
CAPTOR CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**THREE AND NINE MONTHS ENDED
DECEMBER 31, 2021**

**(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

CAPTOR CAPITAL CORP.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at December 31, 2021	As at March 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 23,230,872	\$ 17,363,137
Amounts receivable and prepaid expenses (Note 5)	2,912,539	1,250,947
Inventory	2,080,223	1,404,451
Investments at fair value (Note 10)	2,593,845	3,401,102
Assets held for sale (Note 6)	680,642	675,112
	31,498,121	24,094,749
Non-current		
Amounts receivable and prepaid expenses (Note 5)	921,286	770,841
Right-of-use assets (Note 7)	7,777,862	8,874,328
Property and equipment (Note 8)	3,635,668	2,899,837
Goodwill (Note 9)	12,777,299	12,672,838
Intangibles (Note 9)	10,330,454	10,997,741
	\$ 66,940,690	\$ 60,310,334
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 21)	\$ 8,577,008	\$ 8,452,919
Promissory note payable (Note 12(ii))	161,596	182,165
Loans and notes payable (Note 12(i))	13,143	11,875
Lease liabilities (Note 13)	1,192,311	1,050,606
Income tax payable	1,356,895	1,076,862
	11,300,953	10,774,427
Non-current		
Promissory note payable (Note 12(ii))	88,946	248,507
Loans and notes payable (Note 12(i))	-	35,516
Lease liabilities (Note 13)	7,481,495	8,325,065
Deferred tax liability	2,175,261	1,604,321
	21,046,655	20,987,836
Shareholders' Equity		
Share capital (Note 14)	115,982,485	103,604,649
Contributed surplus	30,259,268	29,528,620
Accumulated other comprehensive loss	(3,258,471)	(3,254,325)
Deficit	(109,591,915)	(103,021,501)
	33,391,367	26,857,443
Non-controlling interest (Note 4)	12,502,668	12,465,055
	45,894,035	39,322,498
	\$ 66,940,690	\$ 60,310,334

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 24)

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

CAPTOR CAPITAL CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Sales, net of excise tax	\$ 8,404,525	\$ 4,203,687	\$ 23,640,258	\$ 11,879,754
Cost of sales	4,970,339	2,935,776	15,026,243	7,956,371
Gross profit	3,434,186	1,267,911	8,614,015	3,923,383
Expenses				
General and administrative expenses (Note 18)	4,252,365	3,031,272	12,855,439	6,801,860
Foreign exchange loss	1,201,157	27,171	1,223,494	301,178
Interest income	(5,941)	(28,951)	(16,409)	(88,713)
Amortization of intangible assets	196,082	115,856	746,375	357,381
Total expenses	(5,643,663)	(3,145,348)	(14,808,899)	(7,371,706)
Net loss for the period before other items:	(2,209,477)	(1,877,437)	(6,194,884)	(3,448,323)
Realized gain on investments at fair value	-	881,030	347,742	388,564
Unrealized (loss) gain on investments at fair value	(302,063)	251,225	(718,883)	661,545
Gain on sale of investment in associate (Note 11)	61,804	-	61,804	-
Equity loss pick-up (Note 11)	-	(25,165)	-	(90,350)
Loss on write-off of property and equipment	(123)	(399,219)	(28,580)	(399,219)
Net loss for the period	(2,449,859)	(1,169,566)	(6,532,801)	(2,887,783)
Other comprehensive (loss) income				
Items that may be reclassified subsequently:				
Share of loss from investment in associate (Note 11)	-	5,383	-	(95,161)
Foreign currency translation adjustment	764,475	(766,977)	(4,146)	(1,221,945)
	764,475	(761,594)	(4,146)	(1,317,106)
Comprehensive loss for the period	\$ (1,685,384)	\$ (1,931,160)	\$ (6,536,947)	\$ (4,204,889)
Net loss attributable to:				
Shareholders of the Company	\$ (2,777,938)	\$ (824,947)	\$ (6,570,414)	\$ (2,503,399)
Non-controlling interest	328,079	(344,619)	37,613	(384,384)
	\$ (2,449,859)	\$ (1,169,566)	\$ (6,532,801)	\$ (2,887,783)
Loss per share - basic and diluted (Note 17)	\$ (0.05)	\$ (0.03)	\$ (0.13)	\$ (0.07)

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

CAPTOR CAPITAL CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended December 31,	
	2021	2020
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	\$ (6,532,801)	\$ (2,887,783)
Unrealized loss (gain) on investments at fair value	718,883	(661,545)
Realized loss (gain) on investments at fair value	(347,742)	(388,564)
Foreign exchange loss (gain)	(796,059)	377,374
Gain on sale of investment in associate	(61,804)	-
Loss on write-off of property and equipment	28,580	399,219
Unrealized loss on investment in associate	-	90,350
Depreciation and amortization	2,249,776	675,705
Accretion	949,161	86,638
Stock based compensation expense	840,853	468,075
Other	-	(4,497)
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(1,812,037)	47,419
Income tax payable	1,504,619	-
Accounts payable and accrued liabilities	124,089	(15,053)
Inventory	(675,772)	(405,062)
	(3,810,254)	(2,217,724)
Financing activities		
Issue of common shares and units, net of issue costs	12,267,631	-
Repurchase of shares	-	(35,816)
Lease payments	(1,716,521)	(322,852)
	10,551,110	(358,668)
Investing Activities		
Purchase of property and equipment	(1,136,617)	(1,288,804)
Repayments of loans and notes payable	(228,382)	(178,651)
Proceeds from loan payable	13,143	-
Purchase of investments at fair value	-	(794,868)
Proceeds from sale of investments at fair value	436,116	2,154,260
Proceeds from sale of investment in associate	61,804	-
Receipts from loan receivable	-	17,040
	(853,936)	(91,023)
Foreign exchange effect	(19,185)	(309,283)
Change in cash and cash equivalents	5,886,920	(2,667,415)
Cash and cash equivalents, beginning of period	17,363,137	19,766,334
Cash and cash equivalents, end of period	\$ 23,230,872	\$ 16,789,636
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 16,409	\$ 15,317
Interest paid	\$ -	\$ 4,738

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

CAPTOR CAPITAL CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****Unaudited**

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non-controlling Interest	Total
Balance, March 31, 2020	\$ 104,151,855	\$ 29,060,545	\$ (539,634)	\$ (97,661,238)	\$ -	\$ 35,011,528
Share repurchase	(521,661)	-	-	485,845	-	(35,816)
Change in ownership interest in subsidiary	-	-	-	-	14,813,610	14,813,610
Share based compensation	-	468,075	-	-	-	468,075
Net comprehensive loss for the period	-	-	(1,317,106)	(2,887,783)	(384,384)	(4,204,889)
Balance, December 31, 2020	\$ 103,630,194	\$ 29,528,620	\$ (1,856,740)	\$ (100,063,176)	\$ 14,429,226	\$ 46,052,508
Balance, March 31, 2021	\$ 103,604,649	\$ 29,528,620	\$ (3,254,325)	\$ (103,021,501)	\$ 12,465,055	\$ 39,322,498
Common shares issued for private placement	12,160,818	-	-	-	-	12,160,818
Cost of issue	(32,687)	-	-	-	-	(32,687)
Common shares issued for exercise of options	249,705	(110,205)	-	-	-	139,500
Share based compensation (note 16)	-	840,853	-	-	-	840,853
Net comprehensive loss for the period	-	-	(4,146)	(6,570,414)	37,613	(6,536,947)
Balance, December 31, 2021	\$ 115,982,485	\$ 30,259,268	\$ (3,258,471)	\$ (109,591,915)	\$ 12,502,668	\$ 45,894,035

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

CAPTOR CAPITAL CORP.

**Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)**

1. NATURE OF OPERATIONS

Captor Capital Corp. (the "Company" or "Captor") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated September 26, 2003. On June 2, 2017, the Company changed its name from NWT Uranium Corp. to Captor Capital Corp. The Company also delisted its common shares from the TSX Venture Exchange (the "Exchange") on June 1, 2017. The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CPTR". The primary office is located at 4 King Street West, Suite 401, Toronto, Ontario, M5H 1B6, Canada.

The Company's principal business activity is the retail sale of cannabis products.

The consolidated financial statements were approved by the Board of Directors on March 1, 2022.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. In response, Captor has shifted its strategic approach and the manner in which it operates its business to continue providing affordable and high quality products to its customers, and ensure that its workplace and stores have appropriate measures in place to limit social interactions and enforce social distancing measures. The Company has also taken steps to alter its marketing methods, conserve cash, and align its overall strategic direction to preserve the health of its business.

The Company implemented certain initiatives in response to the impact of the COVID-19 pandemic. Such initiatives aim to allow the Company to continue offering affordable and high quality products in a safe environment, with additional measures in place to allow its customers to access its products while limiting social interactions, and enforcing social distancing measures throughout its retail stores. These initiatives have allowed the Company to operate mostly uninterrupted and to implement its business continuity plan. Some of the measures that Captor initiated included: (i) increasing curbside pick-up and/or drive-thru options at all of its retail locations; (ii) expanding home delivery services to customers; and (iii) enhancing its in-store safety and sanitation protocols. The Company has also increased its efforts to align labour costs with customer demand and reduce all non-essential operational expenses.

As of the issuance of this report, the Company's operations have not been significantly impacted as cannabis has been deemed an essential service in the state of California since March, 2020. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

CAPTOR CAPITAL CORP.

**Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 29, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements for the year ended March 31, 2021, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2022 could result in restatement of these unaudited condensed interim consolidated financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2021 or later periods.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2021 or later periods.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") Amendments

The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The extent of the impact of adoption of this amendment has not yet been determined.

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended December 31, 2021 (Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

3. BUSINESS ACQUISITION

In August 2020, the Company announced that Captor through two of its subsidiaries, Captor Acquisition Corp and Captor Retail Group ("CRG") entered into a contribution agreement with California based Three Habitat Consulting Holdco Inc. ("Three Habitat"), which owns and operates a retail chain of dispensaries in California under the brand One Plant®. Under the terms of the contribution agreement entered into between Captor and Three Habitat (the "Contribution Agreement"), Captor contributed \$2 million in cash along with its two Chai branded dispensaries in Santa Cruz and Castroville in exchange for a 51% interest in CRG. Three Habitat contributed its seven One Plant dispensaries to CRG in exchange for a 49% interest in CRG. Of the seven dispensaries being contributed to CRG by Three Habitat, the retail dispensaries in Salinas, Atwater, and El Sobrante were licensed and operating as of the acquisition date. The locations in Antioch, Goleta and Lompoc have since become licensed and operational. The location in Palm Springs is currently under construction and is expected to be operational in the near future.

The Company acquired the One Plant locations to expand its operations into the retail distribution of cannabis products in the emerging legal cannabis sector. The acquisition was accounted for accordance with *IFRS 3 Business Combinations*. Accordingly, the acquisition of the seven One Plant® dispensaries is accounted at the fair value of the equity instruments issued. The excess of consideration over the net assets acquired has been recorded as goodwill.

The fair value of the consideration is as follows:

Issuance of 49% interest in CRG	\$ 13,590,003
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The consideration has been allocated as follows:

Amounts receivable	\$ 1,385,474
Property and equipment	1,060,593
Right-of-use assets	8,996,122
Accounts payable	(259,132)
Unearned revenue	(63,883)
Lease liabilities	(8,996,122)
Market related intangible assets	1,747,286
Licenses	4,692,447
Goodwill	6,152,160
Deferred tax liability	(1,124,942)
	<u>\$ 13,590,003</u>

Goodwill arising from the acquisition represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition.

4. NON- CONTROLLING INTEREST

The continuity of CRG's non-controlling interest at December 31, 2021 is as follows:

Company's ownership interest 51%

Balance, March 31, 2020	\$ -
Non-controlling interest arising on acquisition of One Plant® dispensaries (note 3)	13,590,003
Share of loss for the period ended March 31, 2021	(1,124,948)
	<u>12,465,055</u>
Balance, March 31, 2021	12,465,055
Share of loss for the period ended December 31, 2021	37,613
	<u>37,613</u>
Balance, December 31, 2021	\$ 12,502,668

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	As at December 31, 2021	As at March 31, 2021
Sales tax receivable - Canada	\$ 223,566	\$ 188,763
Amounts receivable	1,983,407	627,121
Other receivables ⁽¹⁾	946,862	796,417
Prepaid expenses and deposits	679,990	409,487
	3,833,825	2,021,788
Long-term other receivable	(921,286)	(770,841)
	\$ 2,912,539	\$ 1,250,947

⁽¹⁾ During the year ended March 31, 2021, the Company deemed that \$170,000 of receivables were uncollectible and wrote down receivables by that amount.

6. ASSETS HELD FOR SALE

As at December 31, 2021, the Company reclassified the net assets of ICH Washington Holdings Ltd. as held for sale.

7. RIGHT-OF-USE ASSETS

Balance - March 31, 2020	\$ 1,102,915
Additions	9,403,276
Amortization	(1,102,130)
Impact of foreign exchange	(529,733)
Balance - March 31, 2021	8,874,328
Amortization	(1,152,186)
Impact of foreign exchange	55,720
Balance - December 31, 2021	\$ 7,777,862

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
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8. PROPERTY AND EQUIPMENT

Cost	Computer	Cannabis equipment	Leasehold improvements	Vehicles	Total
At March 31, 2020	\$ 52,875	\$ 359,952	\$ 564,740	\$ 107,336	\$ 1,084,903
Additions during the year	49,280	191,862	2,404,329	27,127	2,672,598
Impairment	-	-	(527,815)	-	(527,815)
Impact of foreign exchange	(8,409)	(58,572)	(127,859)	(13,518)	(208,358)
At March 31, 2021	93,746	493,242	2,313,395	120,945	3,021,328
Additions during the period	17,223	138,738	962,704	17,952	1,136,617
Disposal	-	-	(28,095)	-	(28,095)
Impact of foreign exchange	1,022	15,520	3,222	1,255	21,019
At December 31, 2021	\$ 111,991	\$ 647,500	\$ 3,251,226	\$ 140,152	\$ 4,150,869
Accumulated depreciation					
At March 31, 2020	\$ 12,308	\$ 3,820	\$ -	\$ 44,774	\$ 60,902
Depreciation expense	19,436	5,980	19,004	26,549	70,969
Impairment	(2,346)	(726)	(927)	(6,381)	(10,380)
At March 31, 2021	29,398	9,074	18,077	64,942	121,491
Depreciation expense	24,665	18,622	282,206	25,722	351,215
Impact of foreign exchange	604	349	40,631	911	42,495
At December 31, 2021	\$ 54,667	\$ 28,045	\$ 340,914	\$ 91,575	\$ 515,201
Carrying value					
At March 31, 2021	\$ 64,348	\$ 484,168	\$ 2,295,318	\$ 56,003	\$ 2,899,837
At December 31, 2021	\$ 57,324	\$ 619,455	\$ 2,910,312	\$ 48,577	\$ 3,635,668

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
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9. GOODWILL AND INTANGIBLES

Cost	Licenses	Customer relationship	Tradename	Total Intangibles	Goodwill
At March 31, 2020	\$ 4,234,588	\$ 1,101,540	\$ 1,420,337	\$ 6,756,465	\$ 7,689,450
Additions from acquisitions (note 3)	4,692,447	-	1,747,286	6,439,733	6,097,673
Impact of foreign exchange	(705,705)	(125,163)	(244,999)	(1,075,867)	(1,114,285)
At March 31, 2021	8,221,330	976,377	2,922,624	12,120,331	12,672,838
Impact of foreign exchange	67,340	7,997	23,938	99,275	104,461
At December 31, 2021	\$ 8,288,670	\$ 984,374	\$ 2,946,562	\$ 12,219,606	\$ 12,777,299
Accumulated amortization					
At March 31, 2020	\$ -	\$ 343,536	\$ 418,590	\$ 762,126	\$ -
Amortization	-	205,275	264,682	469,957	-
Impairment	-	(49,035)	(60,458)	(109,493)	-
At March 31, 2021	-	499,776	622,814	1,122,590	-
Amortization	-	145,513	600,862	746,375	-
Impact of foreign exchange	-	6,236	13,951	20,187	-
At December 31, 2021	\$ -	\$ 651,525	\$ 1,237,627	\$ 1,889,152	\$ -
Carrying value					
At March 31, 2021	\$ 8,221,330	\$ 476,601	\$ 2,299,810	\$ 10,997,741	\$ 12,672,838
At December 31, 2021	\$ 8,288,670	\$ 332,849	\$ 1,708,935	\$ 10,330,454	\$ 12,777,299

As of March 31, 2021, the Company performed its annual impairment tests for goodwill and intangible assets. The recoverable amount of all cash generating units was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years (with a terminal year thereafter);
- Terminal value of growth rate: The terminal growth rate of 3% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post tax discount rates were 13% to 25%.

As at December 31, 2021, management determined that the goodwill and intangible assets were not impaired.

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

10. INVESTMENTS AT FAIR VALUE

Other investments consist of shares held in publicly listed and private companies.

	Level 1	Level 1	Level 3	
	MedMen Enterprises (a)	Other investment (Public)	Other investment (Private)	Total
At March 31, 2020	\$ 213,887	\$ 4,672,317	\$ 895,841	\$ 5,782,045
Additions (disposal)	-	(4,604,194)	-	(4,604,194)
Revaluation to fair market value	108,694	2,114,557	-	2,223,251
Reclassified	-	(1,331,879)	1,331,879	-
At March 31, 2021	322,581	850,801	2,227,720	3,401,102
Additions (disposal)	-	137,469	-	137,469
Revaluation to fair market value	(175,315)	(685,034)	(84,377)	(944,726)
At December 31, 2021	\$ 147,266	\$ 303,236	\$ 2,143,343	\$ 2,593,845

Within Level 3, the Company includes non-public company investments. The key assumptions used in the valuation of these instruments include the value at which a recent financing was done by the investee and company-specific information.

11. INVESTMENT IN ASSOCIATE

During the nine months ended December 31, 2021, the Company sold all 118,511 common shares of URU Metals Limited ("URU") and recognized a gain of \$61,804. As at March 31, 2021 - 118,511 common shares in URU which represented approximately 7% of URU's shareholding.

The following is a summary of the Company's investment in URU:

Investment as at March 31, 2020	\$ 167,416
Captor's share of loss and comprehensive loss from April 1, 2020 to March 31, 2021	(167,416)
Investment as at March 31, 2021 and December 31, 2021	\$ -

During the year ended March 31, 2021, the investment in URU was reduced to \$nil and as such the Company has halted picking-up its share of loss.

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

12. LOANS AND NOTES PAYABLE

(i) The Company entered into certain auto loans for the purchase of vehicles. The table below is a summary of the continuity of the auto loans:

Balance - March 31, 2020	\$ 66,084
Interest expenses	3,444
Repayments	(15,203)
Impact of foreign exchange	(6,934)
Balance - March 31, 2021	47,391
Addition	13,143
Repayments	(41,885)
Impact of foreign exchange	(5,506)
Balance - December 31, 2021	\$ 13,143

(ii) During the year ended March 31, 2019, the Company issued a promissory note payable to Chris Morganelli in the amount of US\$721,800 for the purchase of the Chai Santa Cruz store and issued a note payable to Salvatore Palma in the amount of US\$1,375,000 for the purchase of the Chai Monterey store. During the year ended March 31, 2021, the Company issued a promissory note payable to 9311 VDV L.P. in the amount of US\$342,483. The table below is a summary of the continuity of the promissory notes payable:

	Chris Morganelli		9311 VDV L.P.		Total
Balance - March 31, 2020	\$ 170,640	\$ -	\$ -	\$ 170,640	
Addition	-	436,118	-	436,118	436,118
Interest expense	468	-	-	468	468
Repayments	(167,090)	-	-	(167,090)	(167,090)
Impact of foreign exchange	(4,018)	(5,446)	-	(9,464)	(9,464)
Balance - March 31, 2021	-	430,672	-	430,672	430,672
Repayments	-	(180,992)	-	(180,992)	(180,992)
Impact of foreign exchange	-	862	-	862	862
Balance - December 31, 2021	\$ -	\$ 250,542	\$ -	\$ 250,542	
Current portion	\$ -	\$ 161,596	\$ -	\$ 161,596	161,596
Non-current portion	\$ -	\$ 88,946	\$ -	\$ 88,946	88,946

The terms of the note payable to 9311 VDV L.P. are as follows: principal: US\$342,483, no interest shall accrue on the principal, maturity: December 31, 2023 and repayment of the principal as prescribed by the lender.

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13. LEASE LIABILITIES

At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 16%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

Balance - March 31, 2020	\$ 1,360,709
Additions	9,403,276
Disposal	(112,641)
Accretion expense	988,942
Lease payments	(1,691,618)
Impact of foreign exchange	(572,997)
Balance - March 31, 2021	9,375,671
Accretion expense	949,161
Lease payments	(1,716,521)
Impact of foreign exchange	65,495
Balance - December 31, 2021	\$ 8,673,806
Current portion	\$ 1,192,311
Non-current portion	\$ 7,481,495

Maturity analysis - contractual undiscounted cash flows

As at December 31, 2021

Due less than one year	\$ 2,347,251
Due between one and two years	2,193,367
Due between two and three years	1,759,655
Due thereafter	7,299,932
Total undiscounted lease obligations	\$ 13,600,205

During the nine months ended December 31, 2021, the Company expensed \$36,000 related to short-term leases.

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14. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

	Number of shares	Amount
Balance, March 31, 2020	38,733,239	\$ 104,151,855
Share repurchase (i)	(194,000)	(521,661)
Balance, December 31, 2020	38,539,239	\$ 103,630,194
Balance, March 31, 2021	38,529,739	\$ 103,604,649
Common shares issued for private placement (ii)	12,800,861	12,160,818
Cost of issue - cash	-	(32,687)
Common shares issued for exercise of options	465,000	139,500
Fair value of options exercised	-	110,205
Balance, December 31, 2021	51,795,600	\$ 115,982,485

(i) During the nine months ended December 31, 2020, 194,000 common shares were purchased for cash consideration of \$35,816 in accordance with the current Issuer Bid. The amount by which the repurchased amount was less than the stated capital of the shares has been credited to deficit.

(ii) On April 30, 2021, the Company closed a non-brokered private placement of 12,800,861 units at a price of \$0.95 for gross proceeds of \$12,160,818. Each unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable to acquire one common share at an exercise price of \$1.20 per share for a period of 24 months from the closing.

15. WARRANTS

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
Balance, March 31, 2020 and December 31, 2020	-	\$ -
Balance, March 31, 2021	-	\$ -
Issued (Note 14(b)(ii))	6,400,431	1.20
Balance, December 31, 2021	6,400,431	\$ 1.20

The Company had the following warrants outstanding at December 31, 2021:

Number of Warrants	Exercise Price	Expiry Date
6,400,431	\$ 1.20	April 30, 2023

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16. STOCK OPTIONS

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is 10% of the issued and outstanding common shares of the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting term of the options is fixed by the Board of Directors of the Company at the time of grant and may vary from immediate vesting to up to 24 months.

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price
Balance, March 31, 2020	1,825,000	\$ 6.00
Options granted (i)	1,975,000	0.30
Options expired	(1,825,000)	6.00
Balance, December 31, 2020	1,975,000	\$ 0.30
Balance, March 31, 2021	1,975,000	\$ 0.30
Options granted (ii)	723,626	1.60
Options exercised	(465,000)	0.30
Balance, December 31, 2021	2,233,626	\$ 0.71

(i) On October 19, 2020, the Company granted 1,975,000 stock options to directors, officers, and consultants. All options vested immediately and each option entitles the holder to purchase one (1) common share at a price of \$0.30 per common share for a period of three (3) years from date of grant.

A value of \$468,075 was estimated for the 1,975,000 stock options on the date of grant with the following assumptions and inputs: share price of \$0.30; exercise price of \$0.30; expected dividend yield of 0%; expected volatility of 144% which is based on historical data; risk-free interest rate of 0.25%; and an expected average life of three years.

(ii) On August 3, 2021, the Company granted 723,626 stock options to directors. Each option entitles the holder to purchase one (1) common share at a price of \$1.60 per common share for a period of three (3) years from date of grant. 523,626 of the options vested immediately and the remaining 200,000 vested on October 1, 2021.

A value of \$840,853 was estimated for the 723,626 stock options on the date of grant with the following assumptions and inputs: share price of \$1.60; exercise price of \$1.60; expected dividend yield of 0%; expected volatility of 126% which is based on historical data; risk-free interest rate of 0.53%; and an expected average life of three years.

The Company had the following stock options outstanding at December 31, 2021:

Outstanding options	Exercisable options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Expiry date
1,510,000	1,510,000	1.80	0.30	October 19, 2023
723,626	723,626	2.59	1.60	August 3, 2024
2,233,626	2,233,626	2.30	0.71	

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17. LOSS PER SHARE

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Net loss for the period	\$ (2,449,859)	\$ (1,169,566)	\$ (6,532,801)	\$ (2,887,783)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.03)	\$ (0.13)	\$ (0.07)
Weighted average number of shares outstanding - basic and diluted	51,730,600	38,500,435	49,455,582	38,615,406

(i) Diluted loss per share does not include the effect of warrants and stock options as they are anti-dilutive.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Management and administrative services (Note 21)	\$ 142,689	\$ 177,447	\$ 1,284,816	\$ 488,829
Professional fees	697,717	327,583	2,404,225	1,370,644
Operational expenses	2,311,050	1,895,373	5,724,814	4,012,140
Travel expenses	29,142	13,815	55,066	22,952
Regulatory fees	23,181	16,073	93,504	29,522
Share based compensation (Note 16)	232,400	468,075	840,853	468,075
Interest and penalty	1,914	1,257	7,966	4,738
Depreciation	122,844	17,579	342,848	45,367
Accretion - lease liability	310,626	25,583	949,161	86,638
Amortization - right-of-use assets	380,802	88,487	1,152,186	272,955
	\$ 4,252,365	\$ 3,031,272	\$ 12,855,439	\$ 6,801,860

19. CONTINGENCIES

The Company has been named in a lawsuit by a former employee. A civil complaint was filed by the claimant in the Los Angeles, California Superior Court on July 2, 2020 in respect of this lawsuit. In January 2022, the Company and the claimant agreed to a settlement of \$221,865 (US\$175,000) plus the reimbursement of up to \$126,780 (US\$100,000) for legal fees. The Company has recorded a provision of \$348,645 (US\$275,000) as at December 31, 2021 for this claim (see note 24).

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20. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

Operating segments

As at December 31, 2021	Corporate	Cannabis Operations	Total
Current assets	\$ 26,810,854	\$ 4,687,267	\$ 31,498,121
Property and equipment	-	3,635,668	3,635,668
Other assets	-	31,806,901	31,806,901
Total assets	\$ 26,810,854	\$ 40,129,836	\$ 66,940,690

As at March 31, 2021	Corporate	Cannabis Operations	Total
Current assets	\$ 20,215,851	\$ 3,878,898	\$ 24,094,749
Property and equipment	-	2,899,837	2,899,837
Other assets	-	33,315,748	33,315,748
Total assets	\$ 20,215,851	\$ 40,094,483	\$ 60,310,334

Three Months Ended December 31, 2021	Corporate	Cannabis Operations	Total
Sales, net of excise tax	\$ -	\$ 8,404,525	\$ 8,404,525
Gross profit	-	3,434,185	3,434,185
Net (loss) income	(2,483,758)	33,899	(2,449,859)

Three Months Ended December 31, 2020	Corporate	Cannabis Operations	Total
Sales, net of excise tax	\$ -	\$ 4,203,687	\$ 4,203,687
Gross profit	-	1,267,910	1,267,910
Net loss	(344,430)	(825,136)	(1,169,566)

Nine Months Ended December 31, 2021	Corporate	Cannabis Operations	Total
Sales, net of excise tax	\$ -	\$ 23,640,258	\$ 23,640,258
Gross profit	-	8,614,015	8,614,015
Net (loss) income	(6,027,400)	(505,401)	(6,532,801)

Nine Months Ended December 31, 2020	Corporate	Cannabis Operations	Total
Sales, net of excise tax	\$ -	\$ 11,879,754	\$ 11,879,754
Gross profit	-	3,923,383	3,923,383
Net loss	(919,385)	(1,968,398)	(2,887,783)

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20. SEGMENTED INFORMATION (Continued)

Geographical segments

As at December 31, 2021	Canada	United States	Other	Total
Current assets	\$ 24,339,580	\$ 5,367,909	\$ 1,790,632	\$ 31,498,121
Property and equipment	-	3,635,668	-	3,635,668
Other assets	-	31,806,901	-	31,806,901
Total assets	\$ 24,339,580	\$ 40,810,478	\$ 1,790,632	\$ 66,940,690

As at March 31, 2021	Canada	United States	Other	Total
Current assets	\$ 17,722,939	\$ 4,641,229	\$ 1,730,581	\$ 24,094,749
Property and equipment	-	2,899,837	-	2,899,837
Other assets	-	33,315,748	-	33,315,748
Total assets	\$ 17,722,939	\$ 40,856,814	\$ 1,730,581	\$ 60,310,334

Three Months Ended December 31, 2021	Canada	United States	Other	Total
Sales, net of excise tax	\$ -	\$ 8,404,525	\$ -	\$ 8,404,525
Gross profit	-	3,434,186	-	3,434,186
Net loss	(2,166,459)	(276,727)	(6,673)	(2,449,859)

Three Months Ended December 31, 2020	Canada	United States	Other	Total
Sales, net of excise tax	\$ -	\$ 4,203,687	\$ -	\$ 4,203,687
Gross profit	-	1,267,910	-	1,267,910
Net loss	311,312	(1,507,514)	26,636	(1,169,566)

Nine Months Ended December 31, 2021	Canada	United States	Other	Total
Sales, net of excise tax	\$ -	\$ 23,640,258	\$ -	\$ 23,640,258
Gross profit	-	8,614,015	-	8,614,015
Net loss	(5,138,290)	(1,454,562)	60,051	(6,532,801)

Nine Months Ended December 31, 2020	Canada	United States	Other	Total
Sales, net of excise tax	\$ -	\$ 11,879,754	\$ -	\$ 11,879,754
Gross profit	-	3,923,383	-	3,923,383
Net loss	(517,938)	(2,327,991)	(41,854)	(2,887,783)

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21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Directors fees (i)	\$ 75,000	\$ 45,000	\$ 262,500	\$ 165,000
Alegana Enterprises Ltd. ("Alegana") (ii)	55,000	55,000	665,000	165,000
2249872 Ontario Ltd. (iii)	-	15,000	-	15,000
Marrelli Support Services Inc ("MSSI") (iii)	12,400	4,500	80,575	13,500
Roeedo Enterprises LLC (iv)	-	38,739	-	120,121
Share based compensation	232,400	237,000	840,853	237,000
	\$ 374,800	\$ 395,239	\$ 1,848,928	\$ 715,621

(i) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at December 31, 2021, is \$50,000 (March 31, 2021 - \$60,000) due to directors of the Company.

(ii) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company. Included in accounts payable and accrued liabilities at December 31, 2021 is \$350,000 (March 31, 2021 - \$310,810) owing to Alegana.

(iii) Mr. Jing Peng, the Chief Financial Officer ("CFO"), is a senior employee of MSSI. The management fees paid to MSSI relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company's assets. Included in accounts payable and accrued liabilities at December 31, 2021 is \$7,605 (March 31, 2021 - \$16,087) owing to MSSI.

(iv) Roeedo Enterprises LLC is a company controlled by Mark Klein, a director of Captor for consulting services performed for the Company.

(v) The Company is owed \$25,576 (March 31, 2021 - \$25,576) from a company related to Captor through common management. These amounts are included in the amounts receivable and prepaid expenses balance on the statements of financial position.

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22. FAIR VALUE MEASUREMENTS

Fair value 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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
As at December 31, 2021				
Investments at fair value	\$ 450,502	\$ -	\$ 2,143,343	\$ 2,593,845
As at March 31, 2021				
Investments at fair value	\$ 1,173,742	\$ -	\$ 2,227,360	\$ 3,401,102

(b) Fair values of financial assets and liabilities:

	December 31, 2021		March 31, 2021	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Amortized cost				
Amounts receivable (i)	\$ 2,930,269	\$ 2,930,269	\$ 1,423,538	\$ 1,423,538
	\$ 2,930,269	\$ 2,930,269	\$ 1,423,538	\$ 1,423,538
FVTPL				
Cash and cash equivalents	\$ 23,230,872	\$ 23,230,872	\$ 17,363,137	\$ 17,363,137
Investments at fair value	2,593,845	2,593,845	3,401,102	3,401,102
	\$ 25,824,717	\$ 25,824,717	\$ 20,764,239	\$ 20,764,239
Other financial liabilities				
Accounts payable and accrued liabilities (i)	\$ 8,577,008	\$ 8,577,008	\$ 8,452,919	\$ 8,452,919
Promissory note payable	250,542	250,542	430,672	430,672
Loans and notes payable	13,143	13,143	47,391	47,391
	\$ 8,840,693	\$ 8,840,693	\$ 8,930,982	\$ 8,930,982

(i) The carrying amounts of amounts receivable, lease receivable, loan receivable, accounts payable and accrued liabilities, promissory notes and loans and notes payable are reasonable approximation of their fair values due to their short-term nature.

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23. OTHER EVENT

On December 14, 2021, the Company announced that it has entered into a definitive stock purchase agreement (the "Agreement") with Three Habitat to acquire Three Habitat's remaining 49% equity interest in Captor Retail Group via the acquisition of all the issued and outstanding common stock of Three Habitat Consulting Holdco Inc. for a total aggregate amount of \$29,720,223 (the "Purchase Price") (the "Transaction"). The Purchase Price will be fully satisfied by way of the issuance of an aggregate of 27,018,384 common shares in the capital of Captor ("Captor Shares") at a deemed issue price of \$1.10 per Captor Share. The Transaction is an arm's length transaction that is not expected to constitute a "fundamental change" or a "change of business" pursuant to the policies of the CSE and is subject to receipt of all necessary regulatory and third-party approvals and the satisfaction of other customary closing conditions as set out in the Agreement. Subject to the satisfaction of such conditions, the Transaction is expected to close on or before March 31, 2022.

24. SUBSEQUENT EVENTS

(i) On January 4, 2022, the Company announced that it has granted 2.8 million stock options to the directors of the Company in accordance with the Company's stock option plan. Each option entitles the holder to purchase one common share of Captor at a price of \$0.95, for a period of five years from the date of grant and fully vested on the date of grant.

(ii) In January 2022, the Company agreed a settlement with a former employee in the amount of \$221,865 (US\$175,000) plus the reimbursement of up to \$126,780 (US\$100,000) for legal fees (see note 19).