MAPLE LEAF GREEN WORLD INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars, unless otherwise stated)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Maple Leaf Green World Inc.

Opinion

We have audited the consolidated financial statements of Maple Leaf Green World Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 18 of the financials which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. As the events or conditions along with other matters as set forth in note 2 indicate, the Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Paul J. Rozek Professional Corporation

Paul J Rozek Professional Corporation – Chartered Professional Accountant
Calgary, Alberta
April 26, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)	notes	**December 31, 2022**	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents		**10,162**	75
Accounts receivable		**30,252**	16,965
		40,414	17,040
Non-Current			
Investments	7	**200,000**	-
Property, plant and equipment	8	**354,884**	382,980
Total Assets		**595,298**	400,020
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**6,761,547**	6,784,466
Notes payable	10	**2,139,064**	1,874,506
Canada Emergency Business Account	11	**60,000**	-
Related party payables	13	**409,815**	189,132
		9,370,426	8,848,104
Non-Current			
Canada Emergency Business Account	11	**-**	60,000
Convertible debenture	9	**56,959**	-
Total liabilities		**9,427,385**	8,908,104
SHAREHOLDERS' DEFICIT			
Share capital	12	**24,510,228**	23,589,263
Convertible debenture	9	**11,860**	-
Contributed surplus		**12,725,332**	12,725,332
Accumulated other comprehensive income		**62,568**	113,471
Accumulated deficit		**(46,142,075)**	(44,936,150)
Total shareholders' deficit		**(8,832,087)**	(8,508,084)
Total liabilities and shareholders' deficit		**595,298**	400,020

Going Concern (note 2)
Commitments and contingencies (note 16)

See accompanying notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD

(Signed) Raymond Lai	(Signed) Terence Lam
Director	Director

		Year ended December 31,	
(Canadian dollars)	Notes	**2022**	2021
Revenue			
Unrealized loss on changes in fair value of biological assets	5	**-**	(191,048)
Expenses			
Operating expenses		**146,604**	378,722
Personnel costs		**227,913**	200,788
Professional fees		**152,665**	172,425
Consulting fees		**106,286**	165,168
Depreciation and amortization	6,8	**28,095**	57,472
Office		**54,565**	50,878
Regulatory and transfer agent		**15,845**	45,843
Advertising and promotion		**20,007**	40,953
Travel		**4,151**	18,644
Foreign exchange expense		**53,409**	(20,250)
		809,540	1,110,643
Income/(Loss) before other items		**(809,540)**	(1,301,691)
Finance expense	6,9,10	**(396,385)**	(290,083)
Inventory write-down	5	**-**	(975,925)
Gain/(Loss) on disposal of assets	6	**-**	28,348
Net loss for the period		**(1,205,925)**	(2,539,351)
Other Comprehensive Income/(Loss)			
Exchange differences on translation of foreign operations		**(50,903)**	(108,981)
Total comprehensive loss		**(1,256,828)**	(2,648,332)
Per Share Information			
Net loss per share – basic and diluted		**(0.04)**	(0.09)
Weighted average number of common shares outstanding		**33,048,636**	27,153,736

On October 7,2021 the Company completed a 6:1 share consolidation. All share numbers have been restated to reflect the consolidation.

See accompanying notes to the Consolidated Financial Statements

(Canadian dollars)	Note	Share capital $	Convertible Debenture	Share-based payments reserve	Warrant reserve	Accumulated other comprehensive income	Deficit	Total equity (deficit)
December 31, 2020		23,471,632	-	12,050,864	621,833	222,452	(42,396,799)	(6,030,018)
Other comprehensive income		-	-	-	-	(108,981)	-	(108,981)
Loss for the period		-	-	-	-	-	(2,539,351)	(2,539,351)
Shares issued to settle accounts payable	12	117,448	-	-	44,044	-	-	161,492
Shares issuance expense	12	(22,726)	-	-	-	-	-	(22,726)
Private placement	12	22,909	-	-	8,591	-	-	31,500
December 31, 2021		23,589,263	-	12,050,864	674,468	113,471	(44,936,150)	(8,508,084)
Convertible debenture	9	**-**	**87,365**	**-**	**-**	**-**	**-**	**87,365**
Convertible debenture - conversion	9	**467,115**	**(75,505)**	**-**	**-**	**-**	**-**	**391,609**
Other comprehensive income		**-**	**-**	**-**	**-**	**(50,903)**	**-**	**(50,903)**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**(1,205,925)**	**(1,205,925)**
Shares issuance expense	12	**(56,000)**	**-**	**-**	**-**	**-**	**-**	**(56,000)**
Shares issued to settle accounts payable	12	**509,850**	**-**	**-**	**-**	**-**	**-**	**509,850**
At December 31, 2022		**24,510,228**	**11,860**	**12,050,864**	**674,468**	**62,568**	**(46,142,075)**	**(8,832,087)**

On October 7,2021 the Company completed a 6:1 share consolidation. All share numbers have been restated to reflect the consolidation.

See accompanying notes to the Consolidated Financial Statements

		Year ended December 31	
(Canadian dollars)	**Notes**	**2022**	2021
Operating Activities			
Income/(loss) for the period		**(1,205,925)**	(2,539,351)
Items not affecting cash:			
Depreciation and amortization	6,8	**28,095**	57,472
Disposal of assets		**-**	(28,348)
Financing costs	9,10	**166,020**	233,800
Unrealized gain on changes in fair value of biological assets	5	**-**	191,048
Inventory write-down	5	**-**	975,925
		(1,011,810)	(1,109,454)
Changes in non-cash working capital			
Accounts receivables		**(13,287)**	979
Inventory	5	**-**	58,361
Accounts payable and accrued liabilities		**599,493**	225,409
Net change in non-cash working capital related to operations		**586,206**	284,749
Cash flows (used in)/from operating activities		**(425,604)**	(824,705)
Investing Activities			
Change in investments	7	**(200,000)**	-
Cash flows from/(used in) investing activities		**(200,000)**	-
Financing Activities			
Related party payables		220,683	183,438
Repayment of long-term debt	10	**-**	(134,589)
Proceeds from notes payable	10	**-**	781,898
Deferred financing costs	10	**-**	(35,442)
Issuance of common share units	12	**-**	31,500
Repayment of lease liability	6	**-**	(50,899)
Convertible debenture	9	**415,000**	-
Cash flows from/(used in) financing activities		**635,683**	775,906
Increase in cash and cash equivalents		**10,079**	(48,799)
Impact of foreign exchange on cash balances		**8**	1,036
Cash and cash equivalents, beginning of period		**75**	47,838
Cash and cash equivalents, end of period		**10,162**	75

See accompanying notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Maple Leaf Green World Inc. ("Maple Leaf" or the "Company") is incorporated in Alberta, Canada, with common shares listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol MGW. The corporate office is located at Suite 203, 1222 - 11th Ave SW, Calgary, Alberta, T3C 0M4. In October 2012, the Company changed its name to Maple Leaf Green World Inc. from Maple Leaf Reforestation Inc.

In order to develop its medical hemp business in the United States of America ("USA"), the Company incorporated a wholly owned subsidiary, Golden State Green World LLC ("Golden State"), in California, USA in 2015. In March 2017, the Company incorporated another wholly owned subsidiary, SSGW LLC ("SSGW"), in Nevada, USA, and on January 23, 2018 SSGW purchased 100% of BioNeva Innovations of Henderson, LLC ("BioNeva").

Maple Leaf is engaged in the hemp products market in the state of California, USA. On December 3, 2019, the Company announced that Golden State has received a Hemp Seed Cultivation License (the "License") from Riverside County to start breeding Hemp Seed for CBG enriched Hemp.

These audited consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 26, 2023.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Details of deficit and working capital (current assets less current liabilities) of the Company are as follows:

	December 31, 2022	December 31, 2021
Deficit	**(46,142,075)**	(44,936,150)
Working Capital	**(9,330,012)**	(8,831,064)

There are a number of outstanding legal claims against the Company stemming from its nonpayment of invoices relating to the construction of its cannabis growing facility in British Columbia. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management has forecasted the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital during fiscal 2023 unless further financing is obtained. Additional sources of funding will be required during fiscal 2023 to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds and generate product sales. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved, or such sources of funds will be available or obtained on favorable terms or obtained. Historically, the Company has obtained funding via the issuance of shares and warrants as well as debt financing. If the Company cannot secure additional financing on terms that would be acceptable to it or otherwise generate product sales, the Company will have to consider additional strategic alternatives which may include, cost curtailments and delays of product launch, as well as seeking to license and/or divest assets or a merger, sale or liquidation of the Company. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern. Such adjustments will be material.

3. BASIS OF PREPARATION

a) Statement of compliance

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of consolidation and comparative figures and functional currency

These consolidated financial statements include the accounts of Maple Leaf and its wholly owned subsidiaries, Golden State and SSGW. All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for biological assets and certain financial instruments and share-based payments recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars ("CAD"), except as otherwise stated. The functional currency of the Company's USA subsidiaries is the USA dollar (" USD").

(d) Significant accounting judgments and estimates

Preparing the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas where actual results could differ from those estimates relate to, but are not limited to, the following:

i. *Income taxes*
Management makes estimates in determining the appropriate rates and amounts in recording deferred income tax assets or liabilities, giving consideration to timing and probability. Actual income taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to estimates over whether these amounts can be realized.

ii. *Stock options and warrants and share-based payments*
The fair value of the Company's stock options and warrants are derived from estimates based on available market data at that time, which include volatility, risk-free interest rates and share prices. Changes to subjective input assumptions can materially affect the fair value estimate.

iii. *Accrued liabilities*
The Company must estimate the amount of accrued liabilities related to contractual arrangements or when invoices have not been received or when contracts to ensure all expenditures have been recognized. Changes to the estimate can materially affect the liquidity of the Company.

iv. *Useful life of property, plant and equipment*
Depreciation of property, plant, and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets. The Company reviews the estimated lives of its property, plant and equipment at the end of each reporting period.

There were no material changes in the useful lives of property, plant and equipment during the yeara ended December 31, 2022.

Critical accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ. Management judgments include, but are not limited to:

i. *Biological assets and inventories*

Determination of the fair values of the biological assets requires the Company to make a number of estimates primarily related to the fair value at point of harvest, attrition rates, expected future yields from the hemp plants and estimating plants at various phases of the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all hemp-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

ii. *Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication of impairment and if these assets have suffered an impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use ("VIU") or its fair value less costs of disposal ("FVLCD"). If any such impairment indicator exists, the recoverable amount of the asset or CGU is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

A reversal of an impairment loss is recognized immediately in consolidated statement of loss and comprehensive loss. An impairment loss on intangible assets with an indefinite life is not reversed. The Company undertakes an impairment assessment at the end of each reporting period and uses its judgment when identifying impairment indicators. Significant inputs into the discounted cash flow model included discount rates, useful life, and future operating cost.

iii. *Economic uncertainty*

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates, and assumptions at period end have been reflected in our results.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications to the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Company's future financial results.

Estimates and judgements are continually 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. However, actual outcomes may differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through earnings (loss), then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company measures and classifies its financial assets at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and accounts receivable as financial assets measured at amortized cost.

Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income. Also, for investments in equity instruments that are not held for trading, the Company may irrevocably elect, at initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. This election is made on an investment-by-investment basis.

Impairment of financial assets

As per IFRS 9, the Company prospectively estimates the expected credit losses associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk. For trade receivables, the Company measures loss allowances at an amount equal to the lifetime expected credit loss ("ECL") as allowed by IFRS 9 under the simplified method. The Company recognizes in earnings (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value or amortized cost.

Financial liabilities measured at fair value

Financial liabilities are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income.

Financial liabilities measured at amortized cost

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies its accounts payable and other payables and long-term debt as liabilities measured at amortized cost.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; and
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
Level 3: Inputs for assets or liabilities that are not based on observable market data.

(b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash balances with banks and similar institutions.

(c) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model will be used.

(d) Foreign currency translation

The functional currency of Maple Leaf is the Canadian Dollar ("CAD") while the functional currency of Golden State and SSGW are the United States Dollar ("USD"). The presentation currency of the Company is CAD.

Foreign currency transactions are translated into CAD at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized in the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into CAD at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into CAD using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

(e) Property, plant, and equipment

Property, plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis based on nature and useful lives of the assets. The significant classes of property, plant and equipment and their estimated useful lives are as follows:

Furniture, equipment, and software	5 years
Computer equipment	3 years
Greenhouse	10 years
Land improvement	10 years

Subsequent costs that meet the asset recognition criteria are capitalized, while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use, including applicable borrowing costs. Construction-in- progress is transferred to other respective asset classes and depreciated when completed and available for use. Land is not depreciated.

All assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively as a change in estimate, if appropriate.

(f) Leases

The Company classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Company classifies leases as right-of-use assets when the terms of the lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It classifies all other leases as operating leases.

The Company applied IFRS 16 effective January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS .

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less and lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right- of-use are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of an asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset if either
  - The Company has the right to operate the asset
  - The Company designed the asset in a way that predetermines how and for what purpose This policy is applied to contracts entered, or changed, on or after January 1, 2019.

For contracts entered before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether it met the criteria above.

(g) Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Other borrowing costs are expensed in the period they are incurred.

(h) Provisions

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

(i) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and share purchase warrants on a residual value basis where the fair value of the common shares is the market value on the date of issuance of the shares and the balance, if any, is allocated to the attached warrants.

(j) Share-based payments

The Company grants share options to acquire common shares of the Company to Directors, Officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share- based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black- Scholes option pricing model. Volatility is calculated based on the Company's historical stock price.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related fair value in share-based payments reserve is transferred to share capital.

(k) Taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Loss per share

Basic loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of shares outstanding for the relevant period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(m) Revenue recognition

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue from the sale of hemp products, net of any discounts, is recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer.

(n) Biological assets

The Company measures biological assets consisting of hemp plants at fair value less costs to sell up to the point of harvest, which becomes the initial basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value. Cost to sell includes post-harvest production, shipping, and fulfilment costs. Unrealized gains or losses arising from changes in fair value less cost to sell during the reporting period are included in the consolidated statement of loss and comprehensive loss.

(o) Inventory

Inventories of work-in-process dried hemp, harvested finished goods, oil and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested hemp are transferred from biological assets at their fair value less costs to sell at harvest, which becomes deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies are valued at cost.

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the hemp up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, and expected yields for the hemp plants.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value.

(p) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and the Company is in compliance with all attached conditions. If a grant is received but compliance with any attached condition is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item, it is recognized as income in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net income (loss) over the expected useful life of the related asset through lower charges to impairment and/or depletion, depreciation, and amortization.

(q) Accounting standards issued but not yet effective

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be early adopted in the current period.

The standards issued, but not yet effective, are described below.

- IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier adoption is permitted.

- IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in February 2021 to provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The IASB also issued amendments to *IFRS Practice Statement 2 Making Materiality Judgements* (the PS) to support the amendments in IAS 1 by explaining and demonstrating the application of the 'four-step materiality process' to accounting policy disclosures. The 2021 amendments to IAS 1 and the PS are part of the Disclosure Initiative (Better Communication theme) which aims to address how the effectiveness of disclosures in IFRS financial statements can be improved. In particular, the amendments aim to help entities provide accounting policy disclosures that are more useful by (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier adoption is permitted.

- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") was amended in February 2021 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted.

The Company will adopt these amendments as of their effective dates and is currently assessing their impacts on adoption. There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the interim financial statements once adopted.

5. INVENTORY AND BIOLOGICAL ASSETS

The Company's biological assets consists of hemp plants. The continuity of biological assets for the period ended December 31, 2022 was as follows:

Balance at December 31, 2020	536,741
Unrealized gain/(loss) in changes in fair value of biological assets	(191,048)
Transferred to inventory upon harvest	(345,693)
Balance at December 31, 2021	-
Balance at December 31, 2022	**-**

Biological assets are valued in accordance with IAS 41, Agriculture, and are presented at their fair values less cost to sell up to the point of harvest. The Company's biological assets are primarily hemp plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based on unobservable market data (Level 3 inputs).

The valuation of biological assets is based on the market approach where fair value at the point of harvest is estimated based on selling prices less the cost to sell at harvest. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. Stage of growth is determined by reference to costs incurred to date as a percentage of total expected costs from inception to harvest. At December 31, 2022, there were no biological assets growing.

Due to inventory shrinkage the Company recorded an inventory write-down of $912,437 in the third quarter of 2021. The Company recorded a further inventory impairment of $63,488 due to valuation constraints due to the lack of product sale in the period. This impairment may be reversable should the company realize sales in the future and a market value for the product can be established.

6. RIGHT-OF-USE ("ROU") ASSETS

Right-of-use assets consist of the following:

	Head office
Balance at December 31, 2020	102,976
Depreciation charge for the period	**(21,453)**
Disposition	**(81,523)**
Balance at December 31, 2021	**-**
Balance at December 31, 2022	**-**

On June 1, 2021, the Company disposed of its right of use assets though a settlement and mutual release agreement with the landlord of its corporate office and realized a $28,348 gain on the disposition of its ROU asset and settlement of its ROU liabilities.

7. INVESTMENT

On September 27, 2022, the Company entered into a REIT agreement with an Ontario builder, Quic Builds (the "Builder"), who is engaged in the construction of luxury mini homes, utilizing their patented Quic Build technology to construct homes in the Grand Cayman Island and Turks and Caicos Island.

In November 2022 the Company secured the initial capital contribution of $200,000 CAD for its investment with the Builder to begin construction of the first four (4) luxury mini homes (the "Property", "Properties") in the Grand Cayman Island. The Company has transferred the $200,000 CAD to the Builder to initiate the building of the Properties.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Furniture, equipment, and software	Greenhouse and land improvement	Land	Total
December 31, 2021	80,964	306,821	155,855	543,640
December 31, 2022	**80,964**	**306,821**	**155,855**	**543,640**

Accumulated depreciation, depletion, and amortization	Furniture, equipment, and software	Greenhouse and land improvement	Land	Total
December 31, 2020	51,379	73,262	-	124,641
Depletion, depreciation, and amortization	10,528	25,491	-	36,019
December 31, 2021	61,907	98,753	-	160,660
Depletion, depreciation, and amortization	**7,289**	**20,807**	**-**	**28,096**
December 31, 2022	**69,196**	**119,560**	**-**	**188,756**

Net book value	Furniture, equipment, and software	Greenhouse and land improvement	Land	Total
December 31, 2021	19,057	208,068	155,855	382,980
December 31, 2022	**11,768**	**187,261**	**155,855**	**354,884**

9. CONVERTIBLE DEBENTURE

June 1, 2022, the company raised $523,000 in a non-brokered private placement offering of convertible debenture units ("Convertible Debenture"). The Convertible Debentures yields a 10% yearly interest for two (2) years with the option to convert to the Company's common stock at CAD $0.08 a share. Each unit of Debenture will entitle for a common share purchase warrant ("Warrant") at $0.10 a share.

On November 16, 2022, the Company issued 3,587,500 shares on conversion of $287,000 of convertible debentures.

The changes in convertible debenture are as follows:

	December 31, 2022
Balance, beginning of the period	**-**
Initial proceeds from debt	**523,000**
Debt issue costs	**(7,000)**
Transfer of conversion component to equity	**(87,366)**
Amortization of deferred financing costs	**1,962**
Accretion on convertible debentures	**17,972**
Conversion to shares	**(391,609)**
Balance, end of the period	**56,959**

Convertible debenture bifurcated into equity and debt components:

	Maturity	**December 31, 2022**	December 31, 2021
Debt component	September 30,2024	**56,959**	-
Equity component	September 30,2024	**11,860**	-

10. NOTES PAYABLE

A summary of the notes payable is as follows:

	Golden State Green World	Maple Leaf Green World	Total
Balance, December 31, 2020	133,686	886,733	1,020,419
Increase in loan	781,898	-	781,898
Interest incurred	139,291	95,218	234,508
Deferred financing costs amortized	35,290	-	35,290
Interest paid	(708)	-	(708)
Deferred financing costs incurred	(35,290)	-	(35,290)
Loan payment	(134,589)	-	(134,589)
Foreign exchange effect	(6,049)	(20,974)	(27,022)
Balance, December 31, 2021	913,529	960,977	1,874,506
Interest incurred	**190,168**	**85,918**	**276,086**
Interest paid	**-**	**(130,000)**	**(130,000)**
Foreign exchange effect	**70,191**	**48,281**	**118,472**
Balance, December 31, 2022	**1,173,888**	**965,176**	**2,139,064**

On January 5, 2021, the Company's wholly owned subsidiary Golden State, signed a secured promissory note in the amount of $610,000 USD before financing costs, with a Delaware limited partnership. The note bears interest at 15% per annum and matures on January 1, 2022. The loan is secured by a Deed of Trust on the Company's California property. The loan also includes a 1.5% Participation Interest on the gross hemp revenue earned by the Company during the 2-year term of the loan. For the purposes of this Note, "Gross Hemp Revenue" shall mean all revenue earned by Golden State from the sale of all hemp products, which includes, but is not limited to, cured flowers, biomass, clones, seeds, CBD/CBG extract, CBD/CBG cigarettes, and any other products produced by Golden State for resale. Gross Hemp Revenue shall not be reduced by any expenses, including but not limited to cost of goods sold, selling general and administrative expenses, and interest expense. The Participation Interest shall be payable to Lender on a quarterly basis within sixty (60) calendar days following the end of each calendar quarter.

The first lump sum payment on the secured promissory was due on August 1, 2021, the Company did not make this payment and has been in default since, which resulted in interest payments increasing to 25%. The Company is currently in the process of refinancing this loan.

Maple Leaf Green World Notes Payable

Subsequent to year end, on January 10, 2023, the Company renewed a promissory note in the amount of $200,000 CAD to an arm's length individual. The note bears interest at the rate of 10% per annum and matures on January 1, 2024. As at December 31, 2022, the carrying value of the note payable is $200,000 CAD plus accrued interest of $20,000 CAD. As, part of the extension the lender received on option to convert into shares of the Company on or before June 30, 2023.

On April 1, 2022, the Company renewed a promissory note in the amount of $200,000 USD to an arm's length individual. The note bears interest at the rate of 10% per annum and matures on March31, 2023. As at December 31, 2022, the carrying value of the note payable is $200,000 USD plus accrued interest of $23,447 USD. The Company is working on extending this loan.

On October 15, 2022, the Company issued a promissory note in the amount of $200,000 USD to an arm's length individual. The note bears interest at the rate of 10% per annum and matures on October 15, 2023. As at December 31, 2022, the carrying value of the note payable is $200,000 USD plus accrued interest of $21,075 USD.

Subsequent to year end, on January 9, 2023, the Company renewed a promissory note in the amount of $100,000 USD to an arm's length individual. The note bears interest at the rate of 10% per annum and matures on January 1, 2024. As at December 31, 2022, the carrying value of the note payable is $100,000 USD plus accrued interest of $18,168 USD.

On March 3rd 2022, the Company's wholly owned subsidiary Golden State, signed an agreement to refinance its secured promissory note in the amount of $610,000 USD before financing costs, with a Delaware limited partnership.

The original note was in default since August 1, 2021. On December 31, 2022 the outstanding principal and all accrued but unpaid interest was US$720,562.49. The maturing of the loan has been extended to January 1, 2023. However, any funds raised by the Company from a Capital Event over and above US$500,000 must be used to repay the Secured Promissory Note. A Capital Event shall include, but is not limited to, a transaction or series of transactions involving any sale, exchange, conveyance, other disposition or any similar transaction with respect to the capital stock or assets of the Company.

The revised note will bear interest at 20% per annum. The loan is secured by a Deed of Trust on the Company's California property. The loan also includes a 1.5% Participation Interest on the gross hemp revenue earned by the Company during until December 31, 2024. For the purposes of this Note, "Gross Hemp Revenue" shall mean all revenue earned by Golden State from the sale of all hemp products, which includes, but is not limited to, cured flowers, biomass, clones, seeds, CBD/CBG extract, CBD/CBG cigarettes, and any other products produced by Golden State for resale, or any commission or other revenue earned as compensation for its role in brokering any transaction between a third party buyer and seller involving the purchase and sale of any hemp product. Gross Hemp Revenue shall not be reduced by any expenses, including but not limited to cost of goods sold, selling general and administrative expenses, and interest expense. The Participation Interest shall be payable to Lender on a quarterly basis within sixty (60) calendar days following the end of each calendar quarter.

11. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA)

During 2020, the Company received an interest free loan of $60,000 through the Canada Emergency Business Account (CEBA). Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of $20,000.

In the first quarter of 2022, in response to the surge of COVID-19 cases, the Federal Government has extended the deadline for repayment of the Canada Emergency Business Account (CEBA) loans to qualify for partial loan forgiveness from December 31, 2022, to December 31, 2023, for eligible borrowers in good standing. The Company intends to take advantage of this extension.

12. SHARE CAPITAL

Shares authorized and outstanding.

On October 7,2021 the Company completed a 6:1 share consolidation. All common share numbers have been restated to reflect the consolidation.

The authorized share capital of the Company consists of unlimited common shares without par value.

As at December 31, 2022 the Company had 38,792,403 Common Shares outstanding.

	Number of common shares	Dollar amounts
At December 31, 2020	26,892,572	23,471,632
Shares issued to settle accounts payable	489,376	117,448
Shares issuance expense	-	(22,726)
Private placement	95,455	22,909
At December 31, 2021	27,477,403	23,589,263
Convertible debenture - conversion	**5,650,000**	**467,115**
Shares issuance expense	**-**	**(56,000)**
Shares issued to settle debt	**5,665,000**	**509,850**
At December 31, 2022	**38,792,403**	**24,510,228**

Partial convertible debenture conversion

On November 16, 2022, the Company issued 3,587,500 common shares on conversion of $287,000 of convertible debentures.

On December 16, 2022, the Company issued 2,062,500 common shares on conversion of $165,000 of convertible debentures.

Settlement of debt

In January 2022, the board of directors approved settlement of $509,850 of debt held by certain service providers (the “Service Providers”) and a director of the Company (collectively the “Creditors”), through the issuance of Common Shares of the Company. Pursuant to debt settlement agreements dated January 21, 2022 between the Company and the Creditors (the “Debt Settlement Agreements”), the Company issued 5,665,000 Common Shares to the Creditors at a deemed price of $0.09 per Share.

(i) 4,831,667 Common Shares were issued to certain service providers in consideration for trade payables owing to the to the Service Providers, (ii) 833,333 Shares were issued pursuant to Terence Lam, Director and Chief Financial Officer of the Company (the “Lam Debt Settlement Agreement”), in consideration for employment compensation payables and funds loaned to the Company for general and administrative expenses owed to Mr. Lam.

The Lam Debt Settlement Agreement is considered to be a “related party transaction” as defined under Multilateral Instrument 61- 101 (“MI 61-101”). The transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, as neither the fair market value of any securities issued to, nor the consideration paid to, such persons exceeded 25% of the Company’s market capitalization.

Full details of the common share issuance are available on SEDAR at www.sedar.com. All of the independent directors of the Company, acting in good faith, considered the transactions and have determined that the fair market value of the Common Shares issued, and the consideration paid was reasonable.

All securities issued pursuant to the Debt Settlement were subject to a four-month hold period. This Debt Settlement is part of the Company's efforts to reduce cash burn and ensure the Company is positioned to allocate resources to accelerate operational progress.

Stock options

On September 7, 2021 the Company granted 1,000,000 incentive stock options to consultants of the Company. The options are exercisable at $0.05 per common share for a period of 3 years. The fair value of options was estimated using the Black-Scholes Option Pricing Model based on the date of grant and using the following assumptions:

Grant date	Risk-free interest rate	Expected stock price volatility	Expected life	Expected forfeiture rate	Fair value Option price
September 7, 2021	0.50%	126%	3	100%	0.05

The following is a summary of option transactions:

	Number of Options	Weighted average exercise price per option
Balance December 31, 2020	1,783,333	2.34
Options granted	**166,667**	**0.30**
Options expired	**(991,667)**	**1.35**
Options cancelled	**(416,667)**	**1.20**
Balance December 31, 2021	**541,667**	**3.60**
Balance December 31, 2022	**541,667**	**3.60**

As of December 31, 2022, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of options outstanding	Number of options exercisable	Weighted average years to expiry
January 31, 2023	3.60	541,667	541,667	1.08

Warrants

The following is a summary of warrant transactions:

Number of warrants outstanding as at January 1, 2022	**Issued**	**Exercised**	**Expired**	**Number of warrants outstanding as at December 31, 2022**	**Exercise price per warrant**	**Expiry date**
2,969,750	**-**	**-**	**(2,969,750)**	**-**	**$3.60**	**April 29, 2022**
584,827		**-**	**-**	**584,827**	**$0.48**	**July 21, 2023**
-	**3,587,500**	**-**	**-**	**3,587,500**	**$0.10**	**November 15, 2025**
-	**2,062,500**	**-**	**-**	**2,062,500**	**$0.10**	**December 15, 2025**
3,554,577	**-**	**-**	**(2,969,750)**	**6,234,827**	**$0.14**	

Number of warrants outstanding as at January 1, 2021	Issued	Exercised	Expired	Number of warrants outstanding as at December 31, 2021	Exercise price per warrant	Expiry date
2,969,750	-	-	-	2,969,750	$3.60	April 29, 2022
-	584,827	-	-	584,827	$0.48	July 21, 2023
2,969,750	584,827	-	-	3,554,577	$3.09	

13. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the fair value of consideration paid.

The Company has identified its directors and executive staff as key management personnel. Compensation to key management, including fees paid to companies controlled by directors and executive staff for their services provided, is as follows:

	December 31, 2022	December 31, 2021
Management renumeration	**186,000**	180,000
Consulting fee	**24,000**	22,000
Total	**210,000**	202,000

As at December 31, 2022, the Company had $409,815 amounts due to the VP Finance, CEO and CFO (December 31, 2021 - $189,132). These amounts are unsecured, non-interest bearing and are due on demand. The Company did not pay any long-term or termination benefits to its key management. Please see note 12 for The Lam Debt Settlement for the related party settlement of debt via issuance of shares.

14. CAPITAL MANAGEMENT

The Company's objectives of capital management are to provide returns for shareholders and to comply with externally imposed capital requirements, if any, to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis and continue to develop and expand its projects. As at December 31, 2022, the Company has no externally imposed capital requirements.

The capital of the Company consists of notes payable, and the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no changes in the way the Company manages its capital during the period ended December 31, 2022.

15. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The Company manages its exposure to key financial risk in accordance with the Company' s financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk, which comprise foreign exchange rate risk, interest rate risk and other price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. The Company does not have any hedge arrangements at December 31, 2022.

Carrying value

Carrying value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. Management assessed that the fair values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and interest payable approximate their carrying amounts largely due to the short-term maturities of these instruments, and the fair value of the notes payable approximates its carrying value, as the interest rate is a market rate for similar instrument offered to the Company.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's financial assets and liabilities.

	December 31, 2022			December 31, 2021		
Assets and liabilities measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (level 3)
Cash	**10,162**	**-**	**-**	75	-	-
Notes payable	**-**	**2,139,064**	**-**	-	1,874,506	-

There was no transfer between fair value levels during the period ended December 31, 2022.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to accounts receivables and cash and cash equivalents. The carrying value of the financial assets represents the maximum credit exposure. The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. Accounts receivable as at December 31, 2022 contain an employee receivable which is short-term in nature and is secured by the individual's bonus and salary.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2022, the Company has negative working capital of $9.3 million (December 31, 2021 - $8.8 million).

Based on the contractual obligations of the Company as at December 31, 2020, cash outflows of those obligations are estimated and summarized as follows:

Payment Due by Year	**2023**	**2024**	**2025 and beyond**	**Total**
Accounts payable and accrued liabilities	6,761,547	-	-	6,761,547
Notes payable	2,139,064	-	-	2,139,064
Canada Emergency Business Account	40,000	-	-	40,000
	8,940,611	-	-	8,940,611

(c) Market risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As the notes payable bear fixed interest rates of 6 - 10% per annum, the Company does not have interest rate risk at period-end.

(ii) Currency risk

The Company is exposed foreign currency risk when the Company undertakes transactions and holds assets or liabilities denominated in foreign currencies other than its functional currency.

The Company currently does not manage currency risk through hedging or other currency management tools. As at December 31, 2022, the Company's exposure to currency risk is summarized as follows:

Expressed in Canadian dollar equivalents	**December 31, 2022**	December 31, 2021
Financial assets denominated in US dollars		
Cash	**-**	-
	-	-
Financial liabilities denominated in US dollars		
Accounts payable	**124,142**	116,204
Long-term debt	**-**	-
Notes payable	**1,919,064**	1,629,506
	2,043,206	1,745,710

As at December 31, 2022, with other variables unchanged, a 10% change in the USD against the CAD would have increased (decreased) comprehensive loss by $204,321 (2021 - $171,571).

(iii) Other price risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

16. COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Company is subject to litigation and claims, including the following:

In 2020, the Company was served with several statements of claim in regard to non-payment of invoices relating to the construction of its cannabis growing facility in Telkwa B.C. The total of these claims, all to date unproven, is $4.6 million. The Company expects these matters to be subject to the Supreme Court of B.C.'s determination as to the Company's liabilities in the fourth quarter 2021.

In 2020, the Company's landlord for the Company's Telkwa B.C. facility commenced an action against the Company in British Columbia for damages for unpaid rent and associated expenses, claiming to the 2020 year-end a total of $550,000. The Company has defended this action and brought a counter claim against the landlord for $32 million claiming damages for loss of its Telkwa facility and loss of future profits.

At this time, in the opinion of management, the contingencies are dependent on future legal proceeding results and the likely outcomes are not determinable.

For additional information, refer to "Legal Proceedings and Regulatory Actions" in the Company's most recent annual information form, which is available on SEDAR at www.sedar.com.

17. SEGMENT INFORMATION

Operating segments are components of the Company where separate financial information is available that is evaluated and determined regularly by management. As at December 31, 2022, the Company has one reportable segment, being eco-agriculture and two geographical segments, being Canada and United States. Segment information is summarized as follows:

As at	December 31, 2022			December 31, 2021		
	Canada	**US**	**Consolidated**	Canada	US	Consolidated
Current assets	**40,345**	**69**	**40,414**	17,025	15	17,040
Property, plant and equipment	**11,767**	**343,117**	**354,884**	19,056	363,924	382,980
Total assets	**52,112**	**343,186**	**395,298**	36,081	363,939	400,020
Current liabilities	**8,193,653**	**1,176,773**	**9,370,426**	7,931,874	916,230	8,848,104
Long term liabilities	**56,959**	**-**	**56,959**	60,000	-	60,000
Total liabilities	**8,250,612**	**1,176,773**	**9,427,385**	7,991,874	916,230	8,908,104

	Year ended December 31, 2022			Year ended December 31, 2021		
	Canada	**US**	**Consolidated**	Canada	US	Consolidated
Revenues	**-**	**-**	**-**	-	(191,048)	(191,048)
Operating expenses	**839,576**	**366,349**	**1,205,925**	848,061	552,665	1,400,726
Impairment of assets	**-**	**-**	**-**		975,925	975,925
Gain on disposition of assets	**-**	**-**	**-**	28,348	-	28,348
Net income/(loss)	**(839,576)**	**(366,349)**	**(1,205,925)**	(819,713)	(1,719,638)	(2,539,351)

18. TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	December 31,2022	December 31,2021
Loss for the year	**(1,205,925)**	(2,539,352)
Statutory tax rate	**23.00%**	23.0%
Income tax benefit computed at statutory rates	**(277,363)**	(584,051)
Items non-deductible for income tax purposes	**(13,047)**	35,892
Differences on foreign tax rates	**(24,940)**	(30,572)
Unused tax losses and tax offsets not recognized in tax assets	**315,350**	578,731
Income tax benefit	-	-

The Company's statutory rate includes a combined Canadian federal corporate tax rate of 15% and the applicable provincial corporate tax rate of 8%. The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets.

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,2022	December 31,2021
Non-capital losses	**31,446,534**	30,300,157
Capital losses	**1,379,854**	1,379,854
Share issue costs	**63,436**	78,135
Tax value over book value of property, plant and equipment	**(169,637)**	(172,458)
Unrecognized deductible temporary differences	**32,720,187**	31,585,688

As at December 31, 2022, the Company had accumulated Canadian capital losses of $1.4 million and non-capital losses of approximately $26.68 million expiring between 2025 and 2042, and $2.8 million of US losses.