AGRA
VENTURES
LTD.

AGRA VENTURES LTD.

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agra Ventures Ltd.:

Opinion

We have audited the consolidated financial statements of Agra Ventures Ltd. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined that there are no other key audit matters to communicate in our report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
May 1, 2023

AGRA VENTURES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		$ 304,255	$ 3,093,357
Amounts receivable	4	80,180	224,298
Convertible loan receivable	15	-	742,194
Derivative asset	15	-	203,157
Inventory	22	77,891	99,036
Marketable Securities	9	575,347	1,250,000
Prepaids and deposits	6	57,063	51,198
		1,094,736	5,663,240
Non-current assets			
Investments and joint venture	10, 11	-	23,438,656
Property and equipment	7	-	1,258,365
Loans receivable	5	-	14,950,797
Intangible assets and goodwill	8, 14	-	905,932
TOTAL ASSETS		**$ 1,094,736**	**$ 46,216,990**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16, 21	$ 1,203,576	$ 1,666,639
Current portion of lease liabilities	17	-	97,093
Deposits	27	297,001	297,001
Deferred grant	19	-	15,891
Loans payable	19	806,759	759,343
Convertible loan payable	18	17,725,819	23,022,081
Derivative liabilities	14,18	28	28
		20,033,183	25,858,076
Non-current liabilities			
Deferred grant	19	-	7,854
Lease liabilities	17	-	1,302,440
TOTAL LIABILITIES		**20,033,183**	**27,168,370**
SHAREHOLDERS' EQUITY			
Share capital	20	203,844,282	199,883,816
Reserves	20	25,066,524	25,511,665
Accumulated other comprehensive income		32,117	67,126
Deficit		(247,710,719)	(206,243,336)
Attributable to shareholders		(18,767,796)	19,219,271
Non-controlling interest	13	(170,651)	(170,651)
TOTAL SHAREHOLDERS' EQUITY		**(18,938,447)**	**19,048,620**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,094,736**	**$ 46,216,990**

Nature and continuance of operations (Note 1)
Commitments (Note 26)
Sale of subsidiaries (Note 28)
Discontinued operations (Note 29)
Subsequent events (Note 32)

Approved on behalf of the Board of Directors:

"Nick Kuzyk"
Director

"Fiona Fitzmaurice"
Director

(Expressed in Canadian Dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Sales		$ 673,416	$ 928,208
Cost of goods sold		(369,449)	(522,985)
		303,967	405,223
Expenses			
Amortization	7,8	145,524	368,721
Consulting and management	21	631,394	1,360,433
Corporate development		47,798	236,811
Finance and other costs	18, 19	3,339,578	6,626,095
Foreign exchange loss (gain)		(6,300)	44,706
Development and compliance		1,413	36,401
Distribution expenses		-	1,695
Due diligence		3,424	-
Insurance		51,064	112,966
Office and sundry		65,374	191,648
Other general and operating costs		174,623	362,750
Production costs		-	28,193
Professional fees		635,392	2,020,510
Property taxes and fees		-	304,882
Regulatory and transfer agent fees		176,834	158,930
Rent expense (recoveries)		62,000	(17,535)
Repairs and maintenance		-	839
Share-based compensation	20	88,852	-
Transaction costs	12,20	-	6,023,229
Wages and salary		254,800	579,470
		(5,671,770)	(18,440,744)
Loss before other items		(5,367,803)	(18,035,521)
Other items			
Fair value movement on investments	15	16,790	195,351
Gain on debt settlement	16,18,20	3,381,551	13,578,840
Gain on disposal of property and equipment	7	-	938,031
Gain on write-off of accounts payable	16	247,400	384,822
Gain on sale of subsidiaries	28	-	4,110,527
Recovery from sale of subsidiary	28	382,669	-
Gain on extinguishment of debt	18	-	1,886,363
Gain on modification of debt	18	1,529,911	-
Loss on sale of marketable securities	9	(1,528)	(1,275,473)
Unrealized loss on marketable securities	9	(664,813)	-
Government grants	19, 27	23,746	70,147
Impairment of property and equipment, intangible asset and goodwill	7, 8	(802,261)	(550,098)
Provision on loan receivable	5, 15	(18,088,318)	-
Interest income	5, 15	657,651	649,789
Royalty revenues	23	52,600	155,025
Share of losses in investments and joint venture	10,11	-	(77,844)
Corporate tax refunds		-	10,825
Loss on sale of investments	10	-	(475,212)
Gain on lease forgiveness	17	-	126,875
Gain on termination of lease	17	159,614	-
Write-off of investments	10	(1,288,600)	-
Write-off of accounts receivable	4	(225,699)	(19,180)
Write-off of prepaid expenses	6	(25,350)	-
Write-off of inventory		(18,160)	-
Net income (loss) for the year for continuing operations		**(20,030,600)**	**1,673,227**
Net loss for the year for discontinued operations	1, 11, 29	**(21,904,137)**	**(4,086,946)**
Net loss for the year before other items		**(41,934,737)**	**(2,413,719)**
Other Comprehensive Income			
Foreign Exchange gain on translating foreign operations		(35,009)	58,939
Net and comprehensive loss for the year		**$ (41,969,746)**	**$ (2,354,780)**
Net loss attributable to:			
Shareholders of Agra Ventures Ltd.		$ (41,934,737)	$ (5,095,719)
Non-controlling interests	13, 29	-	2,682,000
		$ (41,934,737)	**$ (2,413,719)**
Net and comprehensive loss attributable to:			
Shareholders of Agra Ventures Ltd.		$ (41,969,746)	$ (5,036,780)
Non-controlling interests	13, 29	-	2,682,000
		$ (41,969,746)	**$ (2,354,780)**
Net loss per share – basic and diluted		**$ (0.79)**	**$ (0.20)**
Weighted average number of common shares outstanding		**53,174,544**	**11,894,202**

(Expressed in Canadian Dollars)

	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 loss for the year	-	-	-	-	2,682,000	58,939	-	(5,095,719)	(2,354,780)
Non-controlling interest derecognized on sale of subsidiary	-	-	-	-	(3,468,765)	-	-	-	(3,468,765)
Non-controlling interest on dilution of interest in subsidiary	-	-	-	-	1,635,000	-	-	-	1,635,000
Fair value of warrants expired	-	-	-	(6,229,698)	-	-	-	6,229,698	-
Transaction cost (Notes 12 and 20)	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 for services (Note 16 and 20)	17,211	116,540	-	-	-	-	-	-	116,540
Shares for acquisition (Note 20)	66,667	500,000	-	-	-	-	-	-	500,000
Shares for debt settlement (Note 16, 18 and 20)	539,997	1,052,970	-	-	-	-	-	-	1,052,970
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 (Note 18 and 20)	895,122	6,265,863	-	-	-	-	-	-	6,265,863
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**
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 loss for the year	-	-	-	-	-	(35,009)	-	(41,934,737)	(41,969,746)
Fair value of options expired	-	-	(467,354)	-	-	-	-	467,354	-
Restricted Share Units granted (Notes 20 and 21)	-	-	88,852	-	-	-	-	-	88,852
Shares issued on conversion of Restricted Share Units (Notes 20 and 21)	6,663,890	66,639	(66,639)	-	-	-	-	-	-
Shares for debt settlement (Note 16, 18 and 20)	1,785,953	297,108	-	-	-	-	-	-	297,108
Shares for interest payment of amended convertible debentures (Notes 17 and 20)	1,200,000	468,000	-	-	-	-	-	-	468,000
Conversion of debentures (Note 18 and 20)	84,580,670	3,128,719	-	-	-	-	-	-	3,128,719
Balance at December 31, 2022	**107,619,016**	**$ 203,844,282**	**$ 5,046,971**	**$ 20,019,553**	**$ (170,651)**	**$ 32,117**	**$ -**	**$ (247,710,719)**	**$ (18,938,447)**

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 consolidated financial statements reflect the post-consolidated shares.

AGRA VENTURES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2022	December 31, 2021
Operating activities		
Net loss for the year	$ (41,934,737)	$ (2,413,719)
Adjustments for:		
Accrued interest	3,297,199	6,626,095
Amortization (Notes 7 and 8)	145,524	368,721
Interest income (Notes 5 and 15)	(657,651)	(649,789)
Non-cash consulting fees	-	116,540
Gain on forgiveness of lease (Note 17)	-	(126,875)
Gain on termination of lease (Note 17)	(159,614)	
Gain on sale of subsidiary (Note 28)	-	(4,110,527)
Gain on debt settlement (Notes 16, 18, 20)	(3,381,551)	(13,578,840)
Gain on extinguishment of debt (Note 18)	-	(1,886,363)
Gain on modification of debt (Note 18)	(1,529,911)	-
Government grants	(23,746)	(47,567)
Deposits recognized	-	(26,890)
Share of losses in investments and joint venture (Notes 10 and 11)	-	77,884
Fair value change on movement in investments (Note 15)	(16,790)	(195,351)
Foreign exchange adjustments on property and equipment	-	51,293
Provision on loan receivable (Note 5 and 15)	18,088,318	-
Impairment of property and equipment, goodwill and intangible assets (Notes 7 and 8)	802,261	550,098
Transaction cost (Notes 12 and 20)	-	6,023,229
Loss on sale of property and equipment (Note 7)	-	(938,031)
Loss on sale of marketable securities (Note 9)	1,528	1,275,473
Unrealized loss on marketable securities (Note 9)	664,813	-
Loss on sale of investments (Note 10)	-	475,212
Shares issued for interest expense (Note 20)	34,619	-
Share-based compensation (Note 20)	88,852	-
Foreign exchange loss (gain)	(6,300)	37,374
Write-off of investments (Note 10)	1,288,600	-
Write-off of amounts receivable (Note 4)	225,699	19,180
Write-off of inventory	18,160	-
Write-off of prepaid expenses (Note 6)	25,350	-
Changes in non-cash working capital items:		
Accounts receivable	(464,250)	(1,981,921)
Prepaids and deposits	(31,215)	(23,890)
Inventory	2,985	12,190
Accounts payable and accrued liabilities	(255,544)	40,201
Net cash flows used in operating activities	(23,777,401)	(10,306,273)
Loss for the year from discontinued operations (Notes 1, 11, and 29)	21,904,137	4,086,946
Net cash used in operating activities from continued operations	(1,873,264)	(6,219,327)
Financing activities		
Repayment of lease liability	-	(180,662)
Proceeds from loan received	-	308,000
Receipt of corporate tax refund	-	10,825
Recoveries from sale of subsidiaries (Note 28)	382,669	-
Proceeds from sale of subsidiaries (Note 28)	-	998,168
Net cash flows provided by financing activities	382,669	1,136,331
Investing activities		
Expenditures on equipment (Note 7)	-	(8,393)
Purchase of patents and licenses	-	(23,000)
Purchase of convertible notes (Note 15)	-	(750,000)
Purchase of marketable securities (Note 9)	-	(1,250,000)
Proceeds from sale of investments (Note 10)	-	650,000
Proceeds from sale of marketable securities	8,312	9,224,417
Investment in Twenty One (Note 10)	(1,271,810)	-
Net cash flows provided by (used in) investing activities	(1,263,498)	7,843,024
Change in cash	(2,754,093)	2,760,028
Cash, beginning of year	3,093,357	274,390
Effect of change in foreign currency on cash	(35,009)	58,939
Cash, end of year	**$ 304,255**	**$ 3,093,357**

Supplemental cash flow information (Note 24)

1. NATURE OF OPERATIONS AND GOING CONCERN

Agra Ventures Ltd. (the "Company" or "Agra Ventures") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). The diversified Company is focused exclusively on the cannabis industry. The Company's flagship assets include its 70% equity interest in Propagation Services Canada, which operates within 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 Europe. The Company's corporate office is located at Suite 810, 789 West Pender Street, Vancouver, British Columbia V6C 1H2. The Company trades on the Canadian Stock Exchange (the "CSE") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("OTCPK") under the symbol "AGFAF".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 25. At December 31, 2022, the Company has working capital deficit of $18,938,447 (December 31, 2021 – a working capital deficit of $20,194,836), and an accumulated deficit of $247,710,719 (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. These 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.

Discontinued operations

During the year ended December 31, 2022, the Company recognized an impairment of its 70% equity interest in the Propagation Services Canada, doing business as Boundary Bay Cannabis, ("PSC") joint venture, as a result of the termination of the management agreement with the operator of PSC. Should the sale of the Company's investment not follow, its intention is to consider abandoning its interest in the joint venture (Note 11). The sale or abandonment of the interest meets the definition of a discontinued operation per IFRS 5 *Non-current assets held for sale and discontinued operations,* the results of the discontinued operations for the years ended December 31, 2022 and 2021 are disclosed in Notes 11 and Note 29.

2. BASIS OF PREPARATION

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 1, 2023.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

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.

2. BASIS OF PREPARATION (continued)

Significant accounting judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised.

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

Convertible loan receivable
Management is required to make a number of estimates when determining the valuation of its convertible loan receivable, which used option pricing models that involved estimates and assumptions around risk-free rate, volatility, discount rate and credit ratings.

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

The Company's investment in Propagation Services Canada Inc. ("PSC") is classified as an investment in a joint venture. The Company owns 50% of the voting rights and 70% of the non-voting rights of PSC, both directly and indirectly. Membership on the board of directors allows the Company to have participation in the policy-making processes. The Shareholders Agreement of PSC requires unanimous consent of all the parties that collectively control PSC, for decisions about relevant activities of PSC. Thus, PSC is a jointly controlled arrangement. The Company applies the equity method of accounting for the investment.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Equity accounted investments

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

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

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 December 31, 2022 and 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

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (Continued)

Furniture and equipment - 20% declining balance
Computers - 30% declining balance
Building - 6% declining balance
Right-of-use asset - straight-line over term of lease
Leasehold improvements - straight-line over term of lease

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of finite useful life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Health Canada licenses – Useful life of the facility or lease term
Other operational licenses – Useful life of the facility or lease term
Non-compete agreement – over the duration of the non-compete agreement
Customer relationships – 6 years

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite useful life or not yet available for use are not subject to amortization.

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as research and development expenses in profit or loss as incurred.

Inventory

Inventory is valued at the lower of cost and net realizable value. The Company’s inventory is comprised of cannabis products, hemp products, and purchased finished goods for resale. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in profit or loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in profit or loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in profit or loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Non-controlling interests

Non-controlling interests (“NCI”) are recognized either at fair value or at the NCI’s proportionate share of the acquiree’s net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interests held prior to obtaining control and the NCI in the acquiree, over the fair value of the identifiable net asset acquired, is recorded as goodwill.

Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized in profit or loss.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair value of the shares is used to measure the transaction. The fair value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the measurement date.

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense in profit or loss with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received and recognized in profit or loss, unless the Company cannot estimate reliably the fair value of the good or services received, in which case the fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. Amounts related to the issuance of shares are recorded as a reduction of share capital.

Share-based payments reserve

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Warrants reserve

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

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share is equivalent to basic loss per share, as the effects of all dilutive potential common shares would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company's accounting policy for revenue recognition is to follow a five-step model to determine the amount and timing of revenue to be recognized:

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

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

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

Royalty revenue

Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement, when the specific performance obligation has been satisfied, and when collection is reasonably assured.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. Financial assets are classified at amortized cost where the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Classification (Continued)

The following table shows the classification of financial instruments:

Financial assets/liabilities	Classification
Cash	FVTPL
Amounts receivable (excluding government sales tax recoverable)	Amortized cost
Convertible loan receivable	FVTPL
Marketable securities	FVTPL
Loans receivable	Amortized cost
Derivative asset	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Derivative liabilities	FVTPL
Convertible loan payable	Amortized cost

(ii) Measurement

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment, using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period.

<u>Financial assets and liabilities at FVTPL</u>
Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

<u>Debt investments at FVTOCI</u>
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

<u>Equity investments at FVTOCI</u>
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

<u>Financial assets</u>
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

<u>Financial liabilities</u>
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

Derivative asset

The Derivative asset is recorded on the consolidated statement of financial position at fair value. The asset relates to derivative conversion feature of the Valo Therapeutics Oy convertible notes purchased by the Company (Note 15). The fair value of the option is determined by using a Binomial Tree model using inputs such as stock price, volatility, risk-free rate, life, strike price and number of options. The Company will revalue the conversion feature each reporting period and will recognize any changes in the fair value through profit or loss.

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in “finance and other costs” in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in profit or loss. Short term leases are defined as leases with a lease term of 12 months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are recognized as an expense in profit or loss.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Government grants

The Company recognizes government grants initially as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis in the periods in which the Company recognizes the expenses for the related costs for which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. A forgivable loan from the government is treated as a government grant as long as there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. The amount of the grant portion which is unexpended is recognized as a deferred government grant to be recognized in profit or loss over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

Future accounting standards

The Company continues to review changes to IFRS standards. There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2022 $	December 31, 2021 $
Government sales tax recoverable	125	13,372
Other receivable	80,055	210,926
	80,180	224,298

During the year ended December 31, 2022, the Company wrote off $1,862 (December 31, 2021 - $19,180) of government sales tax recoverable on the basis that the amounts were denied by the Canada Revenue Agency.

During the year ended December 31, 2022, the Company wrote off $223,837 of amounts receivable subsequent to the termination of a Share Purchase Agreement (Note 23).

(Expressed in Canadian Dollars)

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	2,192,170
Provision on loan receivable	(17,142,967)
Total loans receivable, December 31, 2022	**-**

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 matured 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 was $Nil as at December 31, 2021.

On November 6, 2020, the Company entered into a definitive loan agreement with PSC. The loan agreement has a maximum facility amount of $50,000,000, and includes previous advances made to PSC of $38,604,344. The loan has an interest rate of nil per annum which increases to 10% per annum upon an event of default. The loan is secured by a General Security Agreement. The loan has no stated maturity date and is repayable monthly out of 50% of PSC's EBITDA until PSC's loan outstanding with Houweling Nurseries Property Ltd. ("HNL") is settled, after which the loan becomes repayable monthly out of 100% of PSC's EBITDA until the outstanding balance is settled.

As a result of executing the definitive loan agreement, the previous advances were considered extinguished and replaced with the new loan, which has been advanced to PSC at a below-market interest rate. The fair value of the loan on initial recognition of $12,708,263 has been determined by discounting the estimated cash flows at a rate of 15%. The 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 PSC (Note 11). The loan receivable is considered a performing loan, with no external credit rating.

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 by to $649,843 and reducing the investment in PSC by $1,275,018.

During the year ended December 31, 2022, the Company recorded $2,192,170 in interest income relating to the loan. The Company eliminated $1,534,519 of inter-company interest income, reducing the interest income by $1,534,519 to $657,651 and reducing the investment in PSC by $1,534,519.

During the year ended December 31, 2022, the Company recognized a provision on the loan receivable as a result of the discontinued operations of the PSC investment (Notes 1 and 11).

(Expressed in Canadian Dollars)

6. PREPAIDS AND DEPOSITS

	December 31, 2022 $	December 31, 2021 $
Advances to third-party suppliers	57,063	42,273
Prepaid deposits	-	8,925
Total	57,063	51,198

During the year ended December 31, 2022, the Company recorded a write-off of $25,350 prepaid expenses.

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 $	Land $	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
Effects 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)
December 31, 2021	561,934	-	-	1,569,411	198,192	-	2,329,537
Termination of lease (Note 17)	-	-	-	(1,569,411)	-	-	(1,569,411)
December 31, 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 year	(2,611)	-	-	(39,242)	-	-	(41,853)
Effects of movements in exchange rates	(18)	-	-	-	-	-	(18)
Termination of lease (Note 17)	-	-	-	352,917	-	-	352,917
December 31, 2022	**(561,934)**	**-**	**-**	**-**	**(198,192)**	**-**	**(760,126)**
Net book value:							
December 31, 2021	2,629	-	-	1,255,736	-	-	1,258,365
December 31, 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT (CONTINUED)

The right-of-use assets relates to the leased building and land in Winnipeg, Manitoba for the purpose of production of edibles and infusion products containing CBD and THC as well as a leased manufacturing facility in Ontario acquired upon acquisition of Sanna Health Corp. ("Sanna") (Note 12). The Manitoba and Ontario leases are reflected on the consolidated statement of financial position as right-of-use assets, with an associated lease liability (Note 17). The discount rates applied to the leases are 11.34% and 9.85%, respectively. During the year ended December 31, 2021 the Winnipeg right-of-use asset was derecognized on the sale of SUHM Investments Inc. ("SUHM") (Note 18).

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.

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 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.

Year-ended December 31, 2022
During the year ended December 31, 2022, the Company terminated the Ontario lease and has derecognized the right-of use asset and lease liability associated with the lease (Note 17).

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	(103,671)	-	(103,671)
Impairment	(802,261)	-	(802,261)
Balance, December 31, 2022	**-**	**-**	**-**

The Company did not acquire any intangibles and goodwill during the years ended December 31, 2022 and 2021.

The Health Canada licenses arose as a result of acquisition of AAA Heidelberg Inc. and Sanna in prior years. The distribution licenses arose as a result of acquisition of The Good Company (Note 14).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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 year ended December 31, 2022, the Company recorded amortization of $103,671 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).

During the year ended December 31, 2020, the Company 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, 2022, the Company recorded impairment of $802,261 on the licenses as a result of management's assessment that the value has declined to $Nil.

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

9. MARKETABLE SECURITIES

At December 31, 2022, the Company held the following marketable securities:

Investee	Number of Shares/Warrants	Cost $	Fair Value $
Public Companies			
Cult Food Science Corp. – Shares	2,511,576	100,463	75,347
Cult Food Science Corp. – Warrants	2,757,575	-	-
Private Companies			
Pounce Technologies – Shares	4,500,000	500,000	500,000
		600,463	575,347

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

9. MARKETABLE SECURITIES (CONTINUED)

Cult Food Science Corp.

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

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.

During the year ended December 31, 2022, the Company sold 245,999 Cult shares with a cost of $9,840 for proceeds of $8,312 and realized a loss of $1,528. At December 31, 2022, the fair value of the CULT investment was $75,347 and the Company recorded an unrealized loss of $664,813 on the investment during the year ended December 31, 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 December 31, 2022 and 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 December 31, 2022 and 2021 is $500,000.

10. INVESTMENTS

Investment in JJ Wolf Investments Ltd.
During the year ended December 31, 2019, the Company entered into a share exchange agreement with JJ Wolf 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 December 31, 2022 and 2021 is $Nil.

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 held 15.38% of the outstanding common shares of Twenty One.

Pursuant to the Purchase Agreement, within six months of the Closing Date, the Company would 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 would hold between 28.57% and 34.48% of the outstanding common shares of Twenty One.

On August 10, 2022, the Company terminated the Purchase Agreement and has Nil% ownership of Twenty One. The Company recorded a write-off of $1,288,600 on the investment as a result of the termination.

During the year ended December 31, 2022, the Company recorded a fair value gain on investment of $16,790.

As at December 31, 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 2,200,000 square feet of greenhouse space and 1,700,000 square feet of irrigation space. On April 25, 2019, the Company issued 20,588,235 common shares with a fair value of $6,000,000 to acquire an additional 10% interest in PSC.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC 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.

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).

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (CONTINUED)

Under equity accounting, the Company's share of PSC's losses for the year ended December 31, 2022 totaled $6,291,709 (December 31, 2021 - $4,086,946). The significant aspects of the losses in each period are discussed below.

Subsequent to the year ended December 31, 2022, the operator of the Facility served notice that the management agreement will terminate. The Company is negotiating the sale of its interest in PSC, however, should the sale not proceed, the Company intends to consider abandoning the investment in PSC due to the termination of the management agreement. Thus, the Company considered PSC to be a discontinued operation as at December 31, 2022 (Note 1). The Company impaired the investment in PSC to $Nil as at December 31, 2022, recording an impairment of $15,612,429 for the year ended December 31, 2022 as a result of the operations being halted and the operator's termination of the management agreement with PSC subsequent to the year ended December 31, 2022. Net loss from discontinued operations is further detailed in Note 29.

The table below provides a continuity of the PSC investment:

	December 31, 2022 $	December 31, 2021 $
Opening balance	23,438,656	28,800,620
Adjustment of intercompany interest (Note 5)	(1,534,519)	(1,275,018)
Loss on equity investment	(6,291,709)	(4,086,946)
Impairment on investment in joint venture	(15,612,428)	-
Ending balance	**-**	**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	December 31, 2022 $	December 31, 2021 $
Current assets	1,740,512	2,963,892
Non-current assets	29,835,467	33,965,279
Total assets	31,575,979	36,929,171
Current liabilities	6,839,468	5,121,524
Non-current liabilities	29,183,253	27,299,981
Shareholders' equity (deficit)	(4,446,742)	4,507,666
Total liabilities and shareholders' equity	31,575,979	36,929,171

Summary statements of comprehensive loss for the year ended	December 31, 2022 $	December 31, 2021 $
Revenues[1]	1,718,123	138,155
Cost of goods sold[1]	(2,373,190)	(108,847)
Operating general and administration expenses[2]	(9,840,343)	(8,228,891)
Other income	1,507,255	2,361,089
Net and comprehensive loss	(8,988,155)	(5,838,494)

[1]: Revenues for the years ended December 31, 2022 and 2021 include revenues for inventories produced by the Facility and costs of goods sold include the costs realized on the sale of inventories, and costs associated with packaging and selling the products.

[2]: Operating general and administrative expenses for the years ended December 31, 2022 and 2021 include general and administrative costs for running the facility, interest costs for operating assets and loans, and depreciation of property, plant and equipment. See Note 29 for break-down of costs.

3: Other income for the year ended December 31, 2022 includes gains on disposal of capital assets, and gains/losses relating to foreign exchange and an unrealized fair value gain on biological assets of $1,459,972. Other income for the year ended December 31, 2021 also includes an unrealized fair value gain on biological assets of $279,670, and a tax recovery of $2,173,721.

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (CONTINUED)

Material amounts from above summary financial position and comprehensive loss	December 31, 2022 $	December 31, 2021 $
Cash and cash equivalents	839,896	1,816,138
Current financial liabilities (excluding trade and other payables and provisions)	1,448,687	2,775,041
Non-current financial liabilities	29,183,253	27,299,981
Depreciation and amortization	1,730,754	1,703,834
Income tax expense (recovery)	-	(2,173,721)
Interest expense	3,527,786	3,175,824

12. ACQUISITIONS

SUHM Investments Inc.

On July 11, 2019, the Company acquired 100% of the issued and outstanding shares of SUHM. SUHM is an 80% partner of The Edibles and Infusions Corp. Joint Venture ("Edibles"). SUHM controlled the joint venture. Edibles is developing an edibles manufacturing facility in Winnipeg, Manitoba.

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 sold its ownership interest in SUHM to a third party, and as a result ceased consolidation of SUHM (and by extension Edibles). As at December 31, 2021, the Company had Nil% ownership in Edibles and thus total non-controlling interest was $Nil (Note 28).

	$
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 December 31, 2022	-

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

SUHM Investments Inc. (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 attributable to Agra Ventures	-
Equity	(1,411,157)
Non-controlling interests	-
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 pursuant to the third amending agreement with Mulberry Capital Corp. ("Mulberry") related to the acquisition of SUHM in the year ended December 31, 2019. Pursuant to the third amending agreement, the Company is obligated to pay the remaining unpaid portion of the purchase price on the Joint Venture Agreement being an aggregate amount of $27,500,000. This payment was forgiven by Mulberry in consideration for the following:

- the Company transferred a 26.3% ownership interest in SUHM (transferred); and
- the Company issuing 10% of the issued and outstanding shares of the Company to Mulberry on the date that is the later of it issuing shares pursuant to the Joint Venture Agreement and the date it has satisfied its interest payment in common shares to holders of convertible debentures (issued) (Note 20).

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

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

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

SUHM Investments Inc. (Continued)

Immediately prior to the transfer of 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).

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)
Net and comprehensive loss attributable to NCI	2,682,073	-	(73)	2,682,000
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)
As at December 31, 2022 and 2021	-	(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. Total consideration paid includes cash of $1,000,000 (paid), issuance of 319,444 common shares of the Company (issued) and repayment of certain shareholder loans of $1,763,120 (€1,202,674) and a cash payment of $300,000 (€203,818) on the closing date (paid). The 319,444 shares issued were initially measured at $10,302,083 in 2019, then revalued again on the acquisition date at $3,473,958, resulting in an adjustment in fair value of $6,828,126.

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).

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. Per the C Notes agreement, the C Notes should have been automatically converted to shares of Valo between the issuance date of the C Note and August 31, 2022 but was amended on June 27, 2022 (see below). If the C Notes were not automatically converted, the repayment date was stipulated as December 31, 2022 but was amended on June 27, 2022 (see below). 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.

As at December 31, 2022, the C Note have not been automatically converted. On June 27, 2022, the Company entered into an Extension Agreement where the automatic conversion has been extended to March 31, 2023 and the repayment date of the C Note has been extended to June 30, 2023. As at the date of these consolidated financial statements, the C Notes have not been automatically converted and the conversion feature of the C Notes has expired.

During the year ended December 31, 2021, 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, during the year ended December 31, 2021 the Company recorded a gain on fair value movement of convertible debentures of $195,351. During the year ended December 31, 2022, the Company impaired the C Note to $Nil as management assessed the collectability of the C Note is low and also a result of the expiration of the conversion feature, and recorded a provision of loan receivable of $945,351.

(Expressed in Canadian Dollars)

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022 $	December 31, 2021 $
Accounts payable	945,691	962,695
Amount due to related parties (Note 22)	162,148	74,641
Accrued liabilities	95,737	629,303
	1,203,576	**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 year ended December 31, 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) and 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).

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 December 31, 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%.

(Expressed in Canadian Dollars)

17. LEASE LIABILITIES (CONTINUED)

Ontario Lease (Continued)

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 year ended December 31, 2022, the Company terminated the lease and recognized a gain on termination of $156,614

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 year ended December 31, 2022	**156,614**

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	3,224,407
Interest repayments	(2,620,758)
Gain on debt modification	(1,529,911)
Conversions to date	(4,370,000)
Convertible loan payable, December 31, 2022	**17,725,819**

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 and subsequent to the year ended December 31, 2022, the holders of the debentures granted the Company forbearance on the debentures until May 31, 2023 (Note 31).

18. CONVERTIBLE LOAN PAYABLE (CONTINUED)

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, 2022 and 2021.

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. 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).

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. Prior to the end of the Second Amendment, the maturity date of the Amended Loans was extended through May of 2023 with all other terms being the same, via a second forbearance that was granted by the debenture holders on April 25, 2023 (collectively, the "Second Amendments"). 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 Amendments, 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 $1,529,911 which was recognized in profit or loss. On April 5, 2022, the Company satisfied the aggregate interest of $2,100,000 owing at 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).

18. CONVERTIBLE LOAN PAYABLE (CONTINUED)

During the year ended December 31, 2022, pursuant to the Second Amendments, the Company issued an aggregate of 84,580,670 common shares on conversion of the convertible loans with a fair value of $3,128,719 pursuant to the conversion of $4,370,000 of convertible debentures and also satisfied aggregate interest of $520,758 on the conversions and recognized a gain on debt settlement of $1,762,040 (Note 20). Subsequent to the period end, the Company issued an aggregate of 22,383,332 common shares with a fair value of $223,833 pursuant to the conversion of convertible debentures (Note 31).

During the year ended December 31, 2022, the Company recorded accretion of $487,782 (December 31, 2021 - $5,939,025) on the convertible loans prior to the Second Amendment and accretion of $2,736,625 (December 31, 2021 - $Nil) on the convertible loans after the Second Amendments, for total accretion of $3,224,407 (December 31, 2021 - $5,939,025).

At December 31, 2022, the liability component was $17,725,819 (December 31, 2021 - $23,022,081).

19. LOANS PAYABLE

<u>CEBA Loans</u>

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.

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 $10,079 during the year ended December 31, 2022 (December 31, 2021 - $9,875) and the Company recognized grants of $23,746 (December 31, 2021 – $38,502). 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 December 31, 2022 is $71,680 (December 31, 2021 - $61,601). The current portion of the deferred grant at December 31, 2021 is $Nil (December 31, 2021 - $15,891) and the non-current portion is $Nil (December 31, 2021 - $7,854).

<u>JJ Wolf Loans</u>

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. The loan was payable on demand at maturity on June 2, 2022 and accrued interest at 5% per annum. During the year ended December 31, 2022, the Company recorded accretion on the loan of $20,010 (December 31, 2021 - $17,500) and amortization on the gain of $8,587 (December 31, 2021 - $23,953). At December 31, 2022 the loan is due on demand the balance of the loan is $396,260 (December 31, 2021 - $367,663) and the gain on loan is $Nil (December 31, 2021 - $8,587).

19. LOANS PAYABLE (CONTINUED)

JJ Wolf Loans (Continued)

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. he loan was payable on demand at maturity on June 2, 2022 and accrued interest at 5% per annum. During the year ended December 31, 2022, the Company recorded interest on the loan of $17,327 (December 31, 2021 - $13,492) and accretion of $7,169 on the gain (December 31, 2021 - $12,377). At December 31, 2022 the loan is due on demand and balance of the loans is $338,819 (December 31, 2021 - $314,323) and the balance of the gain on loan is $Nil (December 31, 2021 - $7,169).

As at December 31, 2022, the Company has total loans payable to JJ Wolf of $735,079 (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, 2022 and 2021, the total amount of mortgages payable outstanding including accrued interest is $Nil.

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, 2022 and 2021, 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.

20. SHARE CAPITAL (CONTINUED)

a) Common shares (continued)

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.

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

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 of the Company and recognized $Nil gain or loss on debt settlement.

During the year ended December 31, 2022, pursuant to the Second Amendment, the Company issued an aggregate of 84,580,670 common shares on conversion of the convertible loans with a fair value of $3,128,719 pursuant to the conversion of $4,370,000 of convertible debentures and also satisfied aggregate interest of $520,758 on the conversions and recognized a gain on debt settlement of $1,762,040 (Note 18).

During the year ended December 31, 2022, the Company issued a total of 1,785,953 common shares with a fair value of $297,108 to settle debts.

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).

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.

20. SHARE CAPITAL (CONTINUED)

a) Common shares (continued)

Issued (continued):

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.

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.

(Expressed in Canadian Dollars)

20. SHARE CAPITAL (CONTINUED)

a) Common shares (continued)

Issued (continued):

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 December 31, 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.

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 December 31, 2022		709,267	16.27

	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 December 31, 2022	709,267	15.39

The weighted average remaining life of the options outstanding is 2.23 years (December 31, 2021 – 2.82 years). All of the options granted were exercisable as at December 31, 2022 and 2021.

20. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (continued)

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 year ended December 31, 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 year ended December 31, 2022, all 100,000 stock options exercised 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 year ended December 31, 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 year ended December 31, 2022, an amount of $467,354 was transferred from option reserve to accumulated deficit for options expired.

d) Restricted Share Units

Under Company’s May 25, 2022 Restricted Share Unit Plan, the Company may grant RSUs 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 RSUs may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

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.

(Expressed in Canadian Dollars)

20. SHARE CAPITAL (CONTINUED)

d) Restricted Share Units (Continued)

	Number of Restricted Share Units
At December 31, 2021	-
Issued	8,885,187
Converted[1]	(6,663,890)
At December 31, 2022	2,221,297

[1]: The RSUs were all converted on October 7, 2022, the market value of the shares issued was $66,639, which was $0.10 per share.

As at December 31, 2022, Restricted Share Units are outstanding are as follows:

Expiry Date	Number Issued #	Issued and exercisable #
October 7, 2027	2,221,297	2,221,297
	2,221,297	2,221,297

e) Escrowed shares

As at December 31, 2022 and 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 years ended December 31, 2022 and 2021:

Year ended December 31, 2022	Share-based Payments $	Consulting and Management Fees $
Consulting fees paid/accrued to a private company controlled by the CFO	28,877	85,400
Directors fees paid/accrued to a private company controlled by the CFO	-	56,000
Consulting fees paid/accrued to a private company controlled by the CEO	28,877	88,725
Consulting fees paid/accrued to a private company controlled by the former CEO	-	28,250
Directors fees paid/accrued to a private company controlled by a Director	8,885	6,000
Consulting fees paid/accrued to a private company controlled by the former CEO	22,213	135,600
	88,852	399,975

(Expressed in Canadian Dollars)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Year ended December 31, 2021	Share-based Payments	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	-	36,160
Consulting fees paid/accrued to a private company controlled by the former CEO	-	226,000
	-	304,660

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2022, $162,148 (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:

	December 31, 2022	December 31, 2021
	$	$
Raw materials	77,271	79,891
Finished goods	620	19,145
	77,891	**99,036**

During the year ended December 31, 2022, the Company wrote-off inventories of $18,160 (December 31, 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.

During the year ended December 31, 2022, the Company received royalty revenues of $22,600 (December 31, 2021 – $145,025) from the Purchaser.

(Expressed in Canadian Dollars)

23. ROYALTY REVENUES (CONTINUED)

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

As at December 31, 2022, the Company wrote off all of the amounts receivable relating to the SGSCC Agreement subsequent to the termination (Note 4).

24. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022 $	**December 31, 2021 $**
Shares issued for acquisitions and investments	-	500,000
Shares issued for debt settlement	297,108	1,052,970
Shares issued to settle floor protection liability (Note 14 and 20)	-	1,500,000
Shares issued for consulting fees (Note 20)	-	1,500,000
Shares issued for amendment of convertible debentures (Note 20)	468,000	4,050,000
Shares issued for conversion of debentures (Note 20)	3,128,719	6,265,863
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	3,296,363	6,204,559
Taxes paid	-	-

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.

(Expressed in Canadian Dollars)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Classification of financial instruments (Continued)

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 as of December 31, 2021, 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. During the year ended December 31, 2022, management assessed the collectability of the convertible loan receivable as low and impaired the convertible loan to $Nil as management assessed the collectability of debt component to be low, and convertibility feature has expired.

At December 31, 2022, the Company's loans receivable have carrying values that approximate their recoverable amounts. As at December 31, 2021, the loan receivable from PSC approximated 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. During the year ended December 31, 2022, the Company recognized a provision on the loan receivable from PSC of $17,142,967 as a result of the discontinued operations of the PSC investment and impaired the loan receivable to $Nil (Notes 1, 5 and 11).

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

	As at December 31, 2022		
	Level 1	**Level 2**	**Level 3**
Cash	$ 304,255	-	-
Marketable securities	$ 75,347	$ 500,000	-
Convertible loan receivable (Note 15)	-	-	-
Derivative asset (Note 15)	-	-	-
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

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, convertible loan receivable and loans receivable. The Company's maximum exposure to credit risk associated with those financial instruments is $304,255, being the face value of those instruments at December 31, 2022 (December 31, 2021 - $18,997,274). 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 Company's management of credit risk has not changed materially from that of the prior year.

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 December 31, 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. The Company's management of liquidity risk has not changed materially from that of the prior year.

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. The Company's exposure to and management of market risk has not changed materially from that of the prior year.

(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 $8,796 (December 31, 2021 – increase of $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 $4,410 (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.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management (Continued)

(b) Foreign currency risk (Continued)

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

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. 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.

During the year ended December 31, 2022, the Company had investments with entities that had shares listed on a stock exchange. Based upon the Company's investment portfolio at December 31, 2022, a 75% increase or decrease in the fair value of the securities held would result in an increase/decrease to profit or loss of approximately $18,837.

(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' deficit, which totaled $18,938,447 at December 31, 2022 (December 31, 2021 – equity of $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

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 year ended December 31, 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). As at December 31, 2020, the Company received a deposit of $297,001 deposit towards the sale. The sale transaction has not closed as at December 31, 2022 and 2021.

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, of which $25,000 was received in the prior year (Note 27) 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)**

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

(Expressed in Canadian Dollars)

28. SALE OF SUBSIDIARIES (CONTINUED)

SUHM Investments Inc. (Continued)

- $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	(3,727,858)
Total net assets	9,846,250
Non-controlling interest disposed of (Note 12)	(3,468,764)
Gain on sale of subsidiary	**4,122,405**

During the year ended December 31, 2022, the Company recovered $382,669 from the sale of SUHM.

29. DISCONTINUED OPERATIONS

As at December 31, 2022, the Company's 70% equity interest in the PSC joint venture was impaired as a result of the termination of the management agreement by the operator of PSC (Notes 1 and 11). Should a sale of the investment not follow, the Company's intention is to consider abandoning its interest in the joint venture.

The Company accounts for the PSC joint venture under the equity method, the investment was impaired to $Nil and the investment continuity is disclosed in Note 11.

Revenue, expenses and gains or losses relating to the discontinuance of PSC have been eliminated from the profit or loss from the Company's continuing operations and are shown as a single line in the Consolidated Statements of Comprehensive Loss. As a result, the Company's prior period has been restated to present PSC as a discontinued operation.

(Expressed in Canadian Dollars)

29. DISCONTINUED OPERATIONS (CONTINUED)

	For the year ended December 31, 2022 $	For the year ended December 31, 2021 $
Revenues	1,718,123	138,155
Cost of goods sold	(2,373,190)	(108,847)
Gross profit (loss)	**(655,067)**	**29,308**
Amortization	1,730,754	1,711,985
Insurance	60,946	30,051
Management fees	57,793	42,126
Security	245,054	265,464
Office expenses	4,016,032	2,842,375
Professional fees	201,978	160,600
Total operating expense	**6,312,265**	**5,052,601**
Loss from operations – PSC	**(6,967,624)**	**(5,023,293)**
Finance costs	(3,527,786)	(3,175,824)
Other income (expense)	1,507,547	187,368
Foreign exchange (loss) gain	(292)	(466)
Total other expense	(2,020,531)	(2,988,922)
Loss from discontinued operations	(8,988,155)	(8,012,215)
Income tax (expense) recovery	-	2,173,721
Net loss from discontinued operations – PSC	**(8,988,155)**	**(5,838,494)**
Agra's share of net loss from discontinued operations	**(6,291,709)**	**(4,086,946)**
Impairment of investment (Note 11)	**(15,612,428)**	**-**
Net loss from discontinued operations	(21,904,137)	(4,086,946)
Net loss from discontinued operations attributable to non-controlling interests	-	-
Net loss from discontinued operations attributable to Shareholders of Agra Ventures Ltd.	**(21,904,137)**	**(4,086,946)**

30. 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:

Year ended December 31,	2022 $	2021 $
Sales		
Germany	673,217	923,844
Canada	199	4,364
Total	673,416	928,208

Sales are attributed to the country in which they are made. As at December 31, 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.

(Expressed in Canadian Dollars)

31. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2022 $	December 31, 2021 $
Net loss for the year	(41,934,737)	(2,413,719)
Statutory tax rate	27%	27%
Expected income tax recovery	(11,322,379)	(651,704)
Change in statutory rate, foreign tax, foreign exchange, and other	83,572	(8,508)
Items not recognized for tax purposes	4,287,132	(1,856,912)
Non-controlling interest	-	93,705
Share issuance cost	23,990	-
Prior year deferred income tax liability unrecognized	5,482,912	203,140
Other items including effects of consolidation	718,118	1,650,061
Change in unrecognized temporary differences	726,655	570,218
Deferred income tax recovery	-	-

The Company has the following deductible (taxable) temporary differences for which no deferred tax asset (liability) has been recognized:

	December 31, 2022 $	December 31, 2021 $
Exploration and evaluation assets	754,115	754,115
Non-capital losses	13,312,408	22,274,397
Net capital losses available	1,530,000	1,907,515
Share issuance costs	151,304	267,905
Property and equipment	38,922	747,097
Transaction cost	3,421,189	3,421,186
Capital lease obligation	-	370,876
Intangible assets	616,365	(1,445,045)
Investments	1,620,000	(3,099,133)
Derivative liability	8	8
Debt with accretion	-	(514,687)
	21,444,311	24,684,233
Deferred tax assets not recognized	(21,444,311)	(24,684,233)
Net deferred tax asset	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2022 $	Expiry date range	December 31, 2021 $	Expiry date range
Exploration and evaluation assets	2,793,017	No expiry date	2,793,017	No expiry date
Non-capital losses	67,254,291	2027 to 2041	67,149,701	2027 to 2041
Net capital losses	5,314,185	No expiry date	5,314,185	No expiry date

32. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2022, 44,444 warrants with an exercise price of $75 expired without being exercised.

On January 25, 2023, the Company issued 2,856,449 common shares with a fair value of $28,564 to settle interest owed to a creditor.

On February 16, 2023, holders of the convertible debentures agreed to grant the Company forbearance on the convertible debentures to April 30, 2023, which was extended on April 25, 2023 to May 31, 2023 (Note 18).

On March 1, 2023, the Company appointed Mr. Nick Kuzyk as CEO of the Company, who was previously the Interim CEO.

On March 2, 2023, the Company issued 22,383,332 common shares with a fair value of $223,833 pursuant to the Second Amendments of conversion of convertible debentures of $1,119,167, including interest of $111,917 (Note 18).

On April 24, 2023, the Company's Board of Directors approved the issuance of 3,079,774 common shares with an approximate fair value of $15,399 to settle interest owed to a creditor. The shares have not yet been issued as of the date of these consolidated financial statements.