw materials, consumables and packaging supplies used in the process to prepare inventory for sale; work in process consisting of pre-harvested cannabis plants, by-products to be extracted, oils and terpenes; and finished goods.

Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Net realizable value is calculated as the estimated selling price in the ordinary course of business, less any estimated costs to complete and sell the goods. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, raw materials, consumables, packaging supplies, utilities, facility costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory.

Inventory reserves are based on inventory obsolescence trends, and the historical and professional experience of management. The Company classifies cannabis inventory as a current asset, although, due to the duration of the cultivation, drying, and conversion process, certain inventory items may not be realized in cost of sales within one year.

e) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and losses on impairment.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Furniture & fixtures	5 years
Computer equipment	3 years
Machinery & equipment	2-7 years
Leasehold improvements	shorter of the life of the improvement or the remaining life of the lease

f) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins when the asset becomes available for use. Brands, licenses, and customer relationships are amortized over 10 years, which reflect the estimated useful lives of the intangible assets.

g) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net intangible and tangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company's goodwill is part of the Nevada reporting unit.

Goodwill is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that the carrying amount of a reporting unit may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill.

For the years ended January 31, 2023 and 2022, the recoverable amount of goodwill allocated to the Nevada reporting unit exceeded the carrying amount and as such, no impairment was noted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of long-lived assets

Long-lived assets include property and equipment, right-of-use assets, and intangible assets with finite useful lives.

At the end of each fiscal year, the Company reviews the intangible assets' estimated useful lives and amortization methods, with the effect of any changes in estimates accounted for on a prospective basis.

Long-lived assets are reviewed for indicators of impairment at each statement of balance sheet date or whenever events or changes in circumstances indicate that a potential impairment has occurred. The Company groups assets at the lowest level for which cash flows are separately identifiable, referred to as an asset group. When indicators of potential impairment are present the Company prepares a projected undiscounted cash flow analysis to determine the recoverable amount for the respective asset or asset group. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded as in profit or loss equal to the amount by which the carrying amount exceeds the fair value.

i) Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. The comparative consolidated balance sheet is re-presented to classify assets as held for sale in the period that the respective assets are classified as held for sale.

k) Convertible instruments

The Company accounts for convertible debt as a single unit of account, unless the conversion feature requires bifurcation and recognition as a derivative. Additionally, the Company uses the if-converted method for all convertible instruments in the diluted earnings per share calculation and includes the effect of potential share settlement for instruments that may be settled in cash or shares.

l) Leases

Upon commencement of a contract containing a lease, the Company classifies leases other than short-term leases as either an operating lease or a finance lease according to the criteria prescribed by *ASU 2016-02, Leases* ("ASC 842"). The lease classification is reassessed only when: (a) the contract is modified and the modification is not accounted for as a separate contract, and (b) there is a change in the lease term or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset. The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less.

For both finance leases and operating leases, right-of-use assets and lease liabilities are initially measured as the present value of future lease payments and initial direct costs discounted at the interest rate implicit in the lease, or if that rate is not readily determinable, the Company's incremental borrowing rate. Subsequent measurement of lease liabilities classified as finance leases is at amortized cost using the effective interest rate method. Subsequent measurement of right-of-use assets classified as finance leases is at carrying amount less accumulated amortization, where amortization is recorded straight-line over the lease term. Subsequent measurement of lease liabilities classified as operating leases is at the present value of the unpaid lease payments discounted at the discount rate for the lease established at the commencement date. Subsequent measurement of right-of-use assets classified as operating leases is carrying amount less accumulated amortization where amortization is calculated as the difference between straight-line lease cost for the period, including amortization of initial direct costs, and the periodic accretion of the lease liability.

m) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent measurement depends on how the financial instrument has been classified and may be at fair value or amortized cost. For financial instruments subsequently measured at fair value, the Company calculates the estimated fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models including the Black-Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs that are not based on observable market data.

There have been no transfers between fair value hierarchy levels during the years ended January 31, 2023 and 2022.

The Company's measures the derivative liability at fair value using Level 3 inputs.

The Company's cash, receivables, accounts payable and accrued liabilities, and income taxes payable are recorded at cost. The carrying values of these financial instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Financial instruments subsequently measured at amortized cost include promissory note payable, convertible promissory notes, and reclamation obligation.

n) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at their grant date and recognizes share-based compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Consideration paid to the Company on the exercise of stock options is recorded as common stock.

o) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the consolidated statements of comprehensive income.

p) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive.

The number of additional shares is calculated by assuming the outstanding dilutive convertible instruments, options, and warrants are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of convertible instruments, stock options and warrants are anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue recognition

Revenue is recognized by the Company in accordance with ASC 606 - *Revenue From Contracts With Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under ASC 606, the Company applies the following five steps:

1. Identify a customer along with a corresponding contract
2. Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer
3. Determine the transaction price that the Company expects to be entitled to in exchange for transferring promised goods or services to a customer
4. Allocate the transaction price to the performance obligation(s) in the contract
5. Recognize revenue when or as the Company satisfies the performance obligation(s) in the contract

The Company's contracts with customers for the sale of dried cannabis and other products derived from cannabis consist of one performance obligation, being the transfer of control of the goods to the customer at the point of sale. The Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed, and the product was accepted by the buyer. The Company does not have performance obligations subsequent to delivery on the sale of goods to customers and revenues from sale of goods are recognized at a "point in time", which is upon passing of control to the customer.

Provisions for expected credit losses on accounts receivable are based on the Company's assessment of the collectability of specific customer balances, which is based upon a review of the customer's creditworthiness and past collection history. For trade receivables deemed to be uncollectible, and arose from the sale of goods, the Company will write off the specific balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

The Company disaggregates its revenues based on sales to its retail customers where cash is received immediately versus wholesale customers to whom the Company extends credit terms. For the year ended January 31, 2023, revenue from retail sales from continuing operations totaled $26,713,239 (2022 - $32,351,024) and revenue from wholesale from continuing operations totaled $2,175,171 (2022 - $631,952).

r) Loyalty program

The Company offers a loyalty reward program to its dispensary customers that allows customers to earn reward credits that can be applied to future purchases. Loyalty reward credits issued as part of a sales transaction result in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to the 'Revenue' line within the accompanying consolidated statements of income and comprehensive income and included as deferred revenue on the consolidated balance sheets. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The loyalty program expiration policy is six months. As of January 31, 2023 and 2022, the loyalty liability totaled $94,068 and $nil, respectively, and is included in deferred revenue on the consolidated balance sheets.

s) Reclamation obligation

The Company recognizes the fair value of a legal or constructive liability for a reclamation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for a reclamation obligation due to the passage of time will be recognized within accretion expense. The amount will be recognized as an increase in the liability and an accretion expense in the consolidated statements comprehensive income. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

t) Recently issued accounting pronouncements

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the U.S. Securities and Exchange Commission did not or are not believed by management to have a material effect on the Company's present or future financial statements.

(Expressed in U.S. dollars, except as noted)

4. DISCONTINUED OPERATIONS

In January 2022, the Company entered into to a lease-to-own arrangement with a lessee for certain licenses, land and equipment in Oregon, USA, representing its outdoor growing operation. The lease-to-own arrangement concludes in January 2027 with total undiscounted payments over the term amounting to $2,514,805. The Company determined that the arrangement should be accounted for as a sales-type lease and concluded that it is not probable that all required payments will be made such that title will transfer at the end of the term. As such, in accordance with ASC 842, the land and equipment have not been derecognized and payments received will be recorded as a deposit liability until such time that collectability becomes probable. As at January 31, 2023, $175,000 has been received under the arrangement and has been recorded as a deposit liability.

As a result of non-profitable operations in the Oregon reporting unit, the Company began to wind down operations in Oregon beginning in the year ended January 31, 2021. At January 31, 2021, the Company classified the assets and liabilities in Swell and Megawood as held for sale and completed the sale of these assets in April 2021. By January 31, 2022, the Company made the decision to cease all growing, manufacturing, and processing activities in Bend, Oregon. As the Oregon reporting unit comprises the assets of multiple components in distinct geographic locations, management anticipates completing the sale on a piecemeal basis. Management is engaged in an active program to seek buyers for the major classes of assets and liabilities in Oregon in order to complete a sale in the next twelve months.

On July 20, 2022, the Company sold the remaining Oregon inventory with a book value of $357,540 for proceeds of $357,540.

During the year ended January 31, 2023, net loss from discontinued operations included impairment loss attributable to inventory in Oregon in the amount of $5,851 (2022 - $1,093,308) in order to record inventory at its net realizable value.

During the year ended January 31, 2023, net loss from discontinued operations included impairment of right-of-use assets in Oregon in the amount of $183,745 (2022 - $nil) that the Company concluded had a recoverable amount of $nil.

Prepaid expenses classified as held for sale primarily relates to the renewal of licenses that may be transferred in the event of a sale. Otherwise, prepaid expenses will be expensed within loss from discontinued operations over the next twelve months.

For the year ended January 31, 2023, the Company recorded a provision for expected credit losses on previously recorded management fees receivable of $218,425 (2022 - $111,616).

Long-term debt consists of vehicle loans and a building mortgage. The mortgage began on February 1, 2015 and matures on January 1, 2035 (20 years). The mortgage bears interest at a fixed rate of 4.5% with payments made monthly. The equipment and vehicle loans consist of three loans with maturity dates ranging from June 1, 2021 through May 15, 2023 and interest rates ranging from 5.59% to 19.9% with payments made monthly.

The following table summarizes the major classes of assets and liabilities of the discontinued Oregon operation that have been classified as held-for-sale in the consolidated balance sheets:

	January 31, 2023	January 31, 2022
	$	$
Carrying amounts of the major classes of assets included in discontinued operations:		
Receivables	**15,522**	64,456
Inventory	**-**	363,391
Prepaid expenses and deposits	**84,972**	111,617
Deferred tax asset	**143,078**	152,177
Property and equipment	**1,139,517**	1,139,517
Right-of-use assets	**-**	346,987
Total assets classified as held for sale	**1,383,089**	2,178,145
Carrying amounts of the major classes of liabilities included in discontinued operations:		
Lease liabilities	**216,298**	412,093
Long-term debt	**423,968**	462,286
Total liabilities classified as held for sale	**640,266**	874,379

(Expressed in U.S. dollars, except as noted)

4. DISCONTINUED OPERATIONS (continued)

A summary of the Company's major classes of line items constituting net loss from discontinued operations for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Revenue	**357,540**	1,128,403
Cost of sales	**357,540**	1,602,257
Gross loss	**-**	(473,854)
Expenses (income)		
Selling, general and administrative expenses	**608,112**	638,521
Impairment loss	**245,682**	1,093,308
Provision for expected credit losses	**218,425**	111,616
Other income	**6,861**	(32,231)
Net loss from discontinued operations before income taxes	**(1,079,080)**	(2,285,068)
Income tax (recovery) expense	**(9,249)**	42,424
Net loss from discontinued operations after income taxes	**(1,088,329)**	(2,242,644)

A summary of the Company's cash flows from discontinued operations for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Net cash used in operating activities of discontinued operations	**(71,292)**	(1,602,478)
Net cash provided by investing activities of discontinued operations	**51,357**	1,168,349
Net cash used in financing activities of discontinued operations	**(58,032)**	(105,360)

5. SECURITY DEPOSIT

Non-current assets include a security deposit with the Alberta Energy Regulator ("AER") under the AER's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment. At January 31, 2023, the security deposit had a balance of $46,871 (January 31, 2022 - $49,011).

6. RECEIVABLES

A summary of the Company's receivables is as follows:

	January 31, 2023	January 31, 2022
	$	$
Taxes receivable	**10,834**	11,945
Trade receivables	**401,476**	198,478
	412,310	210,423

There was no provision for expected credit losses on trade receivables at January 31, 2023 or January 31, 2022.

(Expressed in U.S. dollars, except as noted)

7. INVENTORY

A summary of the Company's inventory is as follows:

	January 31, 2023	January 31, 2022
	$	$
Finished goods	**1,556,353**	1,848,392
Work in process	**2,494,455**	2,029,133
Raw materials	**122,765**	176,948
	4,173,573	4,054,473

During the year ended January 31, 2022, cost of sales includes a provision to record inventory at net realizable value of $174,453 (January 31, 2022 - $nil). Finished goods inventory is presented net of the provision to record inventory at net realizable value.

8. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

a) Property and equipment

A summary of the Company's property and equipment is as follows:

	January 31, 2023	January 31, 2022
	$	$
Land	**1,330,000**	1,330,000
Leasehold improvements	**1,775,896**	1,758,229
Furniture & fixtures	**468,696**	460,890
Computer equipment	**6,659**	46,484
Machinery & equipment	**2,450,919**	2,305,217
	6,032,170	5,900,820
Less: accumulated depreciation	**(1,347,052)**	(1,031,227)
	4,685,118	4,869,593

Total depreciation expense for the year ended January 31, 2023 was $533,702 (2022 - $472,998). Of the total depreciation expense, $472,096 was allocated to inventory (2022 - $260,006). During the year, the Company disposed of property and equipment with a cost of $309,907 and accumulated depreciation of $217,877.

At January 31, 2022, the Company reclassified buildings with a cost of $1,370,212 and accumulated depreciation of $230,695 to assets classified as held for sale.

b) Right-of-use assets

The Company's right-of-use assets result from its operating leases (Note 11) and consist of land and buildings used in the cultivation, processing, and warehousing of its products.

At January 31, 2023, assets classified as held for sale contains right-of-use assets with a carrying value of $nil (January 31, 2022 - $346,987). Management estimated the fair value less costs to sell of right-of-use assets classified as held for sale at January 31, 2023 was $nil (January 31, 2022 - $346,987).

(Expressed in U.S. dollars, except as noted)

9. INTANGIBLE ASSETS AND GOODWILL

a) Intangible assets

A summary of the Company's intangible assets subject to amortization is as follows:

	January 31, 2023	January 31, 2022
	$	$
Licenses	**12,167,021**	12,141,476
Brands	**644,800**	868,982
Customer relationships	**1,540,447**	1,758,553
	14,352,268	14,769,011
Less: accumulated amortization	**(6,465,443)**	(5,544,846)
	7,886,825	9,224,165

During the year ended January 31, 2023, the Company recognized amortization expense on intangible assets of $1,337,336 (2022 - $1,370,286).

During the year ended January 31, 2022, the Company recognized impairment charges of $363,510 on customer relationships allocated to the Oregon reporting unit (Note 4).

The estimated aggregate amortization expense for each of the five succeeding years is as follows:

	$
January 31, 2024	1,337,336
January 31, 2025	1,337,336
January 31, 2026	1,337,336
January 31, 2027	1,337,336
January 31, 2028	1,325,336
Thereafter	1,212,145
	7,886,825

b) Goodwill

As at January 31, 2023 and 2022, the Company had goodwill of $28,541,323 and $28,541,323, respectively, which was allocated to the Nevada reporting unit. There was no impairment on goodwill identified in either year.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	January 31, 2023	January 31, 2022
	$	$
Accounts payable	**1,842,089**	1,402,546
Accrued liabilities	**450,485**	428,414
EFF settlement accrual (Note 20)	**612,500**	612,500
Interest payable	**16,352**	65,409
	2,921,426	2,508,869

(Expressed in U.S. dollars, except as noted)

11. LEASES

The Company's leases consist of land and buildings used in the cultivation, processing, and warehousing of its products. All leases were classified as operating leases in accordance with ASC 842.

A summary of the Company's active leases and total lease term under contract as at January 31, 2023 is as follows:

Entity Name/Lessee	Asset	Lease term	Type
Silver State Cultivation LLC	Land/ Building	12	Operating lease
Silver State Relief LLC (Sparks)	Land/ Building	12	Operating lease
Silver State Relief LLC (Fernley)	Land/ Building	12	Operating lease
Phantom Distribution, LLC	Land/ Building	5	Operating lease
63353 Bend, LLC	Land/ Building	5	Operating lease
20727-4 Bend, LLC	Land/ Building	5	Operating lease

For the year ended January 31, 2023, the Company incurred operating lease costs in continuing operations of $1,403,743, (2022 - $1,403,743). Of this amount, $812,368 (2022 - $812,368) was allocated to inventory.

A summary of the Company's weighted average discount rate used in calculating lease liabilities and weighted average remaining lease term is as follows:

	January 31, 2023	January 31, 2022
Weighted average discount rate	**10%**	10%
Weighted average remaining lease term (years)	**9.63**	10.46

A summary of the maturity of contractual undiscounted liabilities associated with the Company's operating leases as of January 31, 2023 is as follows:

Year ending January,	$
2024	1,276,262
2025	1,314,551
2026	1,353,987
2027	1,394,607
2028	1,436,445
Thereafter	7,712,494
Total undiscounted lease liabilities	14,488,346
Interest on lease liabilities	(5,534,921)
Total present value of minimum lease payments	8,953,425
Current portion of lease liability	398,723
Lease liability	**8,554,702**

As at January 31, 2023, liabilities classified as held for sale include lease liabilities of $216,298 (2022 - $412,093) and pertain to the operating leases in Phantom Distribution, LLC, 63353 Bend, LLC and 20727-4 Bend, LLC.

As at January 31, 2023, the Company has total undiscounted lease liabilities of $14,488,346 pertaining to lease liabilities in continuing operations and total undiscounted lease liabilities of $228,192 which are classified as held for sale and pertain to the operating leases in Phantom Distribution, LLC, 63353 Bend, LLC and 20727-4 Bend, LLC.

12. PROMISSORY NOTES

Transaction costs related to the issuance of convertible promissory notes are apportioned to their respective financial liability and equity components (if applicable) in proportion to the allocation of proceeds as a reduction to the carrying amount of each component.

When valuing the financial liability component of the promissory notes, the Company used specific interest rates assuming no conversion features existed. The resulting liability component is accreted to its face value over the convertible note's term until its maturity date.

12. PROMISSORY NOTES (continued)

a) Convertible promissory notes

A summary of the Company's convertible promissory notes denominated in U.S. dollars is as follows:

	June 13, 2018 issuance	May 24, 2019 issuance	Total
	$	$	$
Balance, January 31, 2021	1,072,590	1,130,056	2,202,646
Payment	-	(1,210,000)	(1,210,000)
Interest expense	17,649	40,685	58,334
Accretion expense	191,203	39,259	230,462
Balance, January 31, 2022	1,281,442	-	1,281,442
Payment	(41,600)	-	(41,600)
Interest expense	1,600	-	1,600
Loss on foreign exchange translation	(85,183)	-	(85,183)
Balance, January 31, 2023	**1,156,259**	**-**	**1,156,259**

On August 19, 2022, the Company repaid $41,600 comprised of $40,000 of principal and $1,600 of interest related to the June 13, 2018 issuance of convertible promissory notes.

On June 13, 2018, the Company issued convertible promissory notes to the vendors that sold Eco Firma Farms, LLC ("EFF") to the Company in the aggregate principal amount of $2,000,000. The convertible promissory notes were convertible at $1.00 per share. The convertible promissory notes accrue interest at a rate of 4% per annum, compounded annually, and were fully due and payable on June 13, 2021. The Company is in an ongoing dispute with the vendors over repayment (Note 20). On issuance, the Company determined the conversion feature was a derivative liability as the convertible promissory notes were exercisable in USD while the functional currency of the Company is Canadian dollars. The conversion feature expired on June 13, 2021 and as such the fair value of the conversion feature as at January 31, 2023 was $nil (January 31, 2022 - $nil).

On May 24, 2019, the Company issued a two-year unsecured convertible promissory note to a debtor of Swell Companies in the principal amount of $1,000,000. The convertible note accrues interest at 10% per annum compounded annually and payable at maturity. The note is convertible into common shares of the Company at a conversion price of $1.56 per share and may be converted at the maturity date. On issuance, the Company determined the conversion feature was a derivative liability as the convertible promissory notes are exercisable in USD while the functional currency of the Company is Canadian dollars. On May 24, 2021 the note was fully repaid.

b) Promissory note payable

A summary of the Company's promissory note payable denominated in USD is as follows:

	$
Balance, January 31, 2021	14,186,667
Repayments	(6,080,000)
Balance, January 31, 2022	8,106,667
Repayments	(6,080,000)
Balance, January 31, 2023	**2,026,667**
Current portion	2,026,667
Non-current portion	-

On January 1, 2019, the Company issued a promissory note to Mr. Newman, who sold Silver State to the Company in the principal amount of $30,000,000. The promissory note is payable in the following principal instalments: $3,000,000 on April 1, 2019, $6,000,000 on each of July 1, 2019, October 1, 2019, January 1, 2020, and April 1, 2020, and $3,000,000 on July 1, 2020. The promissory note accrues interest at a rate of 10% per annum. The promissory note is secured by all of the outstanding membership interests, and a security interest in all of the assets, of Silver State.

On July 1, 2019, the terms of the promissory note payable for the acquisition of Silver State were amended to call for immediate payment of $2,000,000 plus accrued interest on July 1, 2019 followed by payments of $800,000 plus accrued interest on the first of each of August, September, October, November, and December 2019.

(Expressed in U.S. dollars, except as noted)

12. PROMISSORY NOTES (continued)

Effective November 21, 2019 and June 25, 2020, Mr. Newman and the Company agreed to further amend the terms of the promissory note due to Mr. Newman. The December 1, 2019 principal payment of $800,000 was cancelled and the monthly principal payments thereafter were reduced to $600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the promissory note is due and payable on January 1, 2021. This modification resulted in a gain of $nil.

On November 19, 2020, the Company announced an agreement with Mr. Newman that the remaining $15,200,000 principal outstanding on his promissory note, due to mature on January 1, 2021, was amended with lower monthly payments amortized over a 30-month period. Commencing December 1, 2020, the monthly payments are $506,667 plus interest. The interest rate at 9.5% was unchanged.

For the year ended January 31, 2023, interest expense was $455,091 (2022 - $1,032,691). Interest paid during the year ended January 31, 2023 was $504,147 (2022 - $1,082,500).

13. DERIVATIVE LIABILITY

A summary of the Company's derivative liabilities is as follows:

	Conversion feature of convertible promissory notes	**Earn out shares**	**Total**
	$	$	$
Balance, January 31, 2021	485,157	9,273,970	9,759,127
Fair value adjustment on derivative liabilities	(485,157)	(8,091,133)	(8,576,290)
Settlement of Phantom earn out	-	(677,939)	(677,939)
Effect of foreign exchange	-	501,470	501,470
Balance, January 31, 2022	-	1,006,368	1,006,368
Fair value adjustment on derivative liabilities	-	(742,483)	(742,483)
Effect of foreign exchange	-	(24,185)	(24,185)
Balance, January 31, 2023	**-**	**239,700**	**239,700**

Upon the February 4, 2019 acquisition of Phantom Farms, the vendors can earn up to 4,500,000 'earn out' shares over a period of seven years. The conditions were based on the Company's common shares exceeding certain share prices during the period. The fair value of the derivative liability is derived using a Monte Carlo simulation. On January 24, 2022, the Company issued 1,300,000 common shares for full settlement of the Phantom earn out shares.

Upon the May 24, 2019 acquisition of Swell Companies, the vendors can earn up to 6,000,000 'earn out' shares over a period of seven years. The conditions were based on the Company's common shares exceeding certain share prices during the period. Additionally, the 50% of the earn out shares are earned upon a change of control of the Company. The fair value of the derivative liability is derived using a Monte Carlo simulation.

A summary of the Company's significant inputs into the Monte Carlo simulation used to determine the fair value of earn out shares is as follows:

	January 31, 2023	January 31, 2022
Discount rate	**4.43%**	1.24%
Expected life in years	**3.31**	4.33
Expected stock volatility	**80%**	80%
Expected volatility of foreign exchange	**6.40%**	6.52%

The conversion feature of the June 13, 2018 and May 24, 2019 convertible promissory notes expired on June 13, 2021 and May 24, 2021, respectively. As such, the fair value of each at January 31, 2023 and 2022 was $nil and $nil, respectively.

(Expressed in U.S. dollars, except as noted)

14. SHARE CAPITAL

Share capital consists of one class of fully paid common shares, with no par value. The Company is authorized to issue an unlimited number of common shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

A summary of the Company's share capital is as follows:

	Number of shares	Common stock
	#	$
Balance, January 31, 2021	117,057,860	103,636,830
Shares issued - Phantom Farm warrants exercises (1)	456,100	533,326
Shares issued - EFF commitment (2)	19,774	21,787
Shares issued - Guaranteed warrants (3)	1,214,080	-
Shares issued - Settlement of Earn out shares (4)	1,300,000	677,939
Share-based compensation	-	366,469
Balance, January 31, 2022	120,047,814	105,236,351
Share-based compensation	-	209,441
Balance, January 31, 2023	**120,047,814**	**105,445,792**

(1) On February 4, 2021 the Company issued 456,100 shares upon the exercise of Phantom Farm warrants.
(2) On April 5, 2021, the Company issued 19,774 common shares to the vendors of EFF for a partial settlement of the Company's commitment to issue shares.
(3) On June 17, 2021, the Company issued 1,214,080 common shares pursuant to the cashless exercise of 4,160,000 warrants.
(4) On January 24, 2022, the Company issued 1,300,000 common shares for the settlement of Phantom earn out shares.

a) Commitment to issue shares

In connection with the acquisition of EFF on June 13, 2018, the Company issued a promissory note payable to deliver 1,977,500 shares to the vendors of EFF in the amount of $1,905,635, without interest, any time after October 15, 2018. As at January 31, 2023 shares issued pursuant to this commitment total 1,184,407 shares.

b) Warrants

A summary of the Company's warrant activity is as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average remaining life
	#	C$	Years
Balance January 31, 2021	11,894,746	1.32	1.96
Exercised	(4,616,100)	1.05	
Expired	(4,038,646)	1.73	
Balance, January 31, 2022	3,240,000	1.18	2.10
Balance, January 31, 2023	**3,240,000**	**1.18**	**1.10**

A summary of the Company's outstanding and exercisable warrants at January 31, 2023, is as follows:

Expiry date	Exercise price	Number of warrants
	C$	#
December 31, 2023	1.00	632,400
January 30, 2024	1.00	1,407,600
May 24, 2024	1.50	1,200,000
		3,240,000

As at January 31, 2023 and 2022, outstanding and exercisable warrants had intrinsic values of $nil and $nil, respectively.

(Expressed in U.S. dollars, except as noted)

14. SHARE CAPITAL (continued)

On February 4, 2021, 456,100 warrants with an exercise price of $1.17 (C$1.50) were exercised to purchase 456,100 common shares of the Company for proceeds of $533,326. Of the warrants exercised, 426,100 were exercised by a Director of the Company. On the same date, 1,243,900 warrants expired unexercised.

On June 17, 2021, 4,160,000 warrants were exercised on a cashless basis for 1,214,080 common shares of the Company.

c) Stock options

The Company is authorized to grant options to executive officers and directors, employees, and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

A summary of the Company's stock option activity is as follows:

	Options outstanding and exercisable	Weighted average exercise price	Weighted average remaining life
	#	C$	Years
Balance January 31, 2021	6,965,000	1.22	2.05
Expired	(1,350,000)	2.80	
Balance, January 31, 2022	5,615,000	0.84	1.45
Granted	600,000	0.70	
Expired	(1,405,000)	1.25	
Balance, January 31, 2023	**4,810,000**	**0.75**	**0.86**

A summary of the Company's stock options outstanding and exercisable at January 31, 2023, is as follows:

Expiry date	Exercise price	Outstanding	Exercisable
	C$	#	#
August 17, 2023	0.70	3,560,000	3,560,000
January 28, 2024	1.50	150,000	150,000
October 9, 2024	1.00	500,000	500,000
February 10, 2025	0.70	600,000	199,998
		4,810,000	**4,409,998**

As at January 31, 2023 and 2022, outstanding and exercisable stock options had intrinsic values of $nil and $nil, respectively.

During the year ended January 31, 2023, the Company recorded a share-based compensation expense of $209,441 (2022 - $366,469). A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
Stock price	**C$0.61**	
Exercise price	**C$0.70**	
Risk-free rate	**1.60%**	-
Expected life of options	**3 years**	-
Annualized volatility	**80%**	-
Dividend rate	**0%**	-

(Expressed in U.S. dollars, except as noted)

14. SHARE CAPITAL (continued)

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. The expected term used for options issued to non-employees is the contractual life and the expected term used for options issued to employees and directors is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" employee option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A summary of the Company's selling, general and administration expenses for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
	$	$
Accounting and legal	**716,349**	665,248
Depreciation and amortization	**1,365,018**	1,280,446
License fees, taxes and insurance	**1,625,036**	1,807,645
Office facilities and administrative	**338,492**	301,944
Operating lease cost	**591,375**	591,376
Other expenses	**806,009**	256,454
Professional fees and consulting	**903,513**	701,999
Salaries and wages	**2,747,133**	2,913,900
Sales, marketing, and promotion	**83,672**	83,770
Share-based compensation	**209,441**	366,469
Shareholder communications	**18,128**	26,781
Travel and entertainment	**41,742**	59,142
	9,445,908	9,055,174

16. SEGMENTED INFORMATION

The Company defines its major geographic operating segments as Oregon and Nevada. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature operationally segmented.

Key decision makers primarily review revenue, cost of sales expense, and gross margin as the primary indicators of segment performance. As the Company continues to expand via acquisition, the segmented information will expand based on management's agreed upon allocation of costs beyond gross margin.

A summary of the Company's segmented operational activity and balances for the year ended January 31, 2023 is as follows:

	Discontinued operations (Oregon)	**Nevada**	**Corporate**	**Consolidated**
	$	$	$	$
Total revenue	357,540	28,888,410	-	29,245,950
Gross profit	-	13,401,146	-	13,401,146
Operating expenses:			-	
General and administration	(386,779)	(4,397,477)	(2,798,925)	(7,583,181)
Sales, marketing, and promotion	(1,938)	(83,672)	-	(85,610)
Operating lease cost	(195,639)	(591,375)	-	(787,014)
Depreciation and amortization	(23,756)	(1,270,092)	(94,926)	(1,388,774)
Share-based compensation	-	-	(209,441)	(209,441)
Impairment of inventory	(245,682)	-	(20,726)	(266,408)
Provision for expected credit losses	(218,425)	-	-	(218,425)
Interest, accretion, and other	(6,861)	(31,327)	288,123	249,935
Net income (loss) before taxes	**(1,079,080)**	**7,027,203**	**(2,835,895)**	**3,112,228**

(Expressed in U.S. dollars, except as noted)

16. SEGMENTED INFORMATION (continued)

A summary of the Company's segmented operational activity and balances for the year ended January 31, 2022 is as follows:

	Discontinued operations (Oregon)	Nevada	Corporate	Consolidated
	$	$	$	$
Total revenue	1,128,403	32,982,976	-	34,111,379
Gross profit (loss)	(473,854)	18,809,985	-	18,336,131
Operating expenses:				
General and administration	(429,969)	(3,797,101)	(2,936,012)	(7,163,082)
Sales, marketing, and promotion	-	(83,770)	-	(83,770)
Operating lease cost	(1,233)	(591,376)	-	(592,609)
Depreciation and amortization	(207,319)	(1,276,640)	(3,806)	(1,487,765)
Share-based compensation	-	-	(366,469)	(366,469)
Impairment of inventory	(1,456,818)	-	-	(1,456,818)
Interest, accretion, and other	284,125	22,171	7,355,059	7,661,355
Net income (loss) before taxes	**(2,285,068)**	**13,083,269**	**4,048,772**	**14,846,973**

a) Entity-wide disclosures

All revenue for the years ended January 31, 2023 and 2022 was earned in the United States.

For the years ended January 31, 2023 and January 31, 2022, no customer represented more than 10% of the Company's net revenue and receivables.

A summary of the Company's the long-lived tangible assets disaggregation by geographic area is as follows:

	January 31, 2023	January 31, 2022
	$	$
Nevada	**11,321,662**	11,903,430
Discontinued operations (Oregon)	**1,748,286**	1,817,633
Other	**703**	24,414
	13,070,651	13,745,477

17. COMMITMENTS

The Company and its subsidiaries are committed under lease agreements with third parties and related parties, for land, office space, and equipment in Nevada and Oregon. A summary of the Company's future minimum payments at the year ended January 31, 2023 is as follows:

	Third Parties	Related Parties	Total
	$	$	$
2024	273,743	1,276,262	1,550,005
2025	45,551	1,314,551	1,360,102
2026	45,551	1,353,987	1,399,538
2027	45,551	1,394,607	1,440,158
2028	45,551	1,436,445	1,481,996
Thereafter	322,651	7,712,494	8,035,145
	778,598	**14,488,346**	**15,266,944**

(Expressed in U.S. dollars, except as noted)

18. RELATED PARTY TRANSACTIONS

A summary of the Company's related balances included in accounts payable, accrued liabilities, and promissory note payable is as follows:

	January 31, 2023	January 31, 2022
	$	$
Due to the President and CEO	**2,043,019**	8,172,075
Lease liabilities due to a company controlled by the CEO	**8,953,425**	9,279,123
Lease liabilities due to SDP Development	**-**	412,093
Due to the CFO of the Company	**692**	360
	10,997,136	17,863,651

Due to the President and CEO consists of promissory note principal and interest and reimbursable expenses incurred in the normal course of business.

A summary of the Company's transactions with related parties including key management personnel for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Consulting fees paid to a director	**125,000**	240,000
Amounts paid to CEO or companies controlled by CEO for leases	**1,239,090**	1,203,000
Amounts paid to CEO or companies controlled by CEO for repayments of promissory note	**6,584,146**	7,162,500
Amounts paid to CEO or companies controlled by CEO for remuneration	**200,000**	267,119
Salary paid to directors and officers	**398,950**	496,807
Share based compensation including warrants and stock options for directors and officers	**153,426**	251,333
Lease payments made to SDP Development	**-**	209,176
	8,700,612	9,829,935

Amounts paid to CEO or companies controlled by CEO consists of salary, lease payments, and promissory note principal and interest.

On February 12, 2020, the Company amended the purchase agreement with SDP Development, of which a Director of the Company is a principal owner. The Company had agreed on February 4, 2019 to purchase SDP Development on October 15, 2020, which owned six real estate properties that were leased in connection with Phantom Farms' cannabis cultivation, processing and wholesale distribution operations. The aggregate purchase price was $8,010,000 payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2,670,000 shares at $3.00 per common share.

(Expressed in U.S. dollars, except as noted)

19. EARNINGS PER SHARE

A summary of the Company's calculation of basic and diluted earnings per share for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
Net income from continuing operations after income taxes	**$1,381,540**	$12,197,574
Net loss from discontinued operations after income taxes	**$(1,088,329)**	$(2,242,644)
Net income	**$293,211**	$9,954,930
Weighted average number of common shares outstanding	**120,047,814**	118,308,584
Dilutive effect of warrants and stock options outstanding	**2,833,093**	2,833,093
Diluted weighted average number of common shares outstanding	**122,880,907**	121,141,677
Basic income per share, continuing operations	**$0.01**	$0.10
Diluted income per share, continuing operations	**$0.01**	$0.10
Basic loss per share, discontinued operations	**$(0.01)**	$(0.02)
Diluted loss per share, discontinued operations	**$(0.01)**	$(0.02)
Basic income per share	**$0.00**	$0.08
Diluted income per share	**$0.00**	$0.08

The computation of diluted earnings per share excludes the effect of the potential exercise of warrants and stock options when the average market price of the common stock is lower than the exercise price of the respective warrant or stock option and when inclusion of these amounts would be anti-dilutive. For the years ended January 31, 2023 and 2022, the number of warrants excluded from the computation was 1,200,000 and 1,200,000, respectively. For the years ended January 31, 2023 and 2022, the number of stock options excluded from the computation was 4,409,998 and 4,263,333, respectively. For the years ended January 31, 2023 and 2022, the computation of diluted earnings per share also excludes the potential issuance of 6,000,000 earn out shares (Note 13) as the market price of the common shares has not been high enough to trigger an earn out event.

20. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

a) Legal proceedings

Oregon Action: A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims, alleging $612,500 in damages (as amended), against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee (the "Oregon Action"). The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and is defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure ("ORCP") 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly owned subsidiaries, and other defendants. On December 30, 2019, plaintiffs filed an amended complaint dismissing the Company (and some of its directors and subsidiaries) from the case and reducing the amount in controversy in the Oregon Action. On May 6, 2020, the court granted the Company's ORCP 21 motions in its entirety to dismiss all of Plaintiffs' claims against the remaining defendants. The judgment of dismissal was entered by the Clackamas County court on or about October 14, 2020.

On October 22, 2020, the Company submitted a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the Oregon Action. On January 20, 2021, the Court ruled in the Company's favor, awarding the Company and its subsidiaries $68,195 in attorney's fees, $1,252 in costs, and a statutory prevailing party fee of $640, through a supplemental judgment, entered on February 2, 2021. The judgment in favor of the Company remains unpaid and continues to collect interest at the statutory rate of 9% per annum.

On November 12, 2020, the plaintiffs appealed the order dismissing the claims alleged in their amended complaint. On March 2, 2021, the plaintiffs amended their appeal to also appeal the award of attorney fees and costs.

20. CONTINGENCIES (continued)

On October 26, 2022, the Court of Appeals issued its decision, reversing the general and supplemental judgments in favor of the Company and remanding the case to the trial court for further proceedings. The Company filed a petition for reconsideration of the Court of Appeals decision on December 7, 2022, which was denied.

On April 19, 2023, the Company filed a petition for review in the Oregon Supreme Court. The petition for review is pending. The Company cannot predict if the Oregon Supreme Court will grant certiorari to hear the appeal, and if so, the likely resolution of the appeal.

British Columbia Action: On or about September 13, 2019, the Company delivered a notice to the above-mentioned Plaintiffs of alleged breach and default under the EFF purchase and sale agreement, due to alleged unlawful, intentional acts and material misrepresentations by the Plaintiffs before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs (the "British Columbia Action").

On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Plaintiffs filed a response to the Company's counterclaims on or about June 5, 2020, and the parties stipulated to a form of amended pleading which included the joinder of additional parties, an owner of Proudest Monkey Holdings, LLC and EFF, and additional contract and equitable claims and damages, partially duplicative to those alleged by the Plaintiffs in the Oregon Action (breach of contract, indemnity, unjust enrichment and wrongful termination claims). Plaintiffs allege $2,774,176.05 in damages (as amended), plus unquantified additional damages, interest and costs, of which amounts are partially duplicative of the Oregon Action. This action remains in the discovery stage, and the trial date is scheduled for February 2024. It is too early to predict the resolution of the claims and counterclaims.

Settled and Dismissed Action: On or about May 30, 2019, Wallace Hill Partners Ltd. ("Wallace Hill") filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 Common Shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. Also, on June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments.

On March 23, 2022, the Company and Wallace Hill entered into a mutual release agreement, pursuant to which, among other things, all parties agreed to dismiss their respective claims and to release one another from any further causes of action in connection with the subject matter of the original claims. On April 23, 2022, the parties filed a Notice of Discontinuance in the Supreme Court of British Columbia formally dismissing the civil action.

(Expressed in U.S. dollars, except as noted)

21. INCOME TAXES

The Company is a Canadian resident company, as defined in the Income Tax Act (Canada) (the "ITA"), for Canadian income tax purposes. However, it has subsidiaries that are treated as United States corporations for US federal income tax purposes per the Internal Revenue Code (US) ("IRC") and are thereby subject to federal income tax on their worldwide income. As a result, the Company is subject to taxation both in Canada and the United States.

A summary of the Company's components of the income tax provision for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022 (As restated - Note 2)
	$	$
Current		
Canadian	-	-
US Federal and State	**2,866,688**	4,344,395
Total current income tax expense	**2,866,688**	4,344,395
Deferred		
Canadian	**-**	-
US Federal and State	**(56,920)**	590,072
Total deferred income tax recovery	**(56,920)**	590,072
Total income tax expense	**2,809,768**	4,934,467

A summary of the Company's domestic and foreign components of income (loss) before provision for income taxes for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022 (As restated - Note 2)
	$	$
Canadian	**(702,488)**	6,985,670
United States	**4,893,796**	10,146,371
Income (loss) before income taxes	**4,191,308**	17,132,041

A summary of the Company's reconciliation of the statutory income tax rate percentage to the effective tax rate for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022 (As restated - Note 2)
	$	$
Income (loss) for the year	**4,191,308**	17,132,041
Statutory rate	**27%**	27%
Income tax expense at statutory rate	**1,131,653**	4,625,653
Non-deductible expenditures and non-taxable revenues		
IRC section 280E disallowance	**1,802,992**	1,834,479
Other	**56,549**	98,946
Foreign tax rate differential	**(288,933)**	(608,783)
Change in foreign exchange rates and other	**196,298**	115,835
Change in valuation allowance	**(198,848)**	(73,893)
Payable adjustment to provision versus statutory tax returns	**67,056**	2,738,188
Deferred adjustment to provision versus statutory tax returns	**10,410**	(4,316,443)
Uncertain tax position, inclusive of interest and penalties	**32,591**	520,485
	2,809,768	4,934,467

(Expressed in U.S. dollars, except as noted)

21. INCOME TAXES (continued)

A summary of the Company's deferred tax assets significant components is as follows:

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	$	$
Deferred tax assets		
Share issuance costs and financing fees	**4,764**	262,726
Allowable capital losses	**132,986**	139,182
Non-capital losses	**4,699,606**	4,376,843
Intangible assets	**85,843**	98,394
Right of use assets and lease liabilities, net	**73,247**	53,248
Reclamation obligation	**14,219**	14,923
Derivative liability	**64,719**	271,719
Inventories	**36,797**	-
Convertible promissory note	**312,190**	345,989
Total deferred tax assets	**5,424,371**	5,563,024
Valuation allowance	**(5,311,368)**	(5,510,216)
Total net deferred tax assets	**113,003**	52,808
Deferred tax liabilities		
Property and equipment	**(89,641)**	(86,366)
Net deferred tax (liability) asset	**23,362**	(33,558)

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the Canadian loss carryforwards that may expire prior to their utilization has been recorded at January 31, 2023.

As of January 31, 2023, the Company has $17.4 million of Canadian non-capital loses which expire between 2026 and 2043, and Canadian capital losses of $985 thousand with no expiry date. The Company determined a valuation allowance was also applicable to the other Canadian deferred tax assets. The Company also has of $2.7 million of Oregon net operating losses which have a 15-year carryforward period with losses expiring between 2034 and 2038. The Company determined a valuation allowance was applicable to the full amount of the available Canadian losses.

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for US federal income tax purposes as well as state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to costs of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred by the Canadian entity over the three-year period ended January 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of January 31, 2023, a valuation allowance of $5,311,368 (2022 - $5,510,216) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained. As of January 31, 2023, and January 31, 2022, the Company recorded an uncertain tax liability of $846,446 and $813,855, respectively, inclusive of interest and penalties.

(Expressed in U.S. dollars, except as noted)

21. INCOME TAXES (continued)

The uncertain tax position comprises of certain deductions for lease obligations, depreciation and amortization taken in prior years in excess of the accounting expenses in respect of assets used in production as well as deductions for inventory impairment that were not previously taken. The total of these uncertainties before interest and penalties is $789,112 as of January 31, 2023. The Company believes it is reasonably possible that $401,824 of unrecognized tax benefits related to depreciation and $7,745 of unrecognized tax benefits related to amortization, lease obligations and inventory may decrease within the next 12 months as the Company will be filing amended tax returns for prior years and amounts will be coming statute-barred with respect to the 2020 fiscal year.

During the years ended January 31, 2023, the Company recorded interest of $55,065 and penalties of $2,268 on uncertain tax liabilities within the consolidated statements of operations and comprehensive (loss) income. The Company is subject to taxation and files income tax returns in Canada, the U.S. and Oregon. As of January 31, 2023, the tax returns for the 2020, 2021 and 2022 fiscal years are subject to examination by tax authorities in the U.S. and Oregon. The tax return for the 2019 fiscal year is also subject to examination by tax authorities in Canada.

The aggregate change in the balance of gross unrecognized tax benefits, which includes interest and penalties is as follows:

	January 31, 2023	2022 (As restated - Note 2)
	$	$
Beginning balance	**813,855**	293,370
Increase due to tax positions taken during a prior year	**32,591**	520,485
Ending balance	**846,446**	813,855

The total amount of unrecognized tax benefits that would, if recognized, impact the effective tax rate is $846,446 for the tax year ended January 31, 2023 ($813,855 for January 31, 2022).

A summary of the components of the Company's income taxes payable is as follows:

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	$	$
Income taxes payable	**6,890,412**	4,056,315
Unrecognized tax position, inclusive of interest and penalties	**846,446**	813,855
	7,736,858	4,870,170

22. FINANCIAL INSTRUMENTS

The following tables present information about the Company's financial instruments and their classifications as of January 31, 2023 and January 31, 2022 and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value:

Fair value measurements at January 31, 2023 using:	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	**$**
Financial liabilities:				
Earn out shares (Note 13)	-	-	239,700	**239,700**

Fair value measurements at January 31, 2022 using:	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	**$**
Financial liabilities:				
Earn out shares (Note 13)	-	-	1,006,368	**1,006,368**

The fair value of the derivative liability associated with the earn out shares was derived using a Monte Carlo simulation using non-observable inputs, and therefore represent a Level 3 measurement.

23. SUBSEQUENT EVENTS

On February 13, 2023 the Company announced it had negotiated the cancellation of a portion of the earn out share obligations pursuant to the Swell Purchase agreement. The Company entered into agreements with certain Swell vendors to extinguish the Company's obligation to issue 4,792,800 common shares in exchange for a one-time payment of $575,136.

On February 6, 2023, the Company and its CEO, Sonny Newman, agreed to defer payment of the principal portion of the March 1, 2023 promissory note payment in order to facilitate the cash coverage required to settle the Company's cash settlement with the Swell vendors. The principal portion was deferred until April 1, 2023 and normally scheduled payments of principal and interest resumed at that time.

On March 9, 2023, the Company executed a settlement agreement to terminate the lease-to-own arrangement accounted for as a sales-type lease for certain licenses, land and equipment in Oregon, USA (Note 4). The lessee failed to make the minimum payments under the arrangement and the Company exercised its right to terminate the relationship. As part of the settlement agreement, the lessee paid $500,000 as consideration for two cannabis licenses in Oregon. The Company retains the land, building and equipment.

On June 1, 2023, the Company completed all payments totaling $2,026,667 on the promissory note payable (Note 12(b)) owing to Sonny Newman, the Company's President and CEO. In connection with the repayment, the security against the Company's assets held in Silver State Cultivation LLC and Silver State Relief LLC has been fully discharged.