AGRA VENTURES LTD.
(formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)

Condensed Interim Consolidated Financial Statements
Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Agra Ventures Ltd. for the nine months ended September 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company’s management and have been approved by the Board of Directors. The Company’s independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

	Notes	September 30, 2021	December 31, 2020 (audited)
ASSETS			
Current assets			
Cash		$ 4,365,102	$ 274,390
Amounts receivable	4	54,266	148,856
Inventory	21	89,888	111,226
Marketable Securities	9	500,000	-
Prepaids and deposits	6	33,906	27,308
		5,043,162	561,780
Non-current assets			
Investments	10, 11	25,109,127	30,003,716
Property and equipment	7	1,798,654	16,699,784
Loans receivable	5	14,701,457	13,300,936
Intangible assets and goodwill	8, 13	1,023,000	1,166,667
TOTAL ASSETS		**$ 47,675,000**	**$ 61,732,883**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15	$ 842,517	$ 8,489,438
Current portion of lease liability	16	94,839	206,048
Deferred revenue	26	297,001	323,891
Deferred grant revenue	18	18,776	26,294
Loans payable	18	725,492	896,725
Contingent consideration payable	13	-	5,000,000
Derivative liabilities	13,17	28	10,138,800
		1,978,653	25,081,196
Non-current liabilities			
Convertible loan payable	17	22,390,528	28,382,844
Deferred grant revenue	18	9,703	45,018
Mortgage payable	18	-	1,443,000
Long-term lease liability	16	1,327,575	3,052,262
TOTAL LIABILITIES		**25,706,459**	**58,004,320**
SHAREHOLDERS' EQUITY			
Share capital	19	199,466,007	178,875,214
Obligation to issue shares	19	-	1,500,000
Reserves	19	25,511,665	31,741,363
Accumulated other comprehensive income		33,921	8,187
Deficit		(202,872,015)	(207,377,315)
Attributable to shareholders		22,139,578	4,747,449
Non-controlling interest	12	(170,637)	(1,018,886)
TOTAL SHAREHOLDERS' EQUITY		**21,968,941**	**3,728,563**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 47,675,400**	**$ 61,732,883**

Nature and continuance of operations (Note 1)
Commitments (Note 25)
Sale of subsidiaries (Note 27)
Subsequent events (Note 28)

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

		Three months ended		Nine months ended	
	Notes	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Sales		$ 183,317	$ 420,732	$ 775,175	$ 1,243,111
Cost of goods sold		(133,359)	(315,563)	(420,817)	(772,409)
		49,958	105,169	354,358	470,702
Expenses					
Amortization	7,8	40,647	165,586	211,025	569,051
Consulting and management	20	159,659	487,642	1,079,269	4,511,115
Corporate development		54,160	179,813	179,886	897,947
Finance and other costs	17, 18	678,884	1,226,389	5,382,301	4,310,767
Foreign exchange loss (gain)		3,812	(415,220)	11,576	(11,341)
Development and compliance		-	(6,358)	36,401	200,443
Distribution expenses		-	(20,647)	1,695	36,053
Due diligence		-	7,000	-	7,000
Investor communications		-	-	-	23,184
Insurance		33,703	52,452	95,122	52,452
Office and sundry		16,107	46,312	176,670	273,291
Other general and operating costs		53,493	278,830	176,779	488,713
Production costs		-	(362,819)	28,193	272,559
Professional fees		194,126	1,043,050	1,381,287	1,853,950
Property taxes and fees		-	112,792	304,882	112,792
Regulatory and transfer agent fees		31,853	32,638	120,563	183,846
Rent expense (recoveries)		66,291	24,210	(98,214)	72,180
Repairs and maintenance		-	4,338	839	4,338
Research and development		-	271,075	-	389,075
Share-based compensation	19	-	-	-	2,611,683
Transaction costs	12,19	-	-	6,023,229	5,898,353
Wages and salary		116,637	478,464	487,304	1,115,163
		(1,449,372)	(3,605,547)	(15,598,808)	(23,872,614)
Loss before other items		(1,399,414)	(3,500,378)	(15,244,450)	(23,401,912)
Other items					
Fair value movement on investments	13	-	413,315	-	4,553,743
Gain (loss) on debt settlement	15,17,19	74,118	174,465	15,141,049	404,690
Gain on disposal of PPE	7	931,722	-	938,031	-
Gain on write-off of accounts payable	15	-	-	537,264	29,039
Gain on loan payable	18	-	-	19,546	-
Gain on sale of subsidiary	27	1,445,810	-	1,638,948	-
Loss on sale of marketable securities	9	(72,316)	-	(1,275,473)	-
Government grant revenue	18, 26	7,600	-	68,282	-
Interest income	5	151,899	328	473,375	6,312
Loss on dilution of interest in subsidiary	12	-	-	(210,494)	-
Royalty revenues	22	33,900	-	128,356	-
Share of losses in equity accounted investments	10,11	(1,532,796)	(906,168)	(3,919,711)	(1,821,447)
Write-off of accounts receivable	4	-	(875,011)	(19,180)	(875,011)
Write-off of prepaid expenses	6	-	(350,000)	-	(350,000)
Write-down of assets		-	(48,495)	-	(48,495)
Net income (loss) for the period		**(359,477)**	**(5,091,944)**	**(1,724,457)**	**(21,503,081)**
Other Comprehensive Income (Loss)					
Foreign Exchange gain on translating foreign operations		3,375	-	33,921	-
Net income (loss) and comprehensive income (loss) for the period		**$ (358,970)**	**$ (5,091,944)**	**$ (1,690,536)**	**$ (21,503,081)**
Net income (loss) attributable to:					
Shareholders of Agra Ventures Ltd.		$ (359,418)	$ (4,852,307)	$ (1,724,398)	$ (21,263,444)
Non-controlling interests	12	(59)	(239,637)	(59)	(239,637)
		$ (359,477)	**$ (5,091,944)**	**$ (1,724,457)**	**$ (21,503,081)**
Net and comprehensive income (loss) attributable to:					
Shareholders of Agra Ventures Ltd.		$ (356,043)	$ (4,852,307)	$ (1,690,477)	$ (21,263,444)
Non-controlling interests	12	(59)	(239,637)	(59)	(239,637)
		$ (356,102)	**$ (5,091,944)**	**$ (1,690,536)**	**$ (21,503,081)**
Net income (loss) per share – basic and diluted		**$ (0.03)**	**$ (0.52)**	**$ (0.15)**	**$ (2.59)**
Weighted average number of common shares outstanding		**12,160,849**	**9,706,909**	**11,280,540**	**8,306,244**

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital								
	Number of shares[1]	Amount	Share-based payment reserves	Warrant reserve	Non-controlling interest	AOCI	Obligation to issue shares	Deficit	Total
Balance at December 31, 2019	**6,228,817**	**149,515,773**	**12,531,446**	**27,933,339**	**(671,830)**	-	-	**(123,209,175)**	**66,099,553**
Net and comprehensive loss for the period	-	-	-	-	(239,637)	-	-	(21,263,444)	(21,503,081)
Fair value of options exercised / expired	-	-	(10,435,952)	-	-	-	-	10,435,952	-
Fair value adjustment (Note 13)	-	(6,828,125)	-	-	-	-	-	-	(6,828,125)
Transaction cost	392,157	5,882,353	-	-	-	-	-	-	5,882,353
Conversion of special warrants (Note 19)	44,444	2,000,000	-	(2,000,000)	-	-	-	-	-
Shares issued for services (Note 19)	157,353	1,568,000	-	-	-	-	-	-	1,568,000
Shares issued for acquisition (Note 19)	511,111	7,900,000	-	-	-	-	-	-	7,900,000
Shares for debt settlement (Note 19)	2,395,504	19,528,654	-	5,333,541	-	-	-	-	24,862,195
Private placements (Note 19)	215,413	2,029,600	-	393,800	-	-	-	-	2,423,400
Private placement – finders fee	-	(3,150)	-	-	-	-	-	-	(3,150)
Private placement – finders warrants	-	(2,589)	-	2,589	-	-	-	-	-
Shares returned to treasury	(6,084)	(50,189)	-	-	-	-	-	-	(50,189)
Share-based compensation (Notes 12 and 19)	-	-	2,611,683	-	-	-	-	-	2,611,683
Balance at September 30, 2020	9,938,715	$ 181,540,327	$ 4,707,177	$ 31,663,269	$ (911,467)	$ -	$ -	$ (134,036,667)	$ 82,962,639
Balance at December 31, 2020	**10,041,183**	**$ 178,875,214**	**$ 5,492,112**	**$ 26,249,251**	**$ (1,018,886)**	**$ 8,187**	**$ 1,500,000**	**$ (207,377,315)**	**$ 3,728,563**
Net and comprehensive loss for the period	-	-	-	-	848,249	25,734	-	(1,724,398)	(850,415)
Fair value of warrants expired	-	-	-	(6,229,698)	-	-	-	6,229,698	-
Transaction cost (Note 19)	1,003,871	6,023,229	-	-	-	-	-	-	6,023,229
Shares issued to settle floor protection liability (Note 13 and 19)	133,333	1,500,000	-	-	-	-	-	-	1,500,000
Shares for services (Note 15 and 19)	17,211	116,540	-	-	-	-	-	-	116,540
Shares for acquisition (Note 19)	66,667	500,000	-	-	-	-	-	-	500,000
Shares for debt settlement (Note 15 and 19)	137,867	635,161	-	-	-	-	-	-	635,161
Obligation to issue shares (Note 19)	331,119	1,500,000	-	-	-	-	(1,500,000)	-	-
Amendment of convertible debentures and interest payments (Note 17 and 19)	360,000	4,050,000	-	-	-	-	-	-	4,050,000
Conversion of debentures (Note 17 and 19)	895,122	6,265,863	-	-	-	-	-	-	6,265,863
Balance at September 30, 2021	**12,986,373**	**$ 199,466,007**	**$ 5,492,112**	**$ 20,019,553**	**$ (170,637)**	**$ 33,921**	**$ -**	**$ (202,872,015)**	**$ 21,968,941**

On August 27, 2021, the Company consolidated its shares on a one hundred and fifty (150) pre-consolidated to one (1) post-consolidation share basis. These condensed interim consolidated financial statements reflect the post-consolidated shares.

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months ended September 30, 2021	September 30, 2020
Operating activities		
Net income (loss) for the period	$ (1,690,536)	$ (21,503,081)
Adjustments for:		
Amortization	211,025	569,051
Interest income	(473,375)	-
Accrued interest	(5,382,301)	(428,682)
Consulting fees	116,540	1,568,000
Gain on loan payable	(19,546)	-
Gain on sale of subsidiary	(1,638,948)	
Gain on debt settlement	-	(404,690)
Government grant revenues	(42,833)	-
Deferred revenues recognized	(26,890)	-
Share of losses in equity investments	3,919,711	1,821,447
Fair value change on movement in investments	-	(4,553,743)
Foreign exchange adjustments on PPE	51,543	-
Transaction cost	6,023,229	5,882,353
Loss on sale of PPE	(931,722)	-
Loss on dilution	210,494	-
Loss on sale of marketable securities	1,275,473	-
Loss (gain) on debt settlement	(15,177,548)	-
Share-based compensation	-	2,611,683
Conversion of debentures	4,976,088	-
Foreign exchange loss (gain)	11,576	(11,341)
Write-off of amounts receivable	19,180	-
Changes in non-cash working capital items:		
Accounts receivables	(825,639)	467,390
Prepaids	(6,598)	457,049
Inventory	21,338	(159,532)
Accounts payable and accruals	(1,434,561)	8,866,637
Net cash flows used in operating activities	(10,814,300)	(4,817,459)
Financing activities		
Proceeds from convertible debt	-	9,770,000
Repayment of lease liability	(246,129)	(281,365)
Proceeds from loan received	308,000	135,000
Proceeds from sale of subsidiaries	998,168	-
Proceeds on issuance of common shares, net of subscriptions received / receivable	-	2,420,250
Net cash flows provided by financing activities	1,060,039	12,043,885
Investing activities		
Recoveries (expenditures) on equipment	5,171,877	(6,421,277)
Dividend payment received	-	350,000
Purchase of patents	(46,000)	-
Purchase of marketable securities	(500,000)	-
Receipt of corporate tax refund	2,866	-
Sale of marketable securities	9,224,417	-
Investment in and advances to PSC	-	(5,005,136)
Net cash flows used in investing activities	13,853,160	(11,076,413)
Change in cash	4,098,899	(3,849,987)
Cash, beginning	274,390	4,076,295
Effect of change in foreign currency	(8,187)	-
Cash, ending	**$ 4,365,102**	**$ 226,308**

Non-cash transactions (Note 23)

1. NATURE AND CONTINUANCE OF OPERATIONS

Agra Ventures Ltd. (formerly AgraFlora Organics International Inc.) (the "Company" or "Agra Ventures") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). The diversified Company focused exclusively on the cannabis industry. On July 26, 2021, the Company changed its name to Agra Ventures Ltd. from AgraFlora Organics International Inc.. The Company's flagship assets include its 70% equity interest in Propagation Services Canada, a 2,200,000 sq. ft. greenhouse complex in Delta, B.C. In addition, Agra Venture's wholly owned subsidiary Farmako GmbH is a distributor of medical cannabis in Europe. The Company's corporate office is located at Suite 810, 789 West Pender Street, Vancouver, British Columbia V6C 1H2. The Company trades on the Canadian Stock Exchange (the "CSE") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("OTCPK") under the symbol "AGFAF" and the Frankfurt Stock Exchange under the symbol "PU3".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 24. At September 30, 2021, the Company has a working capital of $3,061,641 (December 31, 2020 – working capital deficiency of $24,519,416), and an accumulated deficit of $202,872,015 (December 31, 2020 - $207,377,315).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards and/or estimates identified in Note 3. Given that certain information and disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of preparation (continued)

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 29, 2021.

Basis of Consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its principal subsidiaries:

	Ownership Interest 2021	Ownership Interest 2020	Jurisdiction
AAA Heidelberg Inc. (Note 27)	0%	100%	Canada
Potluck Potions and Edibles Inc.	80%	80%	Canada
Canutra Naturals Ltd.	100%	100%	Canada
SUHM Investments Inc. (Note 12 and 27)	0%	100%	Canada
The Edibles and Infusions Corp. (Note 12 and 27)	0%	80%	Canada
11122347 Canada Corp d/b/a Canada Cap Corp	80%	80%	Canada
1180782 B.C. Ltd. d/b/a Delta Organic Cannabis Corp.	100%	100%	Canada
11353675 Canada Corp. d/b/a CanaBeer	80%	80%	Canada
11353705 Canada Corp. d/b/a Canada Gum Corp.	80%	80%	Canada
Trichome Canabrands Inc.	100%	100%	Canada
Sanna Health Corp.	100%	100%	Canada
The Good Company GmbH	100%	100%	Germany
11406426 Canada Corp. d/b/a Canada Formulations Corp	80%	80%	Canada
1274744 BC Ltd. (Note 12)	100%	0%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency is the Canadian dollar for the Company's Canadian subsidiaries and the Euro for The Good Company GmbH.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date). Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the statement of comprehensive loss.

Foreign operations:
The financial results and financial position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

2. BASIS OF PREPARATION (continued)

Basis of Consolidation (continued)

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the foreign operation is disposed

Significant accounting judgments and estimates

The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: fair value allocation in business combination and asset acquisitions, value of marketable securities and other financial instruments; impairment of non-financial assets; discount rate used, and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its cannabis assets. This includes estimating the fair value of intangible assets held relating to the cannabis operations.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements. The continuation of the Company as a going concern requires judgment and factors used are disclosed in Note 1.

Management has applied significant estimates and judgements related to the following:

Business combination and asset acquisition

Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of the purchase prices.

2. BASIS OF PREPARATION (continued)

Significant accounting judgments and estimates (continued)

Convertible debenture receivable
Management is required to make a number of estimates when determining the valuation of its convertible debenture receivable, which used option pricing models that involved various estimates and assumptions.

Investment in associates
The Company uses judgment in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company’s operations during the period ended September 30, 2021. The production and sale of cannabis has been recognized as essential services across Canada and Europe. As at September 30, 2021, we have not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company’s financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity accounted investments (continued)

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

At September 30, 2021 and December 31, 2020, the Company accounts for the following entities using the equity method as the Company does not have control over these entities:

	Ownership Interest	Jurisdiction
Propagation Services Canada Inc.	70%	Canada
Eurasia Infused Cosmetics Inc.	50%	Canada
JJ Wolf Investment Ltd.	50%	Canada

IFRS 15 – Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), amended revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of hemp health products and cannabis to medical and recreational customers are recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

Royalty Revenue

Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement and when collection is reasonably assured.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly adopted accounting standards

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

	September 30, 2021 $	December 31, 2020 $
Current:		
Government sales tax recoverable	-	133,666
Other receivable	54,266	15,190
	54,266	148,856

During the period ended September 30, 2021, the Company wrote off $19,180 (2020 - $Nil) of government sales tax recoverable on the basis that the amounts were denied by the Canada Revenue Agency.

5. LOANS RECEIVABLE

	$
Loans receivable, December 31, 2019	**205,721**
Loan to PSC	12,708,230
Accrued interest	324,018
Promissory note for sale of land	275,000
Provision on loan receivable	(212,033)
Loans receivable, December 31, 2020	**13,300,936**
Accrued interest	1,400,521
Total loans receivable, September 30, 2021	**14,701,457**

On July 10, 2019, the Company advanced $200,000 by way of a loan to an arm's length party. The loan is due July 10, 2020 and bears interest at 6% per annum. At December 31, 2019, a balance of $205,721 was receivable, including accrued interest. During the year ended December 31, 2020, the Company recorded accrued interest of $6,312 on the loan and record a provision of $212,033 against the loan and impaired the loan receivable to $Nil.

On December 10, 2020, the Company's subsidiary entered into a promissory note with an arm's length party. for a total of $275,000 relating to the sale of land (Note 8). The promissory note matures on June 4, 2022, accrues interest at 9% per annum and is payable to the Company in monthly instalments starting from January 4, 2021. The balance of the loan is $275,005 as at September 30, 2021 ($275,000 as at December 31, 2020).

On November 6, 2020, the Company entered into a definitive loan agreement with PSC. The loan agreement has a maximum facility amount of $50,000,000, and includes previous advances made to PSC of $38,604,344. The loan has an interest rate of nil per annum which increases to 10% per annum upon an event of default.

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (CONTINUED)

The balances are secured by a General Security Agreement, the loan has no stated maturity date and is repayable monthly out of 50% of PSC's EBITDA until PSC's loan outstanding with Houweling Nurseries Property Ltd ("HNL") is settled, after which the loan becomes repayable monthly out of 100% of PSC's EBITDA until the outstanding balance is settled.

As a result of executing the definitive loan agreement, the original advances are considered extinguished and replaced with the new loan, which has been advanced to PSC at a below-market interest rate. The fair value of the loan on initial recognition of $12,708,263 has been determined by discounting the estimated cash flows at a rate of 15%. The difference between the original advances and the fair value of the new loan is $25,896,081 which is included in the investment account and is considered a contribution to PSC (Note 10).

Subsequent to initial recognition, the loan will be measured at amortised cost using the effective interest method. During the year ended December 31, 2020, the Company has recorded $317,706 in interest income relating to the loan. The Company eliminated $222,394 of inter-company interest income, reducing the interest income by $222,394 to $95,312 and reducing the investment in PSC by $222,394.

During the period ended September 30, 2021, the Company has recorded $1,400,517 in interest income relating to the loan. The Company eliminated $974,878 of inter-company interest income, reducing the interest income by $974,878 to $425,639 and reducing the investment in PSC by $974,878.

The loan balance as of September 30, 2021 is $14,426,452 ($13,025,936 as of December 31, 2020).

6. PREPAID EXPENSES

	September 30, 2021 $	December 31, 2020 $
Current:		
Advances to third-party suppliers	16,056	27,308
Prepaid deposits	17,850	-
Total	33,906	27,308

On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company GmbH ("The Good Company"), a German limited liability company on a pro-rata basis. As consideration, the Company paid cash consideration of $1,000,000, issued 319,444 common shares on November 4, 2019 (which were held in escrow) with an initial fair value of $10,302,083 and repayment of certain shareholder loans. A further $300,000 was also advanced during the year ended December 31, 2019. The cash paid and shares issued are recorded in prepaid expenses as the acquisition had not closed as of December 31, 2019. During the year ended December 31, 2020, the acquisition closed and the cash paid and shares issued were removed out of prepaid expenses.

On August 27, 2019, the Company entered into Letter of Intent to acquire 100% of all of the issued and outstanding common shares of 11371436 Canada Corp for a purchase price of $250,000. As consideration, the Company paid $150,000 during the year ended December 31, 2019 and paid $50,000 during the year ended December 31, 2020. The amounts recorded in prepayment of $200,000 were impaired during the year ended December 31, 2020 as the acquisition has become inactive, resulting in impairment in investment expense of $200,000.

During the year ended December 31, 2019, the Company advanced $150,000 towards potential acquisition of Farma Swiss S.A.S. The amounts recorded in prepayment of $150,000 were impaired during the year ended December 31, 2020 as the acquisition became inactive, resulting in impairment in investment expense of $150,000.

(Expressed in Canadian Dollars)

6. PREPAID EXPENSES (CONTINUED)

During the year ended December 31, 2020, the Company also recorded a write-off of $203,668 for other prepaid expenses.

7. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries. The buildings, certain furniture and equipment, computers and leasehold improvements are currently not available for use and have therefore not been amortized.

	Furniture & equipment $	Building $	Computers $	Right of use asset $	Leasehold improvements $	Land $	Total $
Cost:							
December 31, 2019	2,032,608	4,211,473	78,474	1,931,548	387,563	373,700	9,015,366
Additions	3,772,442	3,323,458	-	-	395,630	-	7,491,530
Impairment	(101,980)	(1,037,164)	-	-	(2,127,714)	-	(3,266,858)
Sale or disposal of assets	(377,604)	-	-	-	-	(373,700)	(751,304)
Acquired from business combinations / asset acquisitions	152,271	1,014,000	-	1,569,411	2,325,906	-	5,061,588
December 31, 2020	5,477,737	7,511,767	78,474	3,500,959	981,385	-	17,550,322
Additions	7,529	-	-	-	864	-	8,393
FX adjustments on PPE	-	(51,543)	-	-	-	-	(51,543)
Sale or disposal of assets	-	(1,014,000)	-	-	(3,168)	-	(1,017,168)
Acquired from business combinations / asset acquisitions	500,000	-	-	-	-	-	500,000
Derecognized on sale of subsidiary (Note 27)	(5,423,332)	(6,446,224)	(78,474)	(1,931,548)	(780,889)	-	(14,660,467)
September 30, 2021	**561,934**	**-**	**-**	**1,569,411**	**198,192**	**-**	**2,329,537**
Amortization:							
At December 31, 2019	(31,903)	-	(32,841)	(112,674)	-	-	(177,418)
Charge for the year	(58,223)	(50,024)	(16,818)	(323,961)	(198,192)	-	(647,218)
Acquired from business combinations	-	-	-	(25,902)	-	-	(25,902)
At December 31, 2020	(90,126)	(50,024)	(49,659)	(462,537)	(198,192)	-	(850,538)
Charge for the period	(5,092)	(28,919)	(2,225)	(169,233)	-	-	(205,469)
FX adjustments on amortization	250	-	-	-	-	-	250
Sale or disposal of assets	-	78,943	-	-	-	-	78,943
Derecognized on sale of subsidiary (Note 27)	36,710	-	51,884	357,337	-	-	445,931
September 30, 2021	**(58,258)**	**-**	**-**	**(274,433)**	**(198,192)**	**-**	**(530,883)**
Net book value:							
December 31, 2020	5,387,611	7,461,743	28,815	3,038,422	783,193	-	16,699,784
September 30, 2021	**503,676**	**-**	**-**	**1,294,978**	**-**	**-**	**1,798,654**

The right-of-use asset relates to the leased building and land in Winnipeg, Manitoba for the purpose of production of edibles and infusion products containing CBD and THC as well as leased manufacturing facility in Ontario upon acquisition of Sanna Health Corp. ("Sanna") (Note 12). The Manitoba and Ontario leases are reflected on the consolidated statement of financial position as right-of-use assets, with an associated lease liability (Note 16). The discount rate applied to the lease is 11.34% and 9.85%.

During the year ended December 31, 2020, the Company recorded an impairment of assets of $1,037,164 related to its subsidiary AAA Heidelberg Inc. and $2,127,714 related to its subsidiary Sanna.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

During the year ended December 31, 2020, the Company sold land with a cost of $373,700 for total proceeds of $682,372 and record a gain on sale of $308,672. The Company entered into a promissory note of $275,000 with the purchaser relating to the sale (Note 5).

During the year ended December 31, 2020, the Company forfeited its right to certain equipment with a cost of $377,604 to offset corresponding accounts payable of $248,423 and recorded a loss on disposal of $129,181.

During the period ended September 30, 2021, the Company acquired 1274744 BC Ltd. and as a result of the acquisition obtained equipment of $500,000 (Note 12).

During the period ended September 30, 2021, the Company sold its subsidiary AAA Heidelberg Inc. and derecognized property and equipment of $1,002,997 as a result (Note 27).

During the period ended September 30, 2021, the Company sold its subsidiary SUHM Investments Inc. and derecognized property and equipment of $13,211,539 as a result (Note 27).

During the period ended September 30, 2021, SUHM Investments Inc. wrote-off certain equipment with a book value of $3,168 and recorded a gain of $6,309.

During the period ended September 30, 2021, the Company sold its property in Ontario for a discharge of its mortgage to the lender of the mortgage for $1,871,242 (Note 18). On completion of the sale, the Company derecognized the property with a book value of $935,057, and recognized a loss on settlement of mortgage of $4,463, resulting in a net gain on sale of property of $931,722.

8. INTANGIBLE ASSETS AND GOODWILL

	Licenses $	Customer Relationships $	Intangible Agreement $	Non-Compete Agreement $	Goodwill $	Total $
Balance, December 31, 2019	**1,302,521**	**-**	**-**	**188,889**	**3,759,646**	**5,251,056**
Acquired from business combinations / asset acquisitions	12,466,581	795,132	-	-	13,393,384	26,655,097
Additions	22,189	-	-	-	-	22,189
Amortization	(273,463)	(88,348)	-	(22,222)	-	(384,033)
Impairment	(12,517,828)	(706,784)	-	-	(17,153,030)	(30,377,642)
Balance, December 31, 2020	**1,000,000**	**-**	**-**	**166,667**	**-**	**1,166,667**
Additions	46,000	-	-	-	-	46,000
Amortization	-	-	-	(5,556)	-	(5,556)
Derecognized on sale of subsidiary (Note 27)	(23,000)			(161,111)		(184,111)
Balance, September 30, 2021	**1,023,000**	**-**	**-**	**-**	**-**	**1,023,000**

During the years ended December 31, 2020 and 2019, the Company acquired intangibles and goodwill as disclosed in Notes 10, 12 and 13.

The Health Canada licenses arose as a result of acquisition of AAA Heidelberg Inc. and Sanna (Note 12). The distribution licenses arose as a result of acquisition of The Good Company (Note 13). The distribution licenses have an indefinite life and will not be amortized.

The Health Canada licenses that arose from the acquisition of Sanna are amortized on a straight-line basis over 10 years, resulting in amortization of $273,463 for the year ended December 31, 2020.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The non-compete agreement arose as a result of the acquisition of SUHM Investments Inc. (Note 12) and is amortized on a straight-line basis over the 9-year term of the agreement, resulting in an amortization of $22,222 for the year ended December 31, 2020. During the period ended September 30, 2021, the Company recorded amortization of $5,556 on the non-compete agreement. On April 6, 2021, the Company sold SUHM Investments Inc. to a third party and thus derecognized the non-compete agreement of $161,111 as a result (Note 27).

The goodwill and customer relationships arose as a result of the acquisition of The Good Company (Note 13). The goodwill will not be amortized as it has an indefinite life. The customer relationships will be amortized on a straight-line basis over its life of 6 years, resulting in an amortization amount of $88,348 for the year ended December 31, 2020. During the year ended December 31, 2020, the Company recognized an impairment loss on the customer relationships of $706,784. As at December 31, 2020 and September 30, 2021, the balance of the goodwill and customer relationships is $Nil.

The goodwill arose as a result of acquisition of Canutra Naturals Ltd and The Good Company. The Company determined the fair value of Canutra Naturals Ltd. on the acquisition date to be $3,759,646 and recognized an impairment loss on goodwill of $3,759,646 for the year ended December 31, 2020. The Company determined the fair value of other goodwill acquired from acquisition of The Good Company to be $13,393,384 and recognized an impairment loss on goodwill of $13,393,384 for the year ended December 31, 2020. The balance of the goodwill is $Nil as at December 31, 2021 and September 30, 2021.

During the year ended December 31, 2020, the Company recorded an impairment of $1,302,522 on the AAA Heidelberg Inc. Health Canada license as result of the realized value on sale of the subsidiary (Note 27), an impairment of $5,263,537 on the Sanna Health Canada license as a result of revaluation, and an impairment loss of $5,951,770 on the licenses acquired from The Good Company as a result of revaluation.

During the period ended September 30, 2021, the Company obtained 2 Health Canada licenses for its subsidiaries for a total cost of $46,000. On May 20, 2021, the Company sold its subsidiary AAA Heidelberg Inc. and has derecognized the Health Canada license of $23,000.

As at September 30, 2021, the Sanna Health license has a value of $1,023,000 ($1,000,000 – December 31, 2020), and the TGC license has a value of $Nil ($Nil – December 31, 2020).

9. MARKETABLE SECURITIES

At September 30, 2021, the Company held the following marketable securities:

Investee	Number of Shares/Warrants	Cost $	Fair Value $
Private Companies			
Cult Food Science Corp. – Shares	2,000,000	500,000	500,000
Cult Food Science Corp. – Warrants	2,000,000	-	-
		500,000	500,000

At December 31, 2020, the Company did not hold any marketable investments.

(Expressed in Canadian Dollars)

9. MARKETABLE SECURITIES (CONTINUED)

Cult Food Science Corp.
On September 15, 2021, the Company subscribed to a private placement of 2,000,000 units ("Cult Unit") of Cult Food Science Corp. ("Cult") for total cash of $500,000. Each Cult Unit consists of one common share of Cult and one transferable common share purchase warrant of Cult. Each warrant will entitle the holder to acquire one Cult share at a price of $0.75 for a period of two years following the closing date of the private placement. The balance of the investment at September 30, 2021 is $500,000.

Organigram Holdings Inc.
During the period ended September 30, 2021, the Company received 2,637,384 common shares of Organigram Holdings Inc. ("OGI") with a fair value of $10,499,890 pursuant to the terms of the sale of SUHM Investments Inc. (Notes 12 and 27). The Company sold all shares of OGI for proceeds of $9,224,417 and recorded a loss on sale of $1,275,473.

10. INVESTMENTS

Investment in JJ Wolf Investments Ltd
During the year ended December 31, 2019, the Company entered into a share exchange agreement with JJ Wolf, whereby the Company sold certain assets valued at $4,658,482 to JJ Wolf in exchange for the issuance of 10,000,000 common shares in the capital of JJ Wolf, valued at $2,266,236, resulting in a realized loss on sale of $2,392,236. At September 30, 2021, the Company owns 50% (December 31, 2020 - 50%) of the common equity of JJ Wolf and the other 50% interest is owned by a former director. The Company commenced equity accounting its investment in JJ Wolf and recorded a loss on its equity investment of $77,884 for the period ended September 30, 2021 (Year ended December 31, 2020 – loss of $486,781). The investment balance as at September 30, 2021 is $1,125,212 (December 31, 2020 - $1,203,096).

The Company transferred the assets listed below to JJ Wolf:

Asset	Shares transferred
Sire Bioscience Inc.	9,973,670 shares
Roughrider Capital Corp.	4,260,000 shares
Volt Energy Corp.	625,000 shares
Cannabis Clonal Corp.	3,000,000 shares
Empower Clinics Inc.	10,000,000 shares
Empower Clinics Inc.	10,000,000 warrants
1205293 B.C. Ltd.	5,000,000 shares
1205293 B.C. Ltd.	2,500,000 warrants
Transnational Cannabis Ltd.	1,000,000 shares
Mindful Capital Inc.	888,889 shares
Eurolife Brands Inc.	3,616,000 shares
Glow Lifetech Ltd.	3,750,000 shares

Subsequent to the period end, the Company sold its 50% ownership of JJ Wolf back to JJ Wolf (Note 28).

10. INVESTMENTS (CONTINUED)

Eurasia Infused Cosmetics Inc.

On August 19, 2019, the Company entered into a Share Purchase Agreement with Eurasia Infused Cosmetics Inc. ("Eurasia"), a private company in British Columbia, whereby the Company purchased 50% of the outstanding common and preferred shares of Eurasia. On August 21, 2019, the Company issued 100,000 common shares with a fair value of $4,050,000 and 10,000 finder's shares with a fair value of $405,000 for the common shares of Eurasia. The consideration received had a fair value of $Nil. Therefore, the Company expensed the $4,455,000 as transaction costs in the consolidated statement of comprehensive loss for the year ended December 31, 2019.

During the year ended December 31, 2019 the Company advanced $67,599 (US$50,000) to Eurasia as a shareholder loan. The loan is non-interest bearing and is to be repaid out of proceeds from the sale of products before the distribution of any dividends. The balance of this loan was impaired to $Nil as at December 31, 2020 resulting in impairment of investment expense of $67,599 during the year ended December 31, 2020.

11. PROPAGATION SERVICES CANADA INC.

During the year ended December 31, 2018, the Company acquired a 40% interest in PSC, a joint venture which has ownership of the Houwelings Delta Propagation Facility ("Facility"), consisting of 2,200,000 square feet of greenhouse space and 1,700,000 square feet of irrigation space. On April 25, 2019, the Company issued 20,588,235 common shares with a fair value of $6,000,000 to acquire an additional 10% interest in PSC.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC can acquire an equity interest in the Company by committing $40,000,000 for the furtherance of the Facility's lease obligations, construction expenses, and operational expenses. As consideration the Company will grant to DOCC the option to acquire up to 19.9% of the outstanding common shares of the Company and a 20% interest in class B non-voting shares of PSC pursuant to the terms of the agreement. DOCC had acquired 594,427 of the common shares of the Company for proceeds of $40,000,000 and received 20% of class B non-voting shares in PSC. As a result of granting 10% interest in class B non-voting shares in PSC on March 20, 2019 to DOCC, the Company recorded loss on disposal of $994,672.

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with Organic Flower Investments Group Inc. ("OFIG") whereby the Company acquired 100% of all of issued and outstanding common shares of DOCC with a fair value of $12,000,000, which gave the Company an additional 20% equity interest in PSC. The Company now has a 70% equity interest in PSC. As of December 31, 2019, the Company had advanced $33,599,176 to PSC. This advance was unsecured, due on demand and was presented within the equity accounted investment.

During the year ended December 31, 2020, the Company entered into an amended and restated Shareholders Agreement with the shareholders of PSC. As a result, the Company's level of influence in PSC has gone from significant influence to joint control. The interest in PSC will continue to be accounted for under the equity method as PSC is considered a joint venture.

On November 6, 2020, the Company entered into a definitive Loan Agreement with PSC (Note 5). As the terms to this Loan Agreement are substantially different than those for previous advances made to PSC, the Company has accounted for the modification as an extinguishment of the original advances made to PSC and has recognized a new loan receivable. The difference between the fair value of the new loan and the original advances is being recognized as a contribution to PSC in the amount of $25,896,081.

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (CONTINUED)

At December 31, 2020, the Company considered certain indications to determine whether its investment in PSC was impaired and identified impairment indicators. As a result, the Company performed an impairment test and determined the recoverable amount of its investment in PSC. The recoverable amount is the higher of the fair value less cost of disposal ("FVLCD") and value in use ("VIU"). The FVLCD 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, less cost to dispose. The VIU is the present value of the future cash flows expected to be derived from the investment. Due to the current significant loss position of PSC, the Company believes the VIU to be higher than its FVLCD. Therefore, the Company has used VIU as the recoverable amount. As a result, an impairment loss of $8,042,217 on the investment in PSC was recognized for the year ended December 31, 2020. The impairment loss was recognized based on management's assessment of PSC's present value of expected future cash flows discounted at 15%.

Under equity accounting, the Company's share of PSC's losses for the period ended September 30, 2021 totaled $3,841,827 (Year ended December 31, 2020 - $4,245,695).

The table below provides a continuity of the PSC investment:

	September 30, 2021 $	December 31, 2020 $
Opening balance	28,800,620	49,014,021
Adjustment of intercompany interest	(974,878)	(222,362)
Advances	-	5,005,136
Extinguishment of original advances (Note 6)	-	(38,604,344)
Contribution to joint venture (Note 6)	-	25,896,081
Loss on equity investment	(3,841,827)	(4,245,695)
Impairment on investment in joint venture	-	(8,042,217)
Ending balance	**23,983,915**	**28,800,620**

The tables below provide a summary of PSC's financial position and profit and loss:

Summary statements of financial position as at	September 30, 2021 $	December 31, 2020 $
Non-current assets	34,758,204	36,324,920
Total assets	38,242,170	40,157,399
Current liabilities	4,398,341	2,875,571
Non-current liabilities	29,013,082	29,900,418
Shareholders' equity (deficiency)	4,830,747	10,256,981
Total liabilities and shareholders' equity (deficiency)	38,242,170	40,157,399

Summary statements of comprehensive loss for the periods ended	September 30, 2021 $	September 30, 2020 $
Operating general and administration expenses	5,962,003	2,555,922
Other income (expenses)	(473,679)	(65,002)
Net loss and comprehensive loss	5,488,324	2,620,924

(Expressed in Canadian Dollars)

12. ACQUISITIONS

OFIG Acquisitions

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with OFIG whereby the Company acquired certain assets from OFIG ("Vendor"). As consideration the Company issued 2,320,728 common shares with a fair value of $39,164,369 on July 11, 2019.

The Company acquired common shares of certain subsidiaries as a result of the transaction and other assets as disclosed in the audited financial statements for the year ended December 31, 2019.

The Company issued a finder's fee of 87,027 common shares with a fair value of $4,503,663 to an arm's length party for facilitating the acquisition. The finder fees were expensed as transaction costs. The Company also granted 40,267 stock options with a fair value of $1,110,733 and 866,184 warrants with a fair value of $25,123,830 as part of the consideration paid to acquire the assets from OFIG. The Company expensed the fair value of the warrants and options as share-based compensation expense during the year ended December 31, 2019.

The fair value above represents the price for a batch of assets and the allocations of the purchase price has been determine below, using the relative costing method.

	Relative fair value applied
	$
DOCC (Note 11)	12,000,000
SUHM (Edibles and Infusions)	17,440,000
Canutra Naturals Ltd. (Note 13)	9,724,369
Total	39,164,369

During the year ended December 31, 2020, the Company incurred transactions of $16,000 related to the acquisition of OFIG.

The Edibles and Infusions Corp.

On July 11, 2019, the Company acquired 100% of the issued and outstanding shares of SUHM. SUHM is an 80% partner of The Edibles and Infusions Corp. Joint Venture ("Edibles"). SUHM controls the joint venture. Edibles is developing an edibles manufacturing facility in Winnipeg, Manitoba. This acquisition has been accounted for as an asset acquisition as Edibles does not meet the definition of a business under IFRS 3, Business Combinations. During the period ended September 30, 2021, the Company's ownership of SUHM was diluted from 100% to 0% and ownership of Edibles was diluted from 80% to 0% pursuant to the transactions discussed below. On April 6, 2021, the Company sold its ownership of SUHM to a third party.

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

As consideration, the Company issued common shares with a fair value of $17,440,000.

Consideration paid	**$**
Shares issued	17,440,000
Implied value of Edibles	17,478,272
Net assets acquired	
Cash	56,636
Accounts receivable	100,515
Property, plant and equipment	847,543
Intangible asset – non-compete agreement (Note 8)	200,000
Accounts payable and accrued liabilities	(813,334)
Total net assets acquired	391,360
Non-controlling interest	(38,272)
Transaction cost	17,086,912
Total	**17,440,000**

The non-controlling interest of 20% in Edibles as at December 31, 2020 and to February 12, 2021 and 56.66% from February 12, 2021 to April 5, 2021 is held by the joint venture partner. As at September 30, 2021, the Company has 0% ownership in Edibles and thus total non-controlling interest is $Nil.

	$
Non-controlling interest, December 31, 2018	-
Fair value of non-controlling interest on acquisition at	38,272
Non-controlling interest in loss of Edibles to December 31 2019 at 20%	(540,707)
Total non-controlling interest, December 31, 2019	(502,435)
Non-controlling interest in loss of Edibles to December 31, 2020 at 20%	(345,873)
Total non-controlling interest, December 31, 2020	(848,308)
Non-controlling interest in loss of Edibles to February 12, 2021 at 20%	(200,359)
Dilution of interest in Edibles at February 12, 2021	1,845,494
Non-controlling interest in loss of Edibles from February 12, 2021 to April 5, 2021 at 56.66%	(152,437)
Total non-controlling interest, April 5, 2021	644,390
Non-controlling interest in Edibles eliminated on April 6, 2021 on sale of subsidiary (Note 26)	(644,390)
Total non-controlling interest, September 30, 2021	-

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

The tables below provide a summary of Edibles' financial position and profit and loss before intergroup eliminations, prior to deconsolidation on April 6, 2021:

Summary statements of financial position as at	April 6, 2021 $	December 31, 2020 $
Current assets	201,458	94,545
Non-current assets	13,211,539	13,309,364
Total assets	13,412,997	13,403,909
Current liabilities	13,202,976	13,975,678
Non-current liabilities	1,621,178	1,669,770
Equity attributable to AGRA	-	(1,393,231)
Equity	(1,411,157)	
Non-controlling interests	-	(848,308)
Total liabilities and shareholders' deficiency	13,412,997	13,403,909

Summary statements of comprehensive loss for the period ended	April 6, 2021 $	March 31, 2020 $
Gross profit	-	(6,858)
Operating general and administration expenses	(879,119)	(2,696,675)
Other items	74,516	-
Net loss and comprehensive loss	(804,603)	(2,703,533)

On February 8, 2021, the Company issued 1,003,871 common shares pursuant to the third amending agreement with Mulberry Capital Corp. ("Mulberry") related to the acquisition of SUHM in the year ended December 31, 2019 (Note 18). Pursuant to the third amending agreement, the Company is obligated to pay the remaining unpaid portion of the purchase price on the Joint Venture Agreement being an aggregate amount of $27,500,000. This payment will be forgiven by Mulberry in consideration for the following:

- the Company transferred a 26.5% ownership interest in SUHM (transferred); and
- the Company issuing 10% of the issued and outstanding shares of the Company to Mulberry on the date that is the later of it issuing shares pursuant to the Joint Venture Agreement and the date it has satisfied its interest payment in common shares to holders of convertible debentures (issued) (Note 16).

On February 11, 2021, SUHM has completed a non-brokered private placement of 3,270,000 common shares of SUHM at a price of $0.50 per Common Share for gross proceeds of $1,635,000.

On February 12, 2021, the Company transferred 7,420,875 shares of SUHM to Mulberry pursuant to the third amending agreement.

On March 26, 2021, the Company transferred 2,263,190 shares of SUHM to Mulberry pursuant to the third amending agreement.

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

Immediately prior to the transfer of shares, the net assets of SUHM are as follows:

	$
Common shares	1,635,100
Retained earnings	2,392,370
Total net assets of SUHM	**4,027,470**

Upon transfer of the SUHM shares, the Company recognized a dilution of NCI of $1,845,494, and a loss on dilution of $210,494 relating to the change in NCI of SUHM.

On April 6, 2021, the Company and other owners of Edibles completed a transaction to sell Edibles to a third party (Note 27).

As at September 30, 2021, the Company has Nil% (December 31, 2020 – 100.00%) ownership of SUHM and Nil% (December 31, 2020 – 80.00%) ownership of Edibles.

The net change in non-controlling interest ("NCI") is as follows:

	Edibles $	11122347 $	Potluck $	Total $
As at December 31, 2018	-	-	-	-
Initial recognition of NCI	38,272	-	-	38,272
Loss attributable to NCI	(540,707)	(40,295)	(129,100)	(710,102)
As at December 31, 2019	(502,435)	(40,295)	(129,100)	(671,830)
Loss attributable to NCI	(345,873)	-	(1,183)	(347,056)
As at December 31, 2020	(848,308)	(40,295)	(130,283)	(1,018,886)
Loss attributable to NCI	-	-	(59)	(59)
Derecognition of NCI on sale of subsidiary (Note 27)	848,308	-	-	848,308
As at September 30, 2021	-	(40,295)	(130,342)	(170,637)

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

Sanna Health Corp. Acquisition

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 511,111 common shares of the Company with a fair value of $6,168,221.

This acquisition has been accounted for as an asset acquisition as Sanna does not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid common shares with a fair value of $6,168,221.

Consideration paid	**$**
Shares issued	6,168,221
Net assets acquired	
Cash	89,247
Accounts receivable	80,972
Property, plant and equipment	5,005,467
Intangible asset – license (Note 9)	6,537,000
Accounts payable and accrued liabilities	(2,316,455)
Mortgage payable	(1,334,500)
Loan payable	(350,000)
Lease liabilities	(1,543,510)
Total net assets acquired	**6,168,221**

During the year ended December 31, 2020, the Company incurred transactions of $30,000 related to the acquisition of Sanna.

1274744 B.C. Ltd.

On March 1, 2021, the Company closed the acquisition of 100% of the issued and outstanding common shares of 1274418 B.C. Ltd. by the way of the “three-cornered” amalgamation where 1274418 B.C. Ltd. amalgamated with 1274744 B.C. Ltd. (“1274744”) resulting in 1274744 as the amalgamated corporation pursuant to the acquisition agreement dated November 17, 2020. As consideration, on March 1, 2021, the Company issued 66,667 common shares of the Company with a fair value of $500,000.

This acquisition has been accounted for as an asset acquisition as 1274744 does not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid common shares with a fair value of $500,000.

Consideration paid	**$**
Shares issued	500,000
Net assets acquired	
Property, plant and equipment	500,000
Total net assets acquired	**500,000**

(Expressed in Canadian Dollars)

13. BUSINESS COMBINATION

Canutra Naturals Ltd.

On July 11, 2019 the Company acquired 100% of the issued and outstanding shares of Canutra. Canutra holds a research and cultivation license from Health Canada to process, cultivate and sell cannabis. This acquisition has been accounted for as business combination as Canutra met the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company issued 187,911 common shares with a fair value of $9,724,369. In accordance with IFRS 3 – Business Combination, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	**$**
Shares issued	9,724,369
Net assets acquired	
Cash	129,255
Accounts receivable	24,032
Inventory	2,610
Property, plant and equipment	381,850
Accounts payable and accrued liabilities	(297,393)
Total net assets acquired	240,354
Balance allocated to	
Goodwill (Note 8)	9,484,015
Total	**9,724,369**

On the date of acquisition, the goodwill amount was impaired by $5,724,369 as the fair value of Canutra was $4,000,000 on the date of acquisition. An impairment of $3,759,646 was recorded during the year ended December 31, 2020 (Note 8), resulting in an ending balance of $Nil as December 31, 2020 and September 30, 2021.

The Good Company

On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company. On February 13, 2020, the Company closed the acquisition. Total consideration paid includes cash of $1,000,000 (paid), issuance of 319,444 common shares of the Company (issued on November 4, 2019) and repayment of certain shareholder loans of $1,763,120 (€1,202,674) and a cash payment of $300,000 (€203,818) on the closing date (paid). The 319,444 shares issued were initially measured at $10,302,083 in 2019, then revalued again on acquisition date at $3,473,957, resulting in an adjustment in fair value of $6,828,126.

(Expressed in Canadian Dollars)

13. BUSINESS COMBINATION (CONTINUED)

The Good Company (Continued)

Under the terms of the Share Purchase Agreement, the sellers are entitled to receive additional shares of the Company corresponding to an aggregate deemed value of $5,000,000 if certain milestones are achieved or triggered within 18 months from the closing date of the Share Purchase Agreement or in the event that the sellers exercise an Earn-Out Shifting Option. The Share Purchase Agreement also includes a floor protection clause. The floor protection clause is in place to protect the vendors from significant declines in the value of the initial shares during the 18 months lock up period. The floor protection clause will trigger issuance of additional shares 12 months after closing. The Company recorded the Earn-Out considerations as contingent consideration payable at February 13, 2020 at its estimated fair value of $5,000,000 and the floor protection clause as a derivative liability with a fair value of $8,824,006, calculated using a Monte Carlo simulation method. The inputs used were stock price of $0.072, volatility of 110%, a risk-free rate of 1.6031% and a dividend rate of 0%. The derivative liability is subsequently measured at FVTPL. As at December 31, 2020, the estimated fair value of the contingent consideration relating to the Earn-Outs is determined to be $5,000,000 and the estimated fair value of the floor protection derivative liability is determined to be $10,138,772 resulting in a change in fair value of $1,314,766. The Company also agreed to make cash contributions to The Good Company totaling $1,200,000. On February 11, 2021, the Company issued 133,333 common shares to settle the floor protection liability (Note 19).

Consideration paid	**$**
Cash	1,000,000
Repayment of shareholder loans	1,763,120
Shares issued	3,473,958
Fair value of earn-out contingent consideration	5,000,000
Fair value of floor protection derivative	8,824,006
Settlement of loan to The Good Company	300,000
Total	**20,361,084**

Net assets acquired	
Assets	509,882
Liabilities	(260,058)
Total net assets acquired	249,824
Balance allocated to	
Distribution Licenses (Note 8)	5,929,581
Customer Relationships (Note 8)	795,132
Accounts payable	(6,837)
Goodwill (Note 8)	13,393,384
	20,111,260
Total	**20,361,084**

At December 31, 2020, there were indicators of impairment and as such, the recoverable amount of goodwill was determined to be $Nil, resulting in goodwill impairment expense of $13,393,384 (Note 8). The balance of goodwill is $Nil as at December 31, 2020 and September 30, 2021.

(Expressed in Canadian Dollars)

14. CONVERTIBLE DEBENTURES RECEIVABLE

On December 30, 2019, the Company purchased 20,000 units ("Units") of senior unsecured convertible units of Transnational from three arm's length parties for $23,682,600 (US$18,000,000). The convertible debenture bears interest at 10% and expires on March 12, 2021. Each Unit consists of US$1,000 principal amount of convertible debenture and 1,428 common share purchase warrants of Transnational. Each convertible debenture warrant is exercisable into one common share of Transnational at an exercise price of US $0.50 for a period of two years from the closing date. The convertible debentures are convertible into the number of common shares equal to the principal amount divided by US$0.38 per debenture share. Upon conversion, the holder shall receive a cash payment equal to the accrued and unpaid interest due on the convertible debenture.

The initial fair value of the convertible debenture was determined to be $24,636,507 and the fair value of the attached warrants, which are included in investments, was determined to be $20,423. During the year ended December 31, 2020, the fair value of the instruments was estimated to be $29,210,673 using the binomial lattice method, using a risk-free rate of 0.1076%, volatility of 136%, discount for lack of marketability of 20% and credit rating of CCC. The Company recorded a gain on fair value movements on investment of $4,553,743 prior to December 31, 2020. As at December 31, 2020, management determined the recoverable value of the convertible debenture was $Nil (December 31, 2019 - $24,636,507) and the value of the warrants was also $Nil (December 31, 2019 - $20,423). As a result, during the year ended December 31, 2020, the Company recorded a loss from write-off of the convertible debenture of $29,210,673.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021 $	December 31, 2020 $
Accounts payable (Note 27)	578,221	8,072,382
Amount due to related parties (Note 20)	84,878	165,778
Accrued liabilities	179,418	251,278
	842,517	**8,489,438**

During the year ended December 31, 2020, the Company settled certain debts with creditors and recorded a loss on debt settlement of $639,333 and wrote off accounts payable of $47,671.

During the period ended September 30, 2021, the Company settled debts with certain creditors by issuance of shares and recorded a gain on debt settlement of $13,524,686 (Note 19) and wrote off accounts payable of $537,264.

16. LEASE LIABILITY

Manitoba Lease

The Company recorded a right-of-use asset for the lease facility in Manitoba as at December 31, 2019 (Note 7). The Company recognized right-of-use asset of $1,931,548 and lease liability of $1,931,548.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 11.34%, which was estimated to be the Company's incremental borrowing rate.

On April 6, 2021, the Company sold SUHM Investments Inc. to a third party and has derecognized the lease liability as at April 6, 2021 (Note 27).

(Expressed in Canadian Dollars)

16. LEASE LIABILITY (CONTINUED)

Manitoba Lease (Continued)

The following is a continuity schedule of lease liabilities for the period from January 1, 2021 to April 6, 2021 immediately prior to the sale of the subsidiary:

	$
Balance, December 31, 2019	**1,883,732**
Lease payments	(335,303)
Interest expense on lease liabilities	221,962
Balance, December 31, 2020	**1,770,391**
Lease payments	(82,537)
Interest expense on lease liabilities	52,422
Derecognition of lease liability on sale of subsidiary (Note 27)	(1,740,276)
Balance, September 30, 2021	**-**

Ontario Lease

The Company acquired from Sanna a right-of-use asset for the lease manufacturing facility in Ontario. The Company recorded right-of-use asset of $1,569,411 and lease liability of $1,543,510 on acquisition date (Notes 7 and 12).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 9.85% which was estimated to be the Company's incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the period ended September 30, 2021:

	$
Balance, December 31, 2018 and 2019	**-**
Lease acquired from acquisition	1,543,510
Interest expense on lease liabilities	119,409
Lease payments	(175,000)
Balance, December 31, 2020	**1,487,919**
Interest expense on lease liabilities	103,246
Lease payments	(168,751)
Balance, September 30, 2021	**1,422,414**
Current portion	(94,839)
Long-term portion	**1,327,575**

The lease liabilities are payable as follows:

	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
Less than 1 year	225,000	130,161	94,839
Between 1 and 5 years	1,248,750	466,607	782,143
More than 5 years	607,500	62,068	545,432
Balance, end of period	2,081,250	658,836	1,422,414
Long term lease liabilities	1,856,250	528,675	1,327,575

17. CONVERTIBLE DEBT

Long-term convertible debt:

During the year ended December 31, 2019, the Company closed a non-brokered private placement offering of 30,000 unsecured convertible debentures for gross proceeds of $30,000,000 from three arm’s length parties. The debentures bear interest at a rate of 10% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2019. The debentures matured on December 31, 2020 and was extended to be due on March 12, 2022 after the Company’s extension on February 11, 2021.

The debentures will be convertible at the holder's option into: (i) that number of common shares of the Company calculated on the basis of the aggregate principal amount of the debentures being converted divided by the conversion price of $0.30 per share (the “Conversion Price”); and (ii) a cash payment equal to the additional interest amount that such holder would have received if it had held the Debenture from the date of conversion to the maturity date. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion.

The Company accounted for the convertible debentures issued for cash as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which is recorded at amortized cost and will be accreted to the face value over the term to maturity of the convertible debenture at an effective interest rate of 15%.

The fair value of the liability component was estimated to be $28,191,802 on grant and the fair value of the derivative liability at December 31, 2019 was estimated to be $1,465,129. The Company also expensed $26,551 of transaction cost associated with issuing the debentures. The Company utilized the financing to acquire convertible debentures (Note 14) from the same three arm’s length parties. The net cash received following both transactions is approximately $4,973,450.

On August 7, 2020, the Company entered into securities exchange agreements with certain holders of the Company’s convertible debentures and repaid $3,000,000 of convertible debentures and aggregate interest payment $1,500,000 owing as at June 30, 2020 by the issuance of 365,484 common shares and 182,742 common shares respectively and recorded a gain on debt settlement of $182,715 (Note 19).

At December 31, 2020, the fair value of the derivative liability was estimated to be $28, as a result of a decrease in fair value of $1,465,101. The Company recorded change in derivative liability gain of $1,465,101 during the year ended December 31, 2020. The balance of the derivative liability is $28 as at December 31, 2020 and September 30, 2021.

On February 11, 2021, the Company entered into an agreement (the “Term Sheet”) with debenture holders of convertible debentures to amend the convertible debentures (the “Amended Debentures”). The Amended Debentures extend the maturity date from March 12, 2021 to an additional twelve months to March 12, 2022, in consideration for the conversion price of the Amended Debentures being reduced to $0.05. The Amended Debentures pay interest at the rate of 20% per annum for the period commencing July 1, 2020 and ending as of December 31, 2020. For all periods subsequent to December 31, 2020, the Debentures pay interest at 10% per annum, calculated and payable semi-annually. The Company satisfied the aggregate interest of $2,700,000 owing on December 31, 2020 by the issuance of 360,000 common shares (Note 19).

The fair value of the convertible feature under the terms of the Company’s convertible debt agreement prior to amendment was $28,382,843. Upon recognition of the Amended Debentures, the Company determined the fair value to be $26,496,481. This resulted in a gain on the re-measurement of the convertible feature of $1,886,363. which was recognized in the consolidated statement of loss. Upon extinguishment of the liability for the pre-amendment convertible debt agreement and recognition of a new liability under the terms of the amended convertible debt agreement, the Company extinguished the pre-amendment conversion feature with a carrying value of $28,382,843.

17. CONVERTIBLE DEBT (CONTINUED)

Long-term convertible debt (Continued):

On March 2, 2021, the Company issued 298,374 common shares with a fair value of $2,461,589 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 19). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $29,041.

On March 10, 2021, the Company issued 298,374 common shares with a fair value of $2,014,027 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 19). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $35,616.

On March 25, 2021, the Company issued 298,374 common shares with a fair value of $1,790,246 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 19). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $43,836.

At September 30, 2021, the liability component was $22,390,528 (2020 - $28,382,844) as a result of accretion of interest of recorded in finance and other costs of $4,702,541, repayment of $2,700,000 in accrued interest, gain on the re-measurement of the convertible feature of $1,886,363 and the conversion of the debentures of $6,108,493 during the period.

Short-term convertible debt:

On October 25, 2019, the Company entered into a loan agreement with a private company to borrow an aggregate principal amount of a maximum of $12,500,000. The loan bears interest of 7.5% per annum, and the loan, including accrued interest and fees outstanding, is convertible at the election of the lender into common shares of the Company at any time before the maturity date at the maximum allowable discount. During the year ended December 31, 2020, the maximum amount of the loan was increased to $20,000,000.

As the loan conversion feature does not meet the fixed for fixed criteria, the entire loan was classified as a liability and measured at fair value. As at December 31, 2019, the fair value was $7,569,106. On April 30, 2020, the entire loan was settled with units of the Company with a fair value of $17,666,208 (Note 19).

18. LOANS PAYABLE

Promissory Note – Sanna

The Company acquired a $350,000 promissory note payable upon acquisition of Sanna. The loan is non-interest bearing and is due on demand. On completion of the sale of the Ontario property, the balance of the promissory note was settled (Notes 7). At September 30, 2021, the balance of the note is $Nil (December 31, 2020 - $350,000).

CEBA Loans

The Canada Emergency Business Account ("CEBA") loan originally launched on April 9 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. Three of the Company's subsidiaries applied for and received the first $40,000 in funds, and the same three entities applied for the additional $20,000. Only two subsidiaries received the additional amount in the year ended December 31, 2020. The loans are interest free if fully repaid on or before December 31, 2022. If 75% of the loans are repaid on or before December 31, 2022, then the remaining 25% of the loans will be forgiven. The full value of the grants has been spent in the course of business operations and the gain has been recognized in other income.

18. LOANS PAYABLE (CONTINUED)

CEBA Loans (Continued)

The loans were recognized at fair value using an average interest rate of 15.65%. The difference between this discounted value of $76,732 and the proceeds received of $160,000 was recognized as a gain on CEBA loans of $83,268. The loan had accretion of $7,566 during the period ended September 30, 2021 ($5,930 for the year ended December 31, 2020) and the Company recognized grant revenues of $33,769 ($11,957 for the year ended December 31, 2020). During the period ended September 30, 2021, one of the Company's subsidiaries repaid the $40,000 and $20,000 CEBA loan by a cash payment of $40,000 and loan forgiveness of $20,000. The balance of the loans at September 30, 2021 is $59,293 (December 31, 2020 - $82,662). The current portion of the deferred grant revenues at September 30, 2021 is $18,776 (December 31, 2020 - $26,294) and the long term portion is $9,703 (December 31, 2020 - $45,018).

JJ Wolf Loans

On June 2, 2020, the Company received a loan from JJ Wolf of $350,000. The loan matures on June 2, 2022 and bears interest at 5% per annum, compounded monthly and payable on the maturity date. The Company discounted the loan at 10% and recorded an initial fair value of $317,460 and a gain on the loan of $32,540. During the period ended September 30, 2021, the Company recorded accretion on the loan of $24,109 ($17,584 for the year ended December 31, 2020) and at September 30, 2021 the balance of the loan is $359,153 (December 31, 2020 - $335,044).

During the period ended September 30, 2021, the Company received additional loans of $308,000. The loan has the same terms as the June 2, 2020 loan. The Company discounted the loan at 10% and recorded an initial fair value of $288,454 and recorded a gain on the loan of $19,546. During the period ended September 30, 2021, the Company recorded accretion on the loan of $18,593 and at September 30, 2021 the balance of the loans are $307,047.

As at September 30, 2021, the Company has a total loan payable to JJ Wolf of $666,200 (December 31, 2020 - $335,044).

Mortgages Payable

During the year ended December 31, 2020, the Company assumed two mortgages, one for $1,200,000 ("First Mortgage) which bears interest at 10% and one for $100,000 ("Second Mortgage) which bears interest at 12% per annum. The mortgages relate to the building from the Sanna acquisition. The First Mortgage matures on October 1, 2021 and the Second Mortgage matures on October 23, 2021. During the year ended December 31, 2020, the Company recorded interest and penalties of $143,000 on the mortgages. During the period ended September 30, 2021, the Company recorded interest of $73,779 on the mortgages.

On June 4, 2021, the Company sold its property in Ontario for a discharge of its mortgage to the lender of the mortgage for $1,871,242 paid by the purchaser and recorded a gain on sale of assets of $931,722 (Note 7). During the period ended September 30, 2021 the lender of the Company's mortgages payable has called the mortgages by way of Power of Sale, the Company's legal action against the lender was discontinued on July 15, 2021 upon the sale of the property and discharge of the mortgage (Note 25). As at September 30, 2021, the total amount of mortgages payable outstanding including accrued interest is $Nil (December 31, 2020 - $1,443,000).

18. LOANS PAYABLE (CONTINUED)

Promissory Note – Mulberry

On March 29, 2021, the Company and Mulberry Capital Inc. ("Holder") entered into a Promissory Note whereby the Company promises to pay the Holder the principal sum of $2,500,000 with an interest rate of 15% per annum, calculated daily and compounded monthly. The entire balance of the Promissory note was repaid during the period ended September 30, 2021.

Other Loans

On June 15, 2020, the Company received a loan of $80,000 from an arm's length party bearing interest of 8% per annum, due on demand. During the year ended December 31, 2020, the Company accrued interest of $533 on the loan payable and the entire balance of $80,533 was paid in full.

On September 24, 2020, the Company received a loan of $15,000 from an arm's length party. The loan is non-interest bearing and due on demand. During the period ended September 30, 2021, the entire balance of $15,000 was repaid. As at September 30, 2021, the loan has a balance of $Nil (December 31, 2020 - $15,000).

On October 30, 2020, the Company received a loan of $75,000 from an arm's length party. The loan is non-interest bearing and the total outstanding principal is due on demand. During the period ended September 30, 2021, the entire balance of $75,000 was repaid. As at September 30, 2021, the loan has a balance of $Nil (December 31, 2020 - $75,000).

On December 9, 2020, the Company received a loan of 25,000 Euros from a management member pursuant to ta secured drawdown facility agreement. The loan bears an interest of 20% per annum, with interest being payable on a monthly basis. During the period ended September 30, 2021, the Company recorded interest of 1,587 Euros on the loan. During the period ended September 30, 2021, the entire balance of $39,239 (26,587 Euros). As at September 30, 2021, the loan has a balance of $Nil (December 31, 2020 $39,020 (25,000 Euros).

On February 8, 2021, the Company received a loan of $385,000 from an arm's length party. The loan is non-interest bearing and the total outstanding principal is due on demand. During the period ended September 30, 2021, the entire balance of $385,000 was repaid. As at September 30, 2021, the loan has a balance of $Nil.

19. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Issued:

On February 8, 2021, the Company issued 1,003,871 common shares with a fair value of $6,023,229 pursuant to the third amending agreement with Mulberry and recorded this as a transaction cost (Note 11).

On February 11, 2021, the Company issued 7,469 common shares with a fair value of $84,032 to consultants to settle debt for prior services valued at $56,021 and recorded a loss on debt settlement of $28,011 (Note 15).

On February 11, 2021, the Company issued 133,333 common shares with a fair value of $1,500,000 pursuant to a settlement agreement with Farmako GmbH to settle the floor protection derivative liability of $10,138,772 and contingent consideration of $5,000,000 resulting in a gain on settlement of $13,638,772 (Note 13).

19. SHARE CAPITAL (CONTINUED)

Issued (continued):

On February 11, 2021, the Company issued 331,119 common shares with a fair value of $1,500,000 to 10026310 Manitoba Ltd. pursuant to the terms of a joint venture agreement among SUHM, Quality Confections Canada Ltd., the Edibles and Infusions Corporation, and 10026310 Manitoba Ltd. dated October 16, 2018. The Company offset this amount with obligation to issue shares.

On February 11, 2021, the company issued 360,000 common shares with a fair value of $4,050,000 pursuant to the Term Sheet with debenture holders of convertible debentures pursuant to the Amended Debentures to satisfy the aggregate interest of $2,700,000 owing on December 31, 2020 (Note 17). The Company recorded a loss on debt settlement of $1,350,000.

On February 22, 2021, the Company issued 9,467 common shares with a fair value of $92,301 to settle $71,001 of debt with certain creditors, resulting in a loss on debt settlement of $21,300 (Note 15).

On March 1, 2021, the Company issued 66,667 common shares with a fair value of $500,000 to acquire the net assets of 1274418 B.C. Ltd. (Note 12).

On March 2, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 17). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $29,041. The shares were issued at a fair value of $2,461,589 and the Company recorded a loss on debt settlement of $432,548.

On March 10, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 17). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $35,616. The shares were issued at a fair value of $2,014,027 and the Company recorded a gain on debt settlement of $21,589.

On March 25, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 17). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $43,836. The shares were issued at a fair value of $1,790,247 and the Company recorded a gain on debt settlement of $253,589.

On April 19, 2021, the Company issued 81,813 common shares with a fair value of $368,160 to settle debt of $1,525,500 pursuant to a mutual release agreement for past services performed. The Company settled $200,000 by payment of cash, and recorded a gain on debt settlement of $957,340 (Note 15).

On May 28, 2021, the Company settled debts to certain creditors of $262,500 for consulting fees and other liabilities incurred by the Company for 35,000 common shares of the Company with a fair value of $131,250. The Company recorded a gain on debt settlement of $131,250 (Note 15).

On May 28, 2021, the Company settled debts of $32,874 owing for services to a consultant through the issuance of 4,383 common shares of the Company with a fair value of $16,437. The Company recorded a gain on debt settlement of $16,437 (Note 15).

On May 28, 2021, the Company settled debts of $146,900 for amounts owing for services to a consultant with respect to arranging the sale of AAA Heidelberg Inc. (Note 27) through the issuance of 11,587 common shares of the Company with a fair value of $43,450 to pay for $86,900 of the debt. The remaining amount of $60,000 was paid in cash. The Company recorded a gain on debt settlement of $43,450 (Note 15).

On July 20, 2021, the Company settled debts of $40,190 owing for services to a consultant through the issuance of 5,359 common shares of the Company with a fair value of $16,072. The Company recorded a gain on debt settlement of $24,118 (Note 15).

19. SHARE CAPITAL (CONTINUED)

Issued (continued):

On January 6, 2020, the Company issued 5,333 common shares with a fair value of $68,000 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 and amended on December 16, 2019 for the supply of certain cannabis plants and intellectual property rights.

On January 17, 2020, the Company issued 392,157 shares with a fair value of $5,882,353 for a transaction cost related to its investment in SUHM. The Company offset $50,000 of the transaction costs by amounts owed by SUHM.

On January 28, 2020, the Company issued 44,444 units of the Company upon conversion of the Special Warrants issued on September 27, 2019 (Note 19d).

On February 13, 2020, the Company recorded fair value adjustments on shares issued for acquisition of The Good Company of $6,828,126 (Note 14).

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 511,111 common shares of the Company with a fair value of $6,818,221.

On April 7, 2020, the Company issued 24,879 common shares with a fair value of $186,592 to settle debt of $362,508 and recorded a gain on debt settlement of $175,916.

On April 30, 2020, the Company closed a non-brokered private placement offering of 1,777,778 units of the Company at a price of $11.25 per unit for gross proceeds of $20,000,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The $20,000,000 tranche consisted of the settlement of a convertible debenture and debt owed to arm's length parties of $17,666,208 (Note 16) and $2,334,000 respectively. The fair value of the shares issued was $14,666,667 and a value of $6,788,307 was assigned to the warrants calculated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 0.34%, an expected dividend rate of 0.00%, and an expected annual volatility of 116.06%, resulting in a loss on debt settlement of $1,454,765.

On May 4, 2020, the Company issued 17,953 common shares with a fair value of $148,110 to settle debt of $201,968 with certain creditors for past consulting and other services provided to the Company and recorded a gain on debt settlement of $53,858.

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 138,000 units of the Company at a price of $11.25 per Unit for gross proceeds of $1,552,500. Each Unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. In connection with the private placement, the Company paid a cash finder's fee of $3,150 and 42,000 Finder's Warrants. The Finder's Warrants have the same terms as the Unit warrants and are valued at $2,589 using Black-Scholes.

On June 5, 2020, the Company issued 152,020 common shares with a fair value of $1,500,000 for consulting services.

Obligation to issue shares

During the period ended December 31, 2020, the Company became obligated to issue common shares with a fair value of $1,500,000 to a consultant of the Company upon issuance of the standard processing Health Canada License for Edibles. The shares were issued on February 11, 2021.

(Expressed in Canadian Dollars)

19. SHARE CAPITAL (CONTINUED)

b) Warrants outstanding

	Number of warrants	Weighted average exercise price $
At December 31, 2019	910,628	58.50
Warrants granted	2,037,916	16.50
Warrants expired	(437,425)	97.50
Special warrants exercised (Note 19d)	(44,444)	75.00
At December 31, 2020	2,466,675	16.55
Warrants expired	(137,521)	7.50
At September 30, 2021	2,329,154	17.08

On July 8, 2020, the Company completed a non-brokered private placement of 77,413 units of the Company at a price of $11.25 per unit for gross proceeds of $870,900. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share for a period of five years from closing at a price of $15.00 per common share. The fair value of the shares issued was $580,600 and a value of $290,300 was assigned to the warrants.

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 138,000 units of the Company at a price of $11.25 per unit for gross proceeds of $1,552,500. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The fair value of the shares issued was $1,449,000 and a value of $103,500 was assigned to the warrants.

On May 25, 2020, the Company granted 280 warrants for finder's fees in connection with a private placement with an exercise price of $15.00 per option expiring May 25, 2025. These options have a fair value of $2,589, calculated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

On April 30, 2020, the Company granted 1,777,778 warrants as part of a non-brokered private placement offering of units at a price of $11.25 per unit for gross proceeds of $20,000,000. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The fair value of the shares issued was $14,666,667 and a value of $6,788,306 was assigned to the warrants calculated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 0.34%, an expected dividend rate of 0.00%, and an expected annual volatility of 116.06%.

On January 28, 2020, upon conversion of the Special Warrants, the Company granted 44,444 warrants and transferred a value of $616,666 to share capital, leaving a value of $1,383,333 in the warrant reserve, using the residual value method.

During the period ended September 30, 2021, $6,229,698 was transferred from option reserve to accumulated deficit for warrants expired, cancelled or forfeited.

The weighted average remaining life of the warrants outstanding is 3.31 years (December 31, 2020 – 3.85 years).

(Expressed in Canadian Dollars)

19. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding

Under Company's 2015 Stock Option Plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options	Exercise price $
October 31, 2018	October 31, 2023	8,333	21.30
May 21, 2019	May 21, 2024	14,667	69.00
May 30, 2019	May 30, 2024	6,667	58.50
August 1, 2019	August 1, 2024	19,000	46.50
July 11, 2019	May 17, 2024	27,267	48.75
January 6, 2020	January 6, 2022	667	22.50
January 30, 2020	January 30, 2022	100,000	22.50
January 31, 2020	January 31, 2022	6,667	15.00
April 30, 2020	April 30, 2025	633,333	11.25
Balance at December 31, 2020 and September 30, 2021		816,601	16.27

	Number of options	Weighted average exercise price $
At December 31, 2018	225,417	20.70
Options cancelled and expired	(2,917)	19.20
Options exercised	(179,167)	19.95
Options granted	436,267	60.60
At December 31, 2019	479,600	57.00
Options cancelled and expired	(403,666)	61.50
Options granted	740,667	12.00
At December 31, 2020 and September 30, 2021	816,601	16.27

The weighted average remaining life of the options outstanding is 3.07 years (December 31, 2020 – 3.82 years)

On March 15, 2019, the Company granted 136,000 stock options to consultants of the Company with an exercise price of $82.50 per option and a one-year term expiring March 15, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,333,476 assuming an expected life of 0.75 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

On May 21, 2019, the Company granted 40,000 incentive stock options to directors, officers and consultants with an exercise price of $69.00 and a five-year term expiring on May 21, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,688,545 assuming an expected life of 1.5 years, a risk-free interest rate of 1.66%, an expected dividend rate of 0.00%, and an expected annual volatility of 125%.

On May 30, 2019, the Company granted 20,000 incentive stock options to directors, officers and consultants with an exercise price of $58.50 and a five-year term expiring on May 30, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $594,888 assuming an expected life of 1.5 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 121%.

19. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (Continued)

On July 11, 2019, the Company granted 40,267 stock options as consideration for purchase of assets from OFIG with an exercise price of $48.75 per option expiring May 17, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,110,733 assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 113%.

On August 1, 2019, the Company granted 200,000 stock options to certain directors, officers and consultants with an exercise price of $46.50 per option expiring August 1, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,281,838 assuming an expected life of 1.5 years, a risk-free interest rate of 1.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 111%.

During the year ended December 31, 2019, 154,167 options were exercised for gross proceeds of $2,932,250 and 25,000 options were exercised for $630,000 as departing compensation for past services for the former CEO and President.

On January 6, 2020, the Company granted 667 stock options to consultants of the Company with an exercise price of $22.50 per option expiring January 6, 2022. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $2,451 assuming an expected life of 2 years, a risk-free interest rate of 1.63%, an expected dividend rate of 0.00%, and an expected annual volatility of 108%.

On January 30, 2020, the Company granted 100,000 stock options to consultants of the Company with an exercise price of $15.00 per option expiring January 30, 2022.These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $416,888 assuming an expected life of 2 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 110%. The options vest over a one year period.

On January 31, 2020, the Company granted 6,667 stock options to consultants of the Company with an exercise price of $15.00 per option expiring January 31, 2022. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $47,888 assuming an expected life of 2 years, a risk-free interest rate of 1.43%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%.

On April 30, 2020, the Company granted 633,333 stock options to consultants of the Company with an exercise price of $11.25 per option expiring April 30, 2025. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $2,144,456 assuming an expected life of 2 years, a risk-free interest rate of 0.38%, an expected dividend rate of 0.00%, and an expected annual volatility of 116%.

During the year ended December 31, 2020 and period ended September 30, 2021, no options were exercised. During the year ended December 31, 2020, an amount of $10,435,952 was transferred from option reserve to accumulated deficit for options expired, cancelled or forfeited.

(Expressed in Canadian Dollars)

19. SHARE CAPITAL (CONTINUED)

d) Special Warrants

On September 27, 2019, the Company issued 44,444 special warrants of the Company at a price of $45.00 per special warrant for gross proceeds of $2,000,000. Each Special Warrant is convertible into units with each unit consisting of one common share of the Company and one transferable common share purchase warrant with each warrant entitling the holder thereof to purchase one additional share of the Company at a price of $75.00 per share for a period of 36 months from the date of issuance of the warrants. The Company recorded $2,000,000 warrant reserve for the issuance of special warrants. During the year ended December 31, 2020, all of the Special Warrants were exercised, resulting in transferring of $616,666 from warrant reserve to share capital and $1,383,333 assigned to the warrants upon exercise of the Special Warrants using the residual value method.

e) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

f) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

g) Escrowed shares

As at September 30, 2021, 407,854 (December 31, 2020 - 61,178,051) shares were held in escrow.

20. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the periods ended September 30, 2021 and 2020:

Period ended September 30, 2021		
	Consulting and Management Fees $	**Share-based Compensation $**
Consulting fees paid/accrued to a private company controlled by the former CFO	42,500	-
Consulting fees paid/accrued to a private company controlled by the CFO	22,600	-
Consulting fees paid/accrued to a private company controlled by the CEO	158,200	-
	223,300	-

(Expressed in Canadian Dollars)

20. RELATED PARTY TRANSACTIONS (CONTINUED)

Period ended September 30, 2020	Consulting and Management Fees $	Share-based compensation $
Legal fees paid/accrued to a private company controlled by a director	7,950	56,433
Directors	-	112,866
Consulting fees paid/accrued to a former director	66,000	-
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	34,978	-
Consulting fees paid/accrued to a private company controlled by the former CFO	76,500	-
Consulting fees paid/accrued to a private company controlled by the former CEO	180,000	135,440
	365,428	304,739

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At September 30, 2021, $84,878 (December 31, 2020 - $165,778) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 15.

21. INVENTORY

The Company's inventory consists of raw materials and finished goods, the break-down is as follows:

	September 30, 2021 $	December 31, 2020 $
Raw materials	44,629	56,482
Finished goods	45,259	54,744
	89,888	**111,226**

22. ROYALTY REVENUES

On Nov 27, 2020, the Company signed a Share Purchase Agreement ("SGSCC Agreement") with an arm's length third party where the Company will sell 100% of its wholly-owned subsidiary, Sustainable Growth Strategic Capital Corp. for cash consideration of approximately $1,000,000. Pursuant to the SGSCC Agreement, the Company also entered into a Royalty Agreement with the purchaser (the "Royalty Agreement").

The royalty means that, commencing on the effective date, the Company will receive 5% of net sales from applicable operations, including all cannabis related products. The term of the Royalty Agreement is 10 years from the effective date.

The purchaser (the "Royalty Payor") shall make royalty payments each month throughout the term of the Royalty Agreement, including a minimum non-refundable royalty of $10,000 to be paid to the Company.

During the period ended September 30, 2021, the Company received royalty revenues of $128,356 from the Royalty Payor.

(Expressed in Canadian Dollars)

23. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the period ended September 30, 2021 and 2020 are as follows:

	September 30, 2021 $	September 30, 2020 $
Fair value of transfer on exercise of stock options and warrants	-	10,435,952
Shares issued for acquisitions and investments	500,000	7,900,000
Shares issued for debt settlement	13,951,024	4,811,798
Shares issued for transaction costs	6,023,229	5,882,353
Shares and options issued for services	116,540	1,568,000

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments

IFRS 13, *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are measured using level 1 inputs.

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at and September 30, 2021 and December 31, 2020:

	As at September 30, 2021		
	Level 1	Level 2	Level 3
Cash	$ 4,365,102	-	-
Marketable securities	$ 500,000	-	-
Derivative liabilities	-	-	$ 28

	As at December 31, 2020		
	Level 1	Level 2	Level 3
Cash	$ 274,390	-	-
Derivative liabilities	-	-	$ 10,138,800
Contingent consideration	-	-	$ 5,000,000

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, convertible debentures receivable and loans receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable and convertible debentures receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; the other loan is unsecured. The convertible debentures receivable is convertible into shares of the entity.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2021 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
Interest rate risk consists of two components: 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; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is not exposed to interest rate risk as its agreements are all done with fixed interest rates.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. One of the Company's subsidiary's business is conducted in Euro. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Euro. Fluctuations in the exchange rate among the Canadian dollar and the Euro may have a adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(Expressed in Canadian Dollars)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management (Continued)

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

25. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,000 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023. During the year ended December 31, 2020, the Company terminated the agreement with Vendure and settled $220,000 of debt with the issuance of 26,667 common shares and recorded a gain on debt settlement of $10,000 (Note 19).

During the year ended December 31, 2019, the Company entered into a Lease Agreement for a leased facility in Manitoba. On April 6, 2021, the Company sold its subsidiary and no longer has commitments for lease amounts subsequent to the sale (Note 26).

During the year ended December 31, 2020, the Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. The lease expires on October 31, 2029 with option to extend the lease term of two additional terms of five years each and has the following estimated annual payments:

April 2021 – December 2022	$225,000 per annum
January 2023 – December 2024	$240,000 per annum
January 2025 – December 2026	$255,000 per annum
January 2027 – December 2029	$270,000 per annum

Legal Claims

The Company has legal claims related to Sanna Health Corp.'s past termination of its former President and CEO before Sanna was acqured by the Company . The former President and CEO is claiming accrued and unpaid amounts of $137,976, total damages of $1,300,000, and entitlement to 6,000,000 restricted share units and 6,800,000 fully-vested shares (with strike price of $0.16) in Sanna Health Corp., as well as punitive damages of $250,000. The Company believes these claims are without merit and will vigourously defend itself.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Release of Claims

On March 17, 2021, an arm's length consultant (the "Consultant") acknowledges receipt and sufficiency of the payment of $27,500 ("settlement amount") from the Company and/or AAA, and the issuance of 370,106 common shares of the Company (issued in the prior year). The Consultant hereby irrevocably release the Company and AAA and their respective officers, directors, shareholders, agents from any and all claims, liens, demands, contracts, debts, actions, and causes of action that the Consultant has, shall, or may have in connection with:

i) the design and construction of a medical marijuana facility;
ii) the agreement for consulting, construction and design services and;
iii) the Claim for Lien registered by the Consultant against the Project Lands on April 16, 2020

Mortgages Payable

During the period ended September 30, 2021, the lender of the Company's mortgages payable (Note 18) has called the mortgages by way of Power of Sale, in which the lender will sell the property, repay themselves and send any amounts in excess of the loan and fees to the Company. The lender may also Foreclose on the property, in which the Company would not receive any excess. The property was listed for sale by the lender, and the Company has filed a legal claim against the lender. On June 4, 2021, the Company sold its property in Ontario for a discharge of its mortgage to the lender of the mortgage for $1,871,242 paid by the purchaser and recorded a loss on sale of assets of $931,722 (Note 7). Additionally, pursuant to the sale, the Company's promissory note of $350,000 was cancelled on closing of the sale of the property (Note 18). On July 15, 2021, the Company's legal action against the lender was discontinued.

26. DEFERRED REVENUE

On April 1, 2021, the Company signed a definitive agreement to sell its wholly-owned subsidiary, AAA Heidelberg Inc. for cash consideration of approximately $1,000,000 (Note 27). As at December 31, 2020, the Company received a deposit of $25,000 non-refundable deposit towards the sale, which is included in deferred revenue. The sale transaction closed on May 20, 2021 (Note 25) and the deferred revenue is $Nil as at September 30, 2021.

On Nov 27, 2020, the Company signed the SGSCC Agreement (Note 21). As at December 31, 2020, the Company received a deposit of $297,001 deposit towards the sale, which is included in deferred revenue. The sale transaction has not closed as at the date of the condensed interim consolidated financial statements.

During the period ended September 30, 2021, the Company received investment tax credits of $31,647 from the Government of Manitoba and a corporate tax refund of $2,866.

As at September 30, 2021, the Company has deferred revenues of $Nil (December 31, 2020 - $1,891) related to European sales.

27. SALE OF SUBSIDIARIES

AAA Heidelberg Inc.

On April 1, 2021, the Company signed a definitive agreement to sell its wholly-owned subsidiary, AAA Heidelberg Inc. for cash consideration of approximately $1,000,000.

On May 20, 2021, the Company completed the transaction to sell 100% of the issued and outstanding shares of AAA Heidelberg Inc. to 2752260 Ontario Inc. ("2752260"). The Company received gross proceeds of $998,168, of which $25,000 was received in the prior year (Note 26) and recognized a loss on sale of the subsidiary of $61,878.

(Expressed in Canadian Dollars)

27. SALE OF SUBSIDIARIES (CONTINUED)

AAA Heidelberg Inc. (Continued)

Upon completion of the sale on May 20, 2021, the Company derecognized AAA Heidelberg Inc. and recorded a loss on loss of control as follows:

	For the period ended September 30, 2021 $
Proceeds received	998,168
Less net assets as at May 20 2021:	
Assets	1,032,658
Liabilities	(22,612)
Total net liabilities	(1,010,046)
Loss on sale of subsidiary	**(11,878)**

SUHM Investments Inc.

On April 6, 2021, the Company and the other owners of Edibles closed the transaction to sell Edibles to OGI for consideration of $22,000,000 in shares of OGI, plus up to $13,000,000 in shares of OGI, receivable upon Edibles achieving certain earn-out milestones. The milestones include:

- $3,500,000 to be received in common shares of OGI on first listing prior to December 31, 2021 in either the Ontario or Alberta recreational market of Edibles or OGI branded product (which was manufactured at the Edibles facility) (received on September 9, 2021) (Note 9);
- $7,000,000 to be received in common shares of OGI on the successful completion of $15,000,000 in net revenue during the 12 months ended December 31, 2022;
- $2,500,000 to be received in common shares of OGI on the generation of $7,000,000 in adjusted EBITDA for the 12 months ended December 31, 2022.

Pursuant to the terms of the transaction, the Company received 2,186,976 shares of OGI on April 6, 2021 with a fair value of $9,054,081 (Note 9).

Pursuant to the terms of the transaction, the Company received 450,408 shares of OGI on September 9, 2021 with a fair value of $1,445,810 for the first earn-out milestone (Note 9).

During the period ended September 30, 2021, the Company sold all 2,637,384 shares of OGI for gross proceeds of $9,224,417 and recorded a loss on sale of marketable securities of $1,275,473 (Note 9).

(Expressed in Canadian Dollars)

27. SALE OF SUBSIDIARIES (CONTINUED)

SUHM Investments Inc. (Continued)

Upon completion of the sale on April 6, 2021, the Company derecognized SUHM Investments Inc. and recorded a gain on loss of control as follows:

	For the period ended September 30, 2021 $
Proceeds received	10,499,891
Less net assets as at April 6, 2021:	
Assets	13,574,108
Liabilities	(5,362,857)
Total net assets	(8,211,251)
Add: Previous loss on dilution of SUHM (Note 11)	210,494
Non-controlling interest disposed of (Note 11)	(848,308)
Gain on sale of subsidiary	**1,650,826**

28. SUBSEQUENT EVENTS

Subsequent to the period end, effective on October 1, 2021, the Company entered into a Share Buyback Agreement with JJ Wolf where the Company sold its 50% ownership of JJ Wolf back to JJ Wolf for a purchase price of $650,000 (Note 10).

On October 15, 2021, the Company issued 203,636 common shares with a fair value of $159,427 to settle debt of $162,909 with a consultant of the Company.

On October 21, 2021 the Company issued 189,750 common shares with a fair value of $166,980 to settle debt of $151,800 with a consultant of the Company.

On October 26, 2021, the Company appointed Fiona Fitzmaurice to its Board of Directors.

On November 22, 2021 the Company issued 8,744 common shares with a fair value of $5,684 to settle partial debt of $7,345 with a creditor of the Company for interest payments.