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

Condensed Interim Consolidated Financial Statements
Nine Months Ended September 30, 2022 and 2021

(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, 2022 and 2021 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.

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

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		$ 191,748	$ 3,093,357
Amounts receivable	4	289,095	224,298
Convertible loan receivable	15	742,194	742,194
Derivative asset	15	203,157	203,157
Inventory	22	42,346	99,036
Marketable Securities	9	610,303	1,250,000
Prepaids and deposits	6	102,834	51,198
		2,181,677	5,663,240
Non-current assets			
Investments and joint venture	10, 11	17,837,036	23,438,656
Property and equipment	7	-	1,258,365
Loans receivable	5	16,596,426	14,950,797
Intangible assets and goodwill	8, 14	828,464	905,932
TOTAL ASSETS		**$ 37,443,603**	**$ 46,216,990**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16, 21	$ 1,071,113	$ 1,666,639
Current portion of lease liabilities	17	-	97,093
Deposits	27	297,001	297,001
Deferred grant	19	5,346	15,891
Loans payable	19	794,925	759,343
Convertible loan payable	18	17,472,885	23,022,081
Derivative liabilities	14,18	28	28
		19,641,298	25,858,076
Non-current liabilities			
Deferred grant	19	-	7,854
Lease liabilities	17	-	1,302,440
TOTAL LIABILITIES		**19,641,298**	**27,168,370**
SHAREHOLDERS' EQUITY			
Share capital	20	203,624,073	199,883,816
Reserves	20	25,044,311	25,511,665
Accumulated other comprehensive income		129,407	67,126
Deficit		(210,824,835)	(206,243,336)
Attributable to shareholders		17,972,956	19,219,271
Non-controlling interest	13	(170,651)	(170,651)
TOTAL SHAREHOLDERS' EQUITY		**17,802,305**	**19,048,620**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 37,443,603**	**$ 46,216,990**

Nature and continuance of operations (Note 1)
Commitments (Note 26)
Sale of subsidiaries (Note 28)
Subsequent events (Note 30)

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

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Sales		$ 172,794	$ 183,317	$ 491,585	$ 775,175
Cost of goods sold		(74,954)	(133,359)	(278,295)	(420,817)
		97,840	49,958	213,290	354,358
Expenses					
Amortization	7,8	27,362	40,647	119,320	211,025
Consulting and management	21	236,090	159,659	489,777	1,079,269
Corporate development		16,464	54,160	39,325	179,886
Finance and other costs	18, 19	930,792	678,884	2,551,005	5,382,301
Foreign exchange loss (gain)		7,886	3,812	94,618	11,576
Development and compliance		-	-	1,413	36,401
Distribution expenses		-	-	-	1,695
Due diligence		-	-	3,424	-
Insurance		1,935	33,703	31,277	95,122
Office and sundry		12,065	16,107	40,971	176,671
Other general and operating costs		46,007	53,493	129,623	176,779
Production costs		-	-	-	28,193
Professional fees		244,157	194,126	562,749	1,381,287
Property taxes and fees		-	-	-	304,882
Regulatory and transfer agent fees		29,979	31,853	139,884	120,563
Rent expense (recoveries)		16,230	66,291	62,000	(98,214)
Repairs and maintenance		-	-	-	839
Transaction costs	20	-	-	-	6,023,229
Wages and salary		42,519	116,637	128,149	487,304
		(1,611,486)	(1,449,372)	(4,393,535)	(15,598,808)
Loss before other items		(1,513,646)	(1,399,414)	(4,180,245)	(15,244,450)
Other items					
Fair value movement on investments	10	-	-	16,790	-
Gain (loss) on debt settlement	16, 18, 20	1,156,099	74,118	2,961,863	15,141,049
Gain on write-off of accounts payable	16	241,750	-	247,400	537,264
Gain on loan payable	19	-	-	-	19,546
Gain (loss) on modification of debt	18	92,988	-	1,579,362	-
Loss on sale of marketable securities		-	(72,316)	-	(1,275,473)
Gain on sale of subsidiary		-	1,445,810	-	1,638,948
Loss on dilution of interest in subsidiary		-	-	-	(210,494)
Loss on disposal of PPE		-	931,722	-	938,031
Government grants	19	5,345	7,600	18,400	68,282
Interest income	5	167,566	151,899	493,689	473,375
Royalty revenues	23	-	33,900	52,600	128,356
Share of losses in investments and joint venture	10,11	(1,175,830)	(1,532,796)	(4,449,680)	(3,919,711)
Gain on termination of lease	17	-	-	159,614	-
Unrealized loss on marketable securities	10	(55,151)	-	(639,697)	-
Write-off of accounts receivable	4	-	-	(2,189)	(19,180)
Write-off of investments	10	(1,288,600)	-	(1,288,600)	-
Write-off of inventory	22	-	-	(18,160)	-
Net loss for the period		**(2,369,479)**	**(359,477)**	**(5,048,853)**	**(1,724,457)**
Other Comprehensive Income					
Foreign Exchange gain on translating foreign operations		6,298	3,375	62,281	33,921
Net and comprehensive loss for the period		**$ (2,363,181)**	**$ (356,102)**	**$ (4,986,572)**	**$ (1,690,536)**
Net income attributable to:					
Shareholders of Agra Ventures Ltd.		$ (2,369,479)	$ (359,418)	$ (5,048,853)	$ (1,724,398)
Non-controlling interests	13	-	(59)	-	(59)
		$ (2,369,479)	**$ (359,477)**	**$ (5,048,853)**	**$ (1,724,457)**
Net and comprehensive loss attributable to:					
Shareholders of Agra Ventures Ltd.		$ (2,363,181)	$ (356,043)	$ (4,986,572)	$ (1,690,477)
Non-controlling interests	13	-	(59)	-	(59)
		$ (2,363,181)	**$ (356,102)**	**$ (4,986,572)**	**$ (1,690,536)**
Net loss per share – basic and diluted		**$ (0.03)**	**$ (0.03)**	**$ (0.14)**	**$ (0.15)**
Weighted average number of common shares outstanding		**67,862,355**	**12,160,849**	**35,571,908**	**11,280,540**

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

	Share capital								
	Number of shares[1]	Amount	Share-based payments reserve	Warrants reserve	Non-controlling interest	Accumulated other comprehensive income	Obligation to issue shares	Deficit	Total
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 income 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	1,003,871	6,023,229	-	-	-	-	-	-	6,023,229
Shares issued to settle floor protection liability (Note 14 and 20)	133,333	1,500,000	-	-	-	-	-	-	1,500,000
Shares issued for services (Note 20)	17,211	116,540	-	-	-	-	-	-	116,540
Shares issued for acquisition (Note 20)	66,667	500,000	-	-	-	-	-	-	500,000
Shares for debt settlement (Note 20)	137,867	635,161	-	-	-	-	-	-	635,161
Consulting fees (Note 19)	331,119	1,500,000	-	-	-	-	(1,500,000)	-	-
Shares for interest payment of amended convertible debentures (Notes 17 and 20)	360,000	4,050,000	-	-	-	-	-	-	4,050,000
Conversion of debentures (Notes 18 and 20)	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
Balance at December 31, 2021	**13,388,503**	**$ 199,883,816**	**$ 5,492,112**	**$ 20,019,553**	**$ (170,651)**	**$ 67,126**	**$ -**	**$ (206,243,336)**	**$ 19,048,620**
Net and comprehensive income for the period	-	-	-	-	-	62,281	-	(5,048,853)	(4,986,572)
Fair value of options expired	-	-	(467,354)	-	-	-	-	467,354	-
Shares for debt settlement (Note 16 and 20)	874,363	283,434	-	-	-	-	-	-	283,434
Shares for interest payment of amended convertible debentures (Notes 18 and 20)	1,200,000	468,000	-	-	-	-	-	-	468,000
Conversion of debentures (Notes 18 and 20)	73,389,004	2,988,823	-	-	-	-	-	-	2,988,823
Balance at September 30, 2022	**88,851,870**	**$ 203,624,073**	**$ 5,024,758**	**$ 20,019,553**	**$ (170,651)**	**$ 129,407**	**$ -**	**$ (210,824,835)**	**$ 17,802,305**

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, 2022	September 30, 2021
Operating activities		
Net loss for the period	$ (5,048,853)	$ (1,690,536)
Adjustments for:		
Accrued interest	2,522,299	(5,382,301)
Amortization (Notes 7 and 8)	119,320	211,025
Interest income (Notes 5)	(493,689)	(473,375)
Non-cash consulting fees	-	116,540
Shares issued for interest expense (Note 20)	20,945	-
Gain on loan payable (Note 19)	-	(19,546)
Gain on debt modification (Note 18)	(1,579,362)	-
Gain on sale of subsidiary	-	(1,638,948)
Gain on termination of lease (Note 17)	(159,614)	-
Fair value movement on investments (Note 10)	(16,790)	-
Write-off of investments (Note 10)	1,288,600	-
Government grants	(18,400)	(42,833)
Deposits recognized	-	(26,890)
Share of losses in investments and joint venture (Notes 10 and 11)	4,449,680	3,919,711
Foreign exchange adjustments on property and equipment	-	51,543
Transaction cost (Notes 12 and 20)	-	6,023,229
Loss on dilution of interest in subsidiary	-	210,494
Loss on sale of PPE	-	(931,722)
Loss on sale of marketable securities	-	1,275,473
Gain on debt settlement (Notes 16, 18, 20)	(2,961,863)	(15,177,548)
Conversion of debentures	-	4,976,088
Foreign exchange loss (gain)	94,637	11,576
Write-off of amounts receivable (Note 4)	2,189	19,180
Unrealized loss on marketable securities (Note 9)	639,697	-
Changes in non-cash working capital items:		
Accounts receivable	(66,986)	(825,639)
Prepaids and deposits	(51,636)	(6,598)
Inventory	56,690	21,338
Accounts payable and accrued liabilities	(488,944)	(1,434,561)
Net cash flows used in operating activities	(1,692,080)	(10,814,300)
Financing activities		
Repayment of lease liability	-	(246,129)
Proceeds from sale of subsidiaries	-	998,168
Proceeds from loan received	-	308,000
Net cash flows provided by financing activities	-	1,060,039
Investing activities		
Recoveries (expenditures) on equipment	-	5,171,877
Investment in Twenty One (Note 10)	(1,271,810)	-
Receipt of corporate tax refund	-	2,866
Deposits – property sale	-	-
Purchase of marketable securities	-	(500,000)
Sale of marketable securities	-	9,224,417
Purchase of patents and licenses	-	(46,000)
Net cash flows provided by (used in) investing activities	(1,271,810)	13,853,160
Change in cash	(2,963,890)	4,098,899
Cash, beginning of year	3,093,357	274,390
Effect of change in foreign currency on cash	62,281	(8,187)
Cash, end of year	**$ 191,748**	**$ 4,365,102**

Supplemental cash flow information (Note 24)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 Company is 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 asset includes its 70% equity interest in Propagation Services Canada, which is a licensed producer of cannabis that utilizes approximately 140,000 sq. ft. of a 2,200,000 sq. ft. greenhouse complex in Delta, B.C. In addition, Agra Ventures' wholly owned subsidiary, AgraFlora Europe GmbH, is a distributor of medical cannabis in Germany that is also licensed in the United Kingdom. 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 ("OTC") under the symbol "AGFAF".

These condensed interim 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 25. At September 30, 2022, the Company has working capital deficit of $17,459,621 (December 31, 2021 – $20,194,836), and an accumulated deficit of $210,824,835 (December 31, 2021 - $206,243,336).

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. In addition, the Company faces uncertainty with respect to potential future business impacts resulting from the continuing COVID-19 global pandemic, further described in Note 2. These events and conditions create a material uncertainty, which 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 have been prepared on a going concern basis, and 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.

2. BASIS OF PREPARATION (continued)

Basis of preparation (continued)

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, 2021, including the accompanying notes thereto.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 29, 2022.

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 condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries:

	Ownership Interest 2022	Ownership Interest 2021	Jurisdiction
Potluck Potions and Edibles Inc.	80%	80%	Canada
Canutra Naturals Ltd.	100%	100%	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
1205293 B.C. Ltd. o/a TF HoldCo.	100%	100%	Canada
Trichome Canabrands Inc.	100%	100%	Canada
Sanna Health Corp.	100%	100%	Canada
AgraFlora Europe GmbH (formerly The Good Company)	100%	100%	Germany
11406426 Canada Corp. d/b/a Canada Formulations Corp	80%	80%	Canada
AgraFlora Holdings Corp. (Note 12)	100%	100%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, have been eliminated in preparing the condensed interim 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 is the functional currency for AgraFlora Europe GmbH.

2. BASIS OF PREPARATION (CONTINUED)

Presentation and functional currency (continued)

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 profit or loss.

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.

Exchange differences arising on translation of foreign operations are recognized in accumulated other comprehensive income as foreign exchange gain on translating foreign operations. 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 condensed interim 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 condensed interim consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies. The key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2021.

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, 2022. The production and sale of cannabis have been recognized as essential services across Canada and Europe. As at September 30, 2022, 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. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2021.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position is comprised of cash at banks and on hand, amounts held in trust with the Company's lawyers and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company did not hold any cash equivalents as at September 30, 2022 or December 31, 2021.

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.

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, 2022 and December 31, 2021, the Company accounts for the following entities using the equity method as the Company does not have control over these entities:

	Ownership Interest 2022	Ownership Interest 2021	Jurisdiction
Propagation Services Canada Inc. (Note 11)	70%	70%	Canada
Eurasia Infused Cosmetics Inc.	50%	50%	Canada

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future accounting standards

The Company continues to review changes to IFRS standards. There are no pending IFRS or IFRIC interpretations other than the ones disclosed as disclosed in the Company's audited financial statements for December 31, 2021 that are expected to be relevant to the Company's condensed interim consolidated financial statements.

4. AMOUNTS RECEIVABLE

	September 30, 2022 $	December 31, 2021 $
Government sales tax recoverable	10,385	13,372
Other receivable	278,710	210,926
	289,095	224,298

During the period ended September 30, 2022, the Company wrote off $2,189 (Period ended September 30, 2021 - $19,180) of government sales tax recoverable on the basis that the amounts were denied by the Canada Revenue Agency.

As at September 30, 2022, $213,837 of other receivables relates to amounts receivable pursuant to the SGSCC Agreement (Note 23).

5. LOANS RECEIVABLE

	$
Loans receivable, December 31, 2020	**13,300,936**
Receipt of repayment for promissory note	(275,000)
Accrued interest	1,924,861
Loans receivable, December 31, 2021	**14,950,797**
Accrued interest	1,645,629
Total loans receivable, September 30, 2022	**16,596,426**

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 7). The promissory note matures on June 4, 2022, accrued interest at 9% per annum payable to the Company in monthly instalments starting from January 4, 2021. During the year ended December 31, 2021, the arm's length party repaid the promissory note, the balance of the loan is $Nil as at December 31, 2021 and September 30, 2022.

On November 6, 2020, the Company entered into a definitive loan agreement with Propagation Services Canada. The loan agreement has a maximum facility amount of $50,000,000, and includes previous advances made to Propagation Services Canada 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. The loan is secured by a General Security Agreement. The loan has no stated maturity date and is repayable monthly out of 50% of Propagation Services Canada's EBITDA until Propagation Services Canada's loan outstanding with Houweling Nurseries Property Ltd. ("HNL") is settled, after which the loan becomes repayable monthly out of 100% of Propagation Services Canada's EBITDA until the outstanding balance is settled.

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (CONTINUED)

As a result of executing the definitive loan agreement, the previous advances were considered extinguished and replaced with the new loan, which has been advanced to Propagation Services Canada 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 interest rate of 15% is determined based on market rates of interest for similar loan instruments. 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 Propagation Services Canada (Note 11). The loan receivable is considered a performing loan, with no external credit rating. The loan is not expected to be repaid within the next 12-month period. Propagation Services Canada has begun growing biological assets under its Health Canada License, bringing that entity closer to production.

Subsequent to initial recognition, the loan will be measured at amortized cost using the effective interest rate method. During the year ended December 31, 2021, the Company recorded $1,924,861 in interest income relating to the loan. The Company eliminated $1,275,018 of inter-company interest income, reducing the interest income to $649,843 and reducing the investment in Propagation Services Canada by $1,275,018.

During the period ended September 30, 2022, the Company recorded $1,645,629 in interest income relating to the loan. The Company eliminated $1,151,940 of inter-company interest income, reducing the interest income to $493,689 and reducing the investment in Propagation Services Canada by $1,151,940.

6. PREPAIDS AND DEPOSITS

	September 30, 2022 $	December 31, 2021 $
Advances to third-party suppliers	77,484	42,273
Prepaid deposits	25,350	8,925
Total	102,834	51,198

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries.

	Furniture & equipment $	Buildings $	Computers $	Right of use assets $	Leasehold improvements $	Total $
Cost:						
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
Effect of movements in exchange rates	-	(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 28)	(5,423,332)	(6,446,224)	(78,474)	(1,931,548)	(780,889)	(14,660,467)
At December 31, 2021	561,934	-	-	1,569,411	198,192	2,329,537
Termination of lease	-	-	-	(1,569,411)	-	(1,569,411)
September 30, 2022	**561,934**	**-**	**-**	**-**	**198,192**	**760,126**
Amortization:						
At December 31, 2020	(90,126)	(50,024)	(49,659)	(462,537)	(198,192)	(850,538)
Charge for the year	(6,477)	(28,919)	(2,225)	(208,475)	-	(246,096)
Effect of movements in exchange rates	588	-	-	-	-	588
Sale, disposal or impairment of assets	(500,000)	78,943	-	-	-	(421,057)
Derecognized on sale of subsidiary (Note 28)	36,710	-	51,884	357,337	-	445,931
At December 31, 2021	(559,305)	-	-	(313,675)	(198,192)	(1,071,172)
Charge for the period	(2,610)	-	-	(39,242)	-	(41,852)
Termination of lease	-	-	-	352,917	-	352,917
Effect of movements in exchange rates	(19)	-	-	-	-	(19)
At September 30, 2022	**(561,934)**	**-**	**-**	**-**	**(198,192)**	**(760,126)**
Net book value:						
December 31, 2021	2,629	-	-	1,255,736	-	1,258,365
September 30, 2022	**-**	**-**	**-**	**-**	**-**	**-**

The right-of-use assets relates the leased manufacturing facility in Ontario acquired upon acquisition of Sanna Health Corp. ("Sanna") (Note 12). The Ontario lease is reflected on the consolidated statement of financial position as right-of-use assets, with an associated lease liability (Note 17). The discount rates applied to the leases is 9.85%. During the year ended December 31, 2021, the Company derecognized the right-of-use asset for the leased building and land in Winnipeg, Manitoba upon sale of SUHM Investments Inc. (Notes 17 and 28).

During the period ended September 30, 2022, the Company terminated the Ontario lease and has derecognized the associated lease liability (Note 17).

Year-ended December 31, 2021

The Company acquired AgraFlora Holdings Corp. and as a result of the acquisition obtained equipment of $500,000 (Note 12). During the year-ended December 31, 2021, the Company recorded an impairment loss of $500,000 to write-off the equipment as a result of damage.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT (CONTINUED)

Year-ended December 31, 2021 (Continued)

The Company sold its subsidiary AAA Heidelberg Inc. and derecognized property and equipment of $1,002,997 as a result (Note 28).

The Company sold its subsidiary SUHM Investments Inc. ("SUHM") and derecognized property and equipment of $13,211,539 as a result (Note 28).

SUHM wrote-off certain equipment with a book value of $3,168 and recorded a gain of $6,309.

The Company sold its property in Ontario for a discharge of its mortgage to the lender of the mortgage for $1,871,242 (Note 19). On completion of the sale, the Company derecognized the property with a net 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 $	Non-Compete Agreement $	Total $
Balance, December 31, 2020	**1,000,000**	**166,667**	**1,166,667**
Additions	46,000	-	46,000
Amortization	(117,068)	(5,556)	(122,624)
Derecognized on sale of subsidiary (Note 28)	(23,000)	(161,111)	(184,111)
Balance, December 31, 2021	**905,932**	**-**	**905,932**
Amortization	(77,468)	-	(77,468)
Balance, September 30, 2022	**828,464**	**-**	**828,464**

The Company did not acquire any intangibles and goodwill during the period ended September 30, 2022. During the year ended December 31, 2020, the Company acquired intangibles and goodwill as disclosed in Notes 10, 12 and 14.

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 14).

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 $117,068 for the year ended December 31, 2021. During the period ended September 30, 2022, the Company recorded amortization of $77,468 on the licenses.

The non-compete agreement arose as a result of the acquisition of SUHM (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 2021, the Company recorded amortization of $5,556 on the non-compete agreement prior to the sale of SUHM. On April 6, 2021, the Company sold SUHM to a third party and thus derecognized the non-compete agreement of $161,111 as a result (Note 28).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

During the year ended December 31, 2020, the Company impaired of the license of AAA Heidelberg Inc. to $Nil based on the anticipated sale of the subsidiary in 2021 for $1,000,000, which completed during the year ended December 31, 2021 where the Company received gross proceeds of $998,168 (Note 28).

During the year ended December 31, 2020, impaired the Sanna Health Canada license to $1,000,000 as a result of determining the recoverable value of the license to be $1,000,000. Additionally, the Company received a deposit of $297,001 towards the sale of the subsidiary on November 27, 2020 (Note 27).

During the year ended December 31, 2021, the Company paid license fees for two 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 related Health Canada license of $23,000 (Note 28).

As at September 30, 2022, the Sanna Health Canada license has a value of $828,464 (December 31, 2021 - $905,932), and the AgraFlora Europe GmbH license has a value of $Nil (December 31, 2021 - $Nil).

9. MARKETABLE SECURITIES

At September 30, 2022, the Company held the following marketable securities:

Investee	Number of Shares/Warrants	Cost $	Fair Value $
Pubic Companies			
Cult Food Science Corp. – Shares	2,757,575	750,000	110,303
Cult Food Science Corp. – Warrants	2,757,575	-	-
Private Company			
Pounce Technologies – Shares	4,500,000	500,000	500,000
		1,250,000	610,303

At December 31, 2021, the Company held the following marketable securities:

Investee	Number of Shares/Warrants	Cost $	Fair Value $
Private Companies			
Cult Food Science Corp. – Shares	2,757,575	750,000	750,000
Cult Food Science Corp. – Warrants	2,757,575	-	-
Pounce Technologies – Shares	4,500,000	500,000	500,000
		1,250,000	1,250,000

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.

9. MARKETABLE SECURITIES (CONTINUED)

Cult Food Science Corp. (Continued)

On November 1, 2021, the Company subscribed to a private placement of 757,575 units ("November CULT Unit") of CULT for total cash of $250,000. Each November 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 Company assigned $Nil value to the warrants as CULT was a private investment as of December 31, 2021. CULT commenced trading on the CSE on January 17, 2022. At December 31, 2021, the fair value of the CULT investment was $750,000.

At September 30, 2022, the fair value of the CULT investment was $110,303 and the Company had an unrealized loss of $639,697 on the investment during the period ended September 30, 2022.

Organigram Holdings Inc.
During the year ended December 31, 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 (Note 28). The Company sold all shares of OGI for proceeds of $9,224,417 and recorded a loss on sale of $1,275,473. The balance of the investment at September 30, 2022 and December 31, 2021 is $Nil.

Pounce Technologies Inc.
On November 23, 2021, the Company purchased 4,500,000 common shares of Pounce Technologies Inc., a private company, for total cash of $500,000. The fair value of this investment at September 30, 2022 and December 31, 2021 is $500,000.

10. INVESTMENTS

Investment in JJ Wolf Investments Ltd.
JJ Wolf Investments Ltd. ("JJ Wolf") During the year ended December 31, 2019, the Company entered into a share exchange agreement with JJ Wolf Investments Ltd. ("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.

On October 1, 2021, the Company entered into a Share Buyback Agreement (the "Share Buyback") with JJ Wolf to sell the Company's 50% ownership (10,000,000 common shares) of JJ Wolf back to JJ Wolf for $650,000. Immediately prior to the Share Buyback, the balance of the investment was $1,125,212. The Company recorded a loss on sale of equity accounted investments of $475,212 as a result of the Share Buyback.

The Company accounted for its investment in JJ Wolf under the equity method and recorded a loss on investment of $77,884 for the year ended December 31, 2021, up to the date of the Share Buyback). The investment balance as at September 30, 2022 and December 31, 2021 is $Nil.

At September 30, 2022, the Company owned Nil% (December 31, 2021 - Nil%) of the common shares of JJ Wolf.

10. INVESTMENTS (CONTINUED)

Investment in Twenty One Investment Holdings, Inc.

On February 8, 2022, the Company entered into a definitive share purchase agreement (the "Purchase Agreement") with Twenty One Investment Holdings, Inc. ("Twenty One"), a privately held Delaware company, and all shareholders of Twenty One (the "Selling Shareholders") to acquire up to 34% of the issued and outstanding shares of Twenty One. On February 9, 2022 (the "Closing Date"), the Company closed the acquisition of Twenty One Acquisition, the Company received 1,000,000 common shares of Twenty One for US$1.00 per share for $1,271,810 (US$1,000,000). At the Closing Date, the Company holds 15.38% of the outstanding common shares of Twenty One.

Pursuant to the Purchase Agreement, within six months of the Closing Date, the Company will purchase additional common shares of Twenty One (the "Additional Shares") for an aggregate investment of at least US$1,000,000 and up to US$1,500,000 (the "Second Closing") at a price of US$1.00 per share. Following the Second Closing, the Company will hold between approximately 28.57% and 34.48% of the outstanding common shares of Twenty One.

On August 10, 2022, the Company terminated the Purchase Agreement and recorded a write-off of $1,288,600 on the investment.

During the period ended September 30, 2022, the Company recorded a fair value gain on investment of $16,790.

As at September 30, 2022, the fair value of the investment is $Nil and the Company has Nil% ownership of Twenty One.

11. PROPAGATION SERVICES CANADA INC.

In 2018, the Company acquired a 40% interest in PSC, a joint venture which has ownership of the Houweling Nurseries Ltd.'s Delta Propagation Facility (the "Facility"), consisting of up to 2,200,000 square feet of greenhouse space and up to 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 could 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 granted 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.

In 2019, the Company acquired 100% of all the issued and outstanding common shares of DOCC, which gave the Company an additional 20% equity interest in PSC. The Company now has a 70% equity interest in PSC. 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 went from significant influence to joint control. The interest in PSC continues to be accounted for under the equity method.

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (CONTINUED)

On November 6, 2020, the Company entered into a definitive Loan Agreement with PSC (Note 5). Prior to the definitive Loan Agreement, the Company made advances of $38,604,344 to PSC. As the terms to this Loan Agreement were substantially different than those for previous advances made to PSC, the Company accounted for the modification as an extinguishment of the original advances made to PSC and the recognition of a new loan receivable. The difference between the fair value of the new loan receivable and the original advances was recognized as a contribution to PSC in the amount of $25,896,081, leaving $12,708,230 in loan receivable as of December 31, 2020 (Note 5).

At September 30, 2022 and December 31, 2021, the Company considered certain indications to determine whether its investment in PSC was impaired. The Company noted no indicators of impairment as at September 30, 2022 and December 31, 2021.

Under equity accounting, the Company's share of PSC's losses for the period ended September 30, 2022 totaled $4,449,680 (September 30, 2021 - $3,841,827).

The table below provides a continuity of the PSC investment:

	September 30, 2022 $	December 31, 2021 $
Opening balance	23,438,656	28,800,620
Adjustment of intercompany interest	(1,151,940)	(1,275,018)
Loss on equity investment	(4,449,680)	(4,086,946)
Ending balance	**17,837,036**	**23,438,656**

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

Summary statements of financial position as at	September 30, 2022 $	December 31, 2021 $
Current assets	2,145,171	2,963,892
Non-current assets	30,647,959	33,965,279
Total assets	32,793,130	36,929,171
Current liabilities	5,949,144	5,121,524
Non-current liabilities	28,689,231	27,299,981
Shareholders' equity	(1,845,245)	4,507,666
Total liabilities and shareholders' equity	32,793,130	36,929,171

Summary statements of comprehensive loss for the periods ended	September 30, 2022 $	September 30, 2021 $
Revenues	865,154	-
Cost of goods sold	(655,468)	-
Operating general and administration expenses	(7,225,801)	(5,962,003)
Other income (expenses)	659,429	473,679
Net and comprehensive loss	(6,356,686)	(5,488,324)

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (CONTINUED)

Material amounts from above summary financial position and comprehensive income (loss)	Period ended September 30, 2022 $	Year ended December 31, 2021 $
Cash and cash equivalents	132,353	1,816,138
Current financial liabilities (excluding trade and other payables and provisions)	1,266,056	2,775,041
Non-current financial liabilities	28,689,231	27,299,981
Depreciation and amortization	1,305,926	1,703,834
Income tax expense (recovery)	-	(2,173,721)
Interest expense	2,702,736	3,175,824

12. ACQUISITIONS

SUHM Investments Inc.

In 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 controlled the joint venture. On April 6, 2021, the Company sold its ownership of SUHM to a third party, thereby disposing of the SUHM ownership and Edibles ownership interests (Note 28).

On February 12, 2021, SUHM completed a private placement for gross proceeds of $1,635,000 and the Company's interest in SUHM was diluted from 100% to 54.18%, and as a result the Company's interest in Edibles was diluted from 80% to 43.34%. As a result, the Company recognized NCI of $1,635,000 relating to the dilution of interest in Edibles.

The Company recorded NCI on the dilution of interest on February 12, 2021 of $3,045,244. On April 6, 2021, the Company lost all of its interest in SUHM, and as a result ceased consolidation of SUHM (and by extension Edibles). As at December 31, 2021 and September 30, 2022, the Company has Nil% ownership in Edibles and thus total non-controlling interest is $Nil.

	$
Total non-controlling interest, December 31, 2020	(848,308)
Non-controlling interest in loss of SUHM to February 12, 2021 at 20%	(50,090)
Non-controlling interest recognized on SUHM's private placement	1,635,000
Total non-controlling interest, on February 12, 2021 before dilution	736,602
Non-controlling interest recognized on dilution of interest on February 12, 2021	3,045,244
Non-controlling interest in loss of SUHM from February 13, 2021 to April 5, 2021 at 54.18%	(351,353)
Total non-controlling interest at April 5, 2021	3,430,493
Elimination of non-controlling interest on April 6, 2021	(3,430,493)
Total non-controlling interest, December 31, 2021 and September 30, 2022	**-**

(Expressed in Canadian Dollars)

12. ACQUISITIONS (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 $
Current assets	201,458
Non-current assets	13,211,539
Total assets	13,412,997
Current liabilities	13,202,976
Non-current liabilities	1,621,178
Equity	(1,411,157)
Total liabilities and shareholders' equity	13,412,997

Summary statements of comprehensive loss for the period ended	April 6, 2021 $
Revenues	-
Operating general and administration expenses	(879,119)
Other items	74,516
Net and comprehensive loss	(804,603)

Summary statements of cash flows for the period ended	April 6, 2021 $
Cash received (used in) from operating activities	(1,959,380)
Cash received from financing activities	2,134,025
Cash used in investing activities	(178,744)
Net decrease in cash	(4,099)
Cash, beginning of period	5,012
Cash, end of period	913

On February 8, 2021, the Company issued 1,003,871 common shares (Note 20) pursuant to the third amending agreement with Mulberry Capital Corp. ("Mulberry") related to the acquisition of SUHM in the year ended December 31, 2019. Additionally, pursuant to the third amending agreement, the Company transferred a total of 9,684,065 SUHM shares to Mulberry for forgiveness of the remaining unpaid portion of the purchase price on the Joint Venture Agreement being an aggregate amount of $27,500,000. The issuance of shares and the transfer of SUHM shares satisfied the third amending agreement.

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

	$
Total assets	13,574,108
Total liabilities	(14,823,954)
Intercompany amounts with Agra	11,096,096
Total net assets of SUHM	**9,846,250**

Upon transfer of the SUHM shares, the Company recognized disposal of NCI of $3,468,765, and a gain on sale of Edibles of $4,122,405 (Note 28) during the year ended December 31, 2021.

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

AgraFlora Holdings Corp.

On March 1, 2021, the Company closed the acquisition of 100% of the issued and outstanding common shares of 1274418 B.C. Ltd. ("1274418") by way of a "three-cornered" amalgamation where 1274418 amalgamated with 1274744 B.C. Ltd. ("1274744") resulting in AgraFlora Holdings Corp. as the amalgamated corporation pursuant to the acquisition agreement dated November 17, 2020. This acquisition has been accounted for as an asset acquisition as AgraFlora Holdings Corp. did not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, on March 1, 2021, the Company issued 66,667 common shares of the Company with a fair value of $500,000.

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

13. NON-CONTROLLING INTEREST

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

	Edibles $	11122347 $	Potluck $	Total $
As at December 31, 2020	(848,308)	(40,295)	(130,283)	(1,018,886)
NCI recognized on private placement of subsidiary	1,635,000	-	-	1,635,000
Derecognition of NCI on sale of subsidiary (Notes 12 and 28)	(3,468,765)	-	-	(3,468,765)
Net and comprehensive loss attributable to NCI	2,682,073	-	(73)	2,682,000
As at December 31, 2021 and September 30, 2022	-	(40,295)	(130,356)	(170,651)

14. BUSINESS COMBINATIONS

AgraFlora Europe GmbH (formerly The Good Company)

On February 13, 2020, the Company acquired 100% of the issued and outstanding shares of AgraFlora Europe GmbH. Under the terms of the Share Purchase Agreement, the Company recorded Earn-Out contingent consideration and a floor protection derivative liability which was in place to protect the vendors from significant declines in the value of the consideration shares. As at December 31, 2020, the estimated fair value of the floor protection derivative liability was determined to be $10,138,772 and the Earn-Out contingent consideration was $5,000,000. On February 11, 2021, the Company issued 20,000,000 common shares fair valued at $1,500,000 to settle the contingent consideration and the floor protection derivative liability, resulting in a gain on settlement of debt of $13,638,772 (Note 20).

(Expressed in Canadian Dollars)

15. CONVERTIBLE LOAN RECEIVABLE

Valo Therapeutics Oy

On November 3, 2021, the Company purchased $750,000 of Convertible Notes ("C Notes") from Valo Therapeutics Oy ("Valo"), a company incorporated in Helsinki, Finland. The convertible loan receivable consists of a loan receivable component and a separate embedded derivative conversion feature, being the derivative asset. The convertible loan receivable is considered by management to be a performing loan with no external credit rating. No loss allowance has been recorded, as the Company does not expect any credit losses on this loan over the next 12 months.

During the year ended December 31, 2021 and as at September 30, 2022, the fair value of the convertible debentures was determined to be $742,194 and the fair value of the derivative asset was determined to be $203,157. The convertible debenture receivable was fair valued using the present-value of future cash flows. The derivative asset was fair valued using the binomial tree model, using a risk-free rate of 0.09%, volatility of 60.8%, and a 30% discount to reflect the inherent uncertainly. As a result, the Company recorded a gain on fair value movement of convertible debentures of $Nil (2021- $Nil) during the period ended September 30, 2022.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022 **$**	**December 31, 2021** **$**
Accounts payable	862,214	962,695
Amount due to related parties (Note 22)	113,162	74,641
Accrued liabilities	95,737	629,303
	1,071,113	**1,666,639**

During the year ended December 31, 2021, the Company settled debts with certain creditors by issuance of shares and recorded a gain on debt settlement of $14,481,278 (Note 20) and wrote off statute-barred accounts payable of $384,822.

During the period ended September 30, 2022, the Company settled debts with Sanna's former President and CEO by issuance of shares and recorded a loss on debt settlement of $12,489 (Note 20).

During the period ended September 30, 2022, the Company wrote off statute-barred accounts payable of $247,400.

17. LEASE LIABILITIES

Manitoba Lease

The Company recorded a right-of-use asset for the leased facility in Manitoba during the year ended December 31, 2019 (Note 7). The Company recognized a right-of-use asset of $1,931,548 and a 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 were discounted using the Company's incremental borrowing rate of 11.34%.

On April 6, 2021, the Company sold SUHM to a third party and has derecognized the lease liability as at April 6, 2021 (Note 28).

(Expressed in Canadian Dollars)

17. LEASE LIABILITIES (CONTINUED)

Manitoba Lease (Continued)

The following is a continuity schedule of the lease liability:

	$
Balance, December 31, 2020	**1,770,391**
Lease payments	(82,537)
Interest expense on lease liability	52,422
Derecognition of lease liability on sale of subsidiary (Note 28)	(1,740,276)
Balance, December 31, 2021 and September 30, 2022	**-**

Ontario Lease

The Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. The Company recorded a right-of-use asset of $1,569,411 and a 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 were discounted using the Company's incremental borrowing rate of 9.85%.

During the year ended December 31, 2021, as a result of COVID-19, the lessor temporarily reduced the rent amounts and the Company recorded a gain on lease forgiveness of $126,875.

During the period ended September 30, 2022, the Ontario lease for Sanna was terminated and the Company recognized a gain on termination of lease of $159,614.

The following is a continuity schedule of the lease liability:

	$
Balance, December 31, 2020	**1,487,919**
Interest expense on lease liabilities	136,615
Gain on lease forgiveness	(126,875)
Lease payments	(98,126)
Balance, December 31, 2021	**1,399,533**
Interest expense on lease liabilities	32,826
Lease payments accrued	(56,251)
Balance, prior to derecognition of lease	**1,376,108**
Derecognition of Right of Use Asset on termination of lease (Note 7)	(1,569,411)
Derecognition of Right of Use Asset Accumulated Depreciation on termination of lease (Note 7)	352,917
Gain on termination of lease for the period ended September 30, 2022	**156,614**

(Expressed in Canadian Dollars)

18. CONVERTIBLE LOAN PAYABLE

	$
Convertible loan payable, December 31, 2020	**28,382,844**
Accretion	5,939,025
Repayments	(2,700,000)
Gain on debt extinguishment	(1,886,363)
Loan payable conversions (Note 20)	(6,713,425)
Convertible loan payable, December 31, 2021	**23,022,081**
Accretion	2,461,341
Interest repayments	(2,561,175)
Gain on debt modification	(1,579,362)
Conversions to date	(3,870,000)
Convertible loan payable, September 30, 2022	**17,472,885**

During the year ended December 31, 2019, the Company closed a non-brokered private placement offering of 30,000 unsecured convertible loans for gross proceeds of $30,000,000 from three arm's length parties. The loans 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 loans matured on December 31, 2020 and on February 11, 2021 were extended to be due on March 12, 2022. On March 12, 2022, the debentures were extended to March 12, 2023.

The loans are 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 common 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 loan 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 loans 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 is being accreted to the face value over the term to maturity of the convertible loan at an effective interest rate of 15%.

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 balance of the derivative liability remains $28 as at December 31, 2021 and September 30, 2022.

On February 11, 2021, the Company entered into an agreement (the "Term Sheet") with the loan holders to amend the convertible loans (the "Amended Loans"). The Amended Loans 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 Loans being reduced to $0.05. The Amended Loans pay interest at the rate of 20% per annum for the period from July 1, 2020 to December 31, 2020. For all periods subsequent to December 31, 2020, the Amended Loans 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 with a fair value of $4,050,000 and recorded a loss on debt settlement of $1,350,000 (Note 20).

18. CONVERTIBLE LOAN PAYABLE (CONTINUED)

The fair value of the convertible loans under the terms of the Company's convertible debt agreement prior to amendment was $28,382,843. Upon recognition of the Amended Loans, the Company determined the fair value to be $26,496,481. This resulted in a gain on the extinguishment of the convertible loans of $1,886,363. Which was recognized in profit or loss. Upon extinguishment of the liability for the pre-amendment convertible loan agreement and recognition of a new liability under the terms of the amended convertible loan agreement, the Company extinguished the pre-amendment convertible loans with a carrying value of $28,382,843.

During the year ended December 31, 2021, the Company issued 895,122 common shares with a fair value of $6,265,862 pursuant to the Term Sheet of the Amended Loans (Note 20).

On March 12, 2022, the Company extended the maturity date of the Amended Loans to March 12, 2023 (the "Second Amendment") with all other terms being the same. The fair value of the convertible loans of the debentures immediately prior to the Second Amendment was $23,509,863, including accretion of $487,782 up to the date of the Second Amendment. Upon recognition of the Second Amendment, the Company determined the fair value of the convertible loans to be $21,930,501. This resulted in a gain on modification of debt of $1,579,362 which was recognized in profit or loss. On April 5, 2022, the Company satisfied the aggregate interest of $2,100,000 owing on December 31, 2021 by the issuance of 1,200,000 common shares with a fair value of $468,000 and recognized a gain on debt settlement of $1,632,000 (Note 20).

During the period ended September 30, 2022, pursuant to the Second Amendment, the Company issued an aggregate of 73,389,004 common shares on conversion of the convertible loans with a fair value of $2,988,823 pursuant to the conversion of $3,870,000 of convertible debentures and also satisfied aggregate interest of $461,175 on the conversions and recognized a gain on debt settlement of $1,342,352 (Note 20). Subsequent to the period end, the Company issued an aggregate of 11,191,666 common shares with a fair value of $139,896 pursuant to the conversion of convertible debentures (Note 30).

During the period ended September 30, 2022, the Company recorded accretion of $487,782 (September 30, 2021 - $4,702,541) on the convertible loans prior to the Second Amendment and accretion of $1,973,559 (September 30, 2021 - $Nil) on the convertible loans after the Second Amendment, for total accretion of $2,461,341 (September 30, 2021 - $4,702,541).

At September 30, 2022, the liability component was $17,472,885 (December 31, 2021 - $23,022,081).

19. LOANS PAYABLE

Promissory Note – Sanna

The Company acquired a $350,000 promissory note payable upon acquisition of Sanna. The promissory note is non-interest bearing and is due on demand. During the year ended December 31, 2021, on completion of the sale of the Ontario property, the balance of the promissory note was settled. At September 30, 2022, the balance of the promissory note is $Nil (December 31, 2021 - $Nil).

CEBA Loans

The Canada Emergency Business Account ("CEBA") loan originally launched on April 9, 2020 and was intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rates 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 provided under the CEBA program. Only two subsidiaries received the additional $20,000 amounts in the year ended December 31, 2020. The loans are interest free if fully repaid on or before December 31, 2023. If 75% of the loans are repaid on or before December 31, 2023, 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.

19. LOANS PAYABLE (CONTINUED)

CEBA Loans (Continued)

The loans were recognized at fair value using a discount 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 $7,393 during the period ended September 30, 2022 (Period ended September 30, 2021 - $7,566) and the Company recognized grants of $18,400 (Period ended September 30, 2021 - $33,769). During the year ended December 31, 2021, one of the Company's subsidiaries repaid the $40,000 and $20,000 CEBA loans by a cash payment of $40,000 and loan forgiveness of $20,000, respectively. The balance of the loans at September 30, 2022 is $68,994 (December 31, 2021 - $61,601). The current portion of the deferred grant at September 30, 2022 is $5,346 (December 31, 2021 - $15,891) and the non-current portion is $Nil (December 31, 2021 - $7,854).

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 discount of $32,540 to be amortized over the term of the loan. During the period ended September 30, 2022, the Company recorded accretion on the loan of $15,079 (Period ended September 30, 2021 - $24,109) and amortization on the gain of $8,587 (Period ended September 30, 2021 - $Nil). At September 30, 2022 the loan is due on demand the balance of the loan is $391,328 (December 31, 2021 - $367,663) and the gain on loan is $Nil (December 31, 2021 - $8,587).

During the year ended December 31, 2021, the Company received an additional loan 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 discount on the loan of $19,546 to be amortized over the term of the loan. During the period ended September 30, 2022, the Company recorded interest on the loan of $13,111 (Period ended September 30, 2021 - $18,593) and accretion of $7,169 on the gain (Period ended September 30, 2021 - $Nil). At September 30, 2022 the loan is due on demand and balance of the loans is $334,603 (December 31, 2021 - $314,323) and the balance of the gain on loan is $Nil (December 31, 2021 - $7,169).

As at September 30, 2022, the Company has total loans payable to JJ Wolf of $725,931 (December 31, 2021 - $681,986), of which $Nil (December 31, 2021- $15,756) is the deferred gain on the loans.

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 matured on October 1, 2021 and the Second Mortgage matured on October 23, 2021. During the year ended December 31, 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). 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). During the year ended December 31, 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 26). As at December 31, 2021 and September 30, 2022, the total amount of mortgages payable outstanding including accrued interest is $Nil.

19. LOANS PAYABLE (CONTINUED)

Promissory Note – Mulberry

On March 29, 2021, the Company and Mulberry entered into a Promissory Note whereby the Company agreed to pay Mulberry 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 year ended December 31, 2021.

Other Loans

On December 9, 2020, the Company received a loan of 25,000 Euros from a management member pursuant to a secured drawdown facility agreement. The loan bears interest at 20% per annum, with interest being payable on a monthly basis. During the year ended December 31, 2021, the Company recorded interest of 1,587 Euros on the loan. During the year ended December 31, 2021, the entire balance of $39,239 (26,587 Euros) was repaid. As at December 31, 2021 and September 30, 2022, the loan has a balance of $Nil.

20. SHARE CAPITAL

a) Common shares

On August 27, 2021, the Company completed a share consolidation on the basis of 150 existing common shares for 1 new common share. The effect of this share consolidation has been applied to all share and per share amounts in these consolidated financial statements, on a retrospective basis.

Authorized:
Unlimited number of common shares without par value.

Issued:

On February 9, 2022, the Company issued 552,609 common shares with a fair value of $262,489 to the former President and CEO of Sanna (Note 26) and cash of $200,000 to settle debts of $450,000. The Company recorded a loss on debt settlement of $12,489.

On March 17, 2022, the Company issued 26,698 common shares with a fair value of $10,946 to settle interest payments of $10,946 with a creditor of the Company and recognized $Nil gain or loss on debt settlement.

On April 5, 2022, the Company satisfied the aggregate accrued interest on the convertible debentures of $2,100,000 by the issuance of 1,200,000 common shares with a fair value of $468,000 pursuant to the Second Amendment and recognized a gain on debt settlement of $1,632,000 (Note 18).

On June 2, 2022, the Company issued 54,636 common shares with a fair value of $5,190 to settle interest payments of $5,190 with a creditor of the Company and recognized $Nil gain or loss on debt settlement.

On August 11, 2022, the Company issued 240,420 common shares with a fair value of $4,808 to settle interest payments of $4,808 with a creditor of the Company and recognized $Nil gain or loss on debt settlement.

During the period ended September 30, 2022, pursuant to the Second Amendment, the Company issued an aggregate of 73,389,004 common shares on conversion of the convertible loans with a fair value of $2,988,823 pursuant to the conversion of $3,870,000 of convertible debentures and also satisfied aggregate interest of $461,175 on the conversions and recognized a gain on debt settlement of $1,342,352 (Note 18).

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 12).

20. SHARE CAPITAL (CONTINUED)

a) Common shares (continued)

Issued (continued):
On February 11, 2021, the Company issued 7,469 common shares with a fair value of $84,032 to consultants 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 14).

On February 11, 2021, the Company issued 331,119 common shares with a fair value of $1,500,000 to 10026310 Manitoba Ltd. as consulting fees pursuant to the terms of a joint venture agreement among SUHM, Quality Confections Canada Ltd., Edibles, and 10026310 Manitoba Ltd. dated October 16, 2018 to settle the obligation to issue shares from prior year.

On February 11, 2021, the company issued 360,000 common shares with a fair value of $4,050,000 pursuant to the Term Sheet of 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.

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 (Note 12).

On March 2, March 10, and March 25, 2021, the Company issued a total of 895,122 common shares with a fair value of $6,265,862 pursuant to the Term Sheet of the Amended Debentures (Note 18). The conversions settled a total of $6,000,000 of the face value of the debenture and interest of $713,424 on the Amended Debentures, resulting in a gain on debt settlement of $447,562.

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.

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.

On May 28, 2021, the Company issued 4,383 common shares of the Company with a fair value of $16,437 for services of $32,874 owed to a consultant. The Company recorded a gain on debt settlement of $16,437.

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 28) 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.

On July 20, 2021, the Company issued 5,359 common shares of the Company with a fair value of $16,072 for services of $40,190 owed o a consultant. The Company recorded a gain on debt settlement of $24,118.

On October 15, 2021, the Company issued 203,636 common shares with a fair value of $203,636 and cash of $22,144 to settle a debt repayment short-fall that occurred in relation to the May 28, 2021 issuance of 35,000 common shares, due to the Company's subsequent share consolidation on August 27, 2021. The Company recorded a loss on debt settlement of $225,780.

(Expressed in Canadian Dollars)

20. SHARE CAPITAL (CONTINUED)

a) Common shares (continued)

On October 21, 2021, the Company issued 189,750 common shares with a fair value of $206,828 to settle debt of $151,800 with a consultant of the Company and recorded a loss on debt settlement of $55,028.

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

During the year ended December 31, 2021, the Company issued a total of 17,211 common shares with a fair value of $116,540 for services owed to consultants and a total of 539,997 common shares with a fair value of $1,052,970 to settle debts.

During the period ended September 30, 2022, the Company issued a total of 874,363 common shares with a fair value of $283,434 to settle debts.

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.

b) Warrants outstanding

	Number of warrants	Weighted average exercise price $
At December 31, 2020	2,466,675	16.55
Warrants expired	(137,521)	7.50
At December 31, 2021 and September 30, 2022	2,329,154	17.08

During the year ended December 31, 2021, $6,229,698 was transferred from warrant reserve to accumulated deficit for warrants expired, cancelled or forfeited.

The weighted average remaining life of the warrants outstanding is 2.33 years (December 31, 2021 – 3.07 years).

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 shares 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.

(Expressed in Canadian Dollars)

20. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (Continued)

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
April 30, 2020	April 30, 2025	633,333	11.25
Balance at September 30, 2022		709,267	15.39

	Number of options	Weighted average exercise price $
At December 31, 2020 and December 31, 2021	816,601	16.27
Options expired	(107,334)	11.02
At September 30, 2022	709,267	15.39

The weighted average remaining life of the options outstanding is 2.48 years (December 31, 2021 - 2.82 years). All of the options granted were exercisable as at September 30, 2022 and December 31, 2021.

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, an exercise price of $22.50, a stock price of a $9.86 on the grant date, risk-free interest rate of 1.63%, an expected dividend rate of 0.00%, and an expected annual volatility of 108%. During the period ended September 30, 2022, all 667 stock options expired without being exercised.

On January 30, 2020, the Company granted 100,000 stock options to consultants of the Company with an exercise price of $22.50 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, an exercise price of $22.50, a stock price of $10.65 on the grant date, 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. During the period ended September 30, 2022, all 100,000 stock options expired without being exercised.

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, an exercise price of $15.00, a stock price of $13.32 on the grant date, a risk-free interest rate of 1.43%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%. During the period ended September 30, 2022, all 6,667 stock options expired without being exercised.

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, an exercise price of $11.25, a stock price of $8.25 on the grant date, a risk-free interest rate of 0.38%, an expected dividend rate of 0.00%, and an expected annual volatility of 116%.

During the period ended September 30, 2022, an amount of $467,354 was transferred from option reserve to accumulated deficit for options expired.

(Expressed in Canadian Dollars)

20. SHARE CAPITAL (CONTINUED)

d) Escrowed shares

As at September 30, 2022, Nil (December 31, 2021 - Nil) shares were held in escrow.

21. RELATED PARTY TRANSACTIONS

Related parties include key management personnel and others considered to have significant influence or control over the Company's operations. The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly to, or to companies controlled by, key management personnel for the periods ended September 30, 2022 and 2021:

Period ended September 30, 2022	**Consulting and Management Fees $**
Consulting fees paid/accrued to a private company controlled by the CFO	58,440
Consulting fees paid/accrued to a private company controlled by the CEO	32,025
Consulting fees paid/accrued to a private company controlled by the former CEO	28,250
Consulting fees paid/accrued to a private company controlled by the former CEO	135,600
	254,315

Period ended September 30, 2021	**Consulting and Management Fees** $
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 former CEO	158,200
	223,300

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. At September 30, 2022, $113,162 (December 31, 2021 - $74,641) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 16.

22. INVENTORY

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

	September 30, 2022 $	**December 31, 2021 $**
Raw materials	28,405	79,891
Finished goods	13,941	19,145
	42,346	**99,036**

22. INVENTORY (CONTINUED)

During the period ended September 30, 2022, the Company wrote-off inventories of $18,160 (Period ended September 30, 2021 - $Nil) due to damage or obsolescence.

23. ROYALTY REVENUES

On November 27, 2020, the Company signed a Share Purchase Agreement ("SGSCC Agreement") with an arm's length third party (the "Purchaser") where the Company will sell 100% of its wholly-owned subsidiary, Sustainable Growth Strategic Capital Corp. ("SGSCC") 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") (see Note 27).

The Royalty Agreement states that, commencing on the date when the Purchaser acquires all of the outstanding shares of SGSCC (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 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.

On April 2, 2022, the Company terminated the Royalty Agreement and has not accrued any additional royalty revenues subsequent to the termination.

During the period ended September 30, 2022, the Company accrued royalty revenues of $22,600 (Year ended December 31, 2021 - $145,025) from the Purchaser.

On November 27, 2020, SGSCC signed a Contract Manufacture and Supply Agreement (the "Supply Agreement") with Farma C Group Inc. ("Farma C"). Under the Supply Agreement, Farma C intends to pay 10% of net sales earned to SGSCC for products manufactured in the facility and will have a minimum payment of $10,000 per month commencing December 1, 2021.

On April 2, 2022, SGSCC terminated the Supply Agreement and has not accrued any additional royalty revenues subsequent to the termination.

During the period ended September 30, 2022, SGSCC accrued royalty revenues of $30,000 (Year ended December 31, 2021 - $10,000) pursuant to the Supply Agreement.

As at September 30, 2022, $213,837 of amounts are receivable relating to the SGSCC Agreement (Note 4).

(Expressed in Canadian Dollars)

24. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the periods ended September 30, 2022 and 2021 are as follows:

	September 30, 2022 $	September 30, 2021 $
Fair value of transfer on exercise of stock options and warrants	467,354	-
Shares issued for acquisitions and investments	-	500,000
Shares issued for debt settlement	3,740,257	13,951,024
Shares issued for transaction costs (Note 20)	-	6,023,229
Shares and options issued for services	-	116,540
Interest paid on mortgages payable	-	73,779
Interest paid on loans	2,510,476	4,996,524

25. 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 is measured using level 1 inputs and marketable securities are measured using level 2 inputs.

For the Company's derivative liabilities at level 3, the fair value was determined on a binomial lattice methodology considering both expected values with and without the conversion features of the derivative liabilities. The inputs used were the stock price on the valuation date, the risk-free rate, and a risk-adjusted discount rate, dividend yield, stock volatility and trading restrictions.

For the Company's convertible loan receivable at level 3, the fair value of the debt component of the convertible loan receivable was calculated using the present-value of future cash flows, using the coupon interest of 10% per annum and a discount rate of 12.42%. The convertibility feature was valued using a Binomial Tree model, using the stock price of the issuer of $1.00 AUD, stock volatility of 60.8%, a risk-free-rate of 0.09%, remaining life estimated between 0.667 and 1.0 years of the convertible loan receivable, a strike price between $0.75 and $1.00, and the number of options for the convertible loan receivable of 814,500.

The Company's loans receivable and mortgages payable have carrying values that approximate their fair values due to the market rates of interest attached to those financial instruments, with the exception of the Company's loan receivable from PSC (notes 5 and 11). The loan receivable from PSC approximates its fair value, as the interest free loan has been discounted at a market rate of interest for a similar loan of 15%, and is being accreted over the term using the effective interest rate method.

(Expressed in Canadian Dollars)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Classification of financial instruments (Continued)

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at September 30, 2022 and December 31, 2021:

	As at September 30, 2022		
	Level 1	**Level 2**	**Level 3**
Cash	$ 191,748	-	-
Marketable securities	$ 110,303	$ 500,000	-
Convertible loan receivable (Note 15)	-	-	$ 742,194
Derivative asset (Note 15)	-	-	$ 203,157
Derivative liabilities (Note 18)	-	-	$ 28

	As at December 31, 2021		
	Level 1	**Level 2**	**Level 3**
Cash	$ 3,093,357	-	-
Marketable securities	-	$ 1,250,000	-
Convertible loan receivable (Note 15)	-	-	$ 742,194
Derivative asset (Note 15)	-	-	$ 203,157
Derivative liabilities (Note 18)	-	-	$ 28

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 loan receivable and loans receivable. The Company's maximum exposure to credit risk associated with those financial instruments is $17,733,525, being the face value of those instruments at September 30, 2022 ($18,997,274 as at December 31, 2021). The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The Company actively manages its exposure to credit risk, reducing the amount and duration of credit exposures, through close monitoring of relevant accounts.

The loans receivable and convertible loan receivable expose the Company to credit risk and the Company has limited this exposure by securing the PSC loan with collateral; the other loan is unsecured. The PSC loan, up to $50,000,000, is secured by a General Security Agreement which PSC grants to the Company a security interest in, and assigns, mortgages, pledges and charges to and in favor of the Company, all its present and after-acquired personal property, and all proceeds thereof and therefrom, including all right, title and interest of the Company, whether now held or hereafter acquired. The convertible loan receivable is convertible into shares of the entity that issued it.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company must raise 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, 2022 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs for the coming year. 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 that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Company, 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 exposed to a change in fair value of the financial instruments. Assuming all other variables remain constant, a 1% (December 31, 2021 – 1%) change in the interest rate would result in approximately increase of $15,442 (December 31, 2021 –$50,855) in interest expense in the consolidated statement of comprehensive loss.

(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 currencies. One of the Company's subsidiary's business is primarily conducted in Euros. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar and the Euro. Assuming all other variables remain constant, a 15% (December 31, 2021 – 15%) weakening or strengthening of the Euro against the Canadian dollar would result in approximately $3,572 (December 31, 2021 - $15,350) foreign exchange loss or gain in the consolidated statement of comprehensive loss. The Company has not hedged its exposure to currency fluctuations.

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

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management (continued)

Market risk (Continued)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate or foreign currency risk). The Company's investments in marketable securities were with entities that did not have their shares listed on a stock exchange at December 31, 2021. As at September 30, 2022, a portion of the Company's investments in marketable securities were listed on a stock exchange, thus those securities will fluctuate in value as a result of fluctuations in their estimated fair values. The Company is exposed to risk of loss of those investments in the amount recorded on the consolidated statement of financial position, should those investments become listed on a stock exchange and suffer a decline in fair value, and or fail to have a market develop where those investments can be sold. Based on the Company's investment portfolio at September 30, 2022, a 15% (December 31, 2021 – 0%) increase or decrease in the fair value of the securities held would result in an increase/decrease to profit or loss of approximately $100,000 (December 31, 2021 - $Nil).

(d) 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 shareholders' equity, which totaled $17,802,305 at September 30, 2022 (December 31, 2021 - $19,048,620). 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.

26. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2020, the Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. On April 2, 2022, the Ontario lease for Sanna was terminated and the Company no longer has commitments for lease amounts subsequent to the termination (Note 17).

Legal Claims

The Company had legal claims related to Sanna's past termination of its former President and CEO before Sanna was acquired by the Company. The former President and CEO was 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 a strike price of $0.16) in Sanna, as well as punitive damages of $250,000. During the period ended September 30, 2022, the Company settled outstanding legal claims totalling $450,000 with the former President and CEO through the issuance of common shares and payment of cash (Notes 16 and 20).

(Expressed in Canadian Dollars)

26. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Release of Claims

On March 17, 2021, an arm's length consultant (the "Consultant") acknowledged receipt and sufficiency of the payment of $27,500 ("settlement amount") from the Company and/or AAA Heidelberg Inc., and the issuance of 2,467 common shares of the Company (issued in the prior year). The Consultant released the Company and AAA Heidelberg Inc. 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

27. DEPOSITS

On November 27, 2020, the Company signed the SGSCC Agreement (Note 23). During the year ended December 31, 2020, the Company received a deposit of $297,001 deposit towards the sale. The sale transaction has not closed as at September 30, 2022.

28. SALE OF SUBSIDIARIES

AAA Heidelberg Inc.

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 and recognized a loss on sale of the subsidiary of $11,878.

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

	For the year ended December 31, 2021 $
Proceeds received	998,168
Less net assets as at May 20 2021:	
Assets	1,032,658
Liabilities	(22,612)
Total net assets	1,010,046
Loss on sale of subsidiary	**(11,878)**

(Expressed in Canadian Dollars)

28. SALE OF SUBSIDIARIES (CONTINUED)

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);
- $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; and
- $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.

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.

During the year ended December 31, 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).

Upon completion of the sale on April 6, 2021, the Company derecognized SUHM and recorded a gain on sale of subsidiary as follows:

	For the year ended December 31, 2021 $
Proceeds received	10,499,891
Less net assets as at April 6, 2021:	
Assets	13,574,108
Liabilities	(3,728,858)
Total net assets	9,846,250
Non-controlling interest disposed of (Note 12)	(3,468,765)
Gain on sale of subsidiary	**4,122,405**

29. SEGMENTED INFORMATION

The Company has one reportable segment, being the sale of cannabis-related products, in two geographic locations being Canada and Germany.

Selected segmented financial information is as follows:

Period ended September 30,	**2022 $**	**2021 $**
Sales		
Germany	491,386	771,103
Canada	199	4,072
Total	491,585	775,175

29. SEGMENTED INFORMATION (CONTINUED)

Sales are attributed to the country in which they are made. As at September 30, 2022, $Nil (December 31, 2021 - $299) of the Company's long-term assets are located in Germany and the remaining long-term assets are located in Canada.

During the period ended September 30, 2022, approximately 17% of total sales were made to one customer.

30. SUBSEQUENT EVENTS

On October 7, 2022, the Company granted 8,885,187 Restricted Share Units to Directors and Officers of the Company for a total fair value of $88,852. All of the RSUs vest immediately and expire 5 years after the grant date.

On October 7, 2022, the Company issued 6,663,890 common shares on conversion of RSUs. On conversion of the RSUs, the Company transferred $66,639 from share-based payment reserves.

On October 12, 2022, the Company issued 11,191,666 common shares with a fair value of $139,896 pursuant to the Second Amendment for conversion of convertible debentures of $559,583, including interest of $59,583 (Note 18).

On October 25, 2022, the Company issued 911,590 common shares with a fair value of $13,674 to settle interest owed to a creditor.