

Consolidated Financial Statements of

CRAFTPORT CANNABIS CORP.

(Formerly Benchmark Botanics Inc.)

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Craftport Cannabis Corp. (formerly Benchmark Botanics Inc.)

Opinion

We have audited the consolidated financial statements of Craftport Cannabis Corp. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 *Auditors' 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

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

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 audits.

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

The engagement partner on the audit resulting in this independent auditors' report is Herbert Wong.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 29, 2022

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	2021	2020
		\$	\$
ASSETS			
Current Assets			
Cash		121,895	250,371
Restricted cash		34,500	34,500
Amounts receivable	4	17,128	257,599
Biological assets	5	-	69,790
Inventory	6	30,357	472,898
Prepaid expenses and deposits	7	60,575	99,974
		264,455	1,185,132
Deposits	9	214,545	324,364
Right of use assets	12	-	1,250,430
Property, plant and equipment	9	6,043,254	11,467,527
Goodwill	11	-	1,653,777
Intangible Assets	11	-	2,910,000
		6,522,254	18,791,230
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Loan	14	40,000	40,000
Accounts payable and accrued liabilities	13	2,273,644	2,646,823
Debentures	14	4,202,359	917,659
Loans	14	3,184,747	3,141,594
Lease liabilities due within one year	12	-	224,822
		9,700,750	6,970,898
Lease liabilities	12	-	1,093,128
		9,700,750	8,064,026
Equity			
Share capital	16	35,235,012	35,235,012
Warrants reserve	16	948,667	948,667
Stock options reserve	16	2,153,365	2,209,748
Deficit		(38,215,509)	(28,153,776)
		121,535	10,239,651
Non-controlling interest	18	(3,300,031)	487,553
		(3,178,496)	10,727,204
		6,522,254	18,791,230

GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 23)

Approved on behalf of the Board:

"George Dorin"
Director

"Mike Cosic"
Director

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

Craftport Cannabis Corp.
(formerly Benchmark Botanics Inc.)
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Note	2021	2020
		\$	\$
Revenue		1,345,155	1,055,504
Excise taxes		336,319	203,739
Net revenue		1,008,836	851,765
Inventory production costs		820,190	543,622
Gross profit before fair value adjustments		188,646	308,143
Fair value changes in biological assets included in inventory sold and other inventory charges	6	(199,703)	(504,680)
Unrealized gain on changes in fair value of biological assets	5	83,788	281,344
Write-off of inventory	6	(135,056)	(628,450)
Gross profit		(62,325)	(543,643)
Expenses			
Amortization of tangible assets		318,751	413,815
Depreciation on intangible and right of use assets		241,827	247,298
Sales and marketing expenses		70,702	207,046
General and administrative expenses	21	2,810,260	2,905,698
Share-based compensation (recovery)	16	(56,383)	87,923
		3,385,157	3,861,780
Loss before other income (expense)		(3,447,482)	(4,405,423)
Other income (expenses)			
Interest income	8	-	196,058
Finance and other costs	22	(665,781)	(253,946)
Impairment on tangible assets	9	(5,094,410)	(6,780,991)
Impairment on intangible assets and goodwill	11	(4,451,566)	(4,426,717)
Gain on acquisition of associate	10	-	1,986,516
Loss on equity investments	10	-	(1,363,694)
Recovery on accounts payable	13	261,691	-
Impairment on other receivables	4	(127,405)	-
Write off of deposits	9	(324,364)	-
		(10,401,835)	(10,642,774)
Net loss before income taxes		(13,849,317)	(15,048,197)
Income tax recovery	17	-	(714,000)
Net loss and comprehensive loss		(13,849,317)	(14,334,197)
Net loss and comprehensive loss attributable to:			
Equityholders of the Company		(10,061,733)	(10,104,750)
Non-controlling interests		(3,787,584)	(4,229,447)
Loss per common share – basic and diluted		(0.49)	(0.55)
Weighted average number of common shares outstanding		20,361,202	18,477,172

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

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Warrants Reserve	Stock Options Reserve	Deficit	Total	Non-Controlling Interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2020	17,154,541	29,582,289	506,667	2,403,215	(18,049,026)	14,443,145	-	14,443,145
Shares issued for cash, net	340,000	1,258,000	442,000	-	-	1,700,000	-	1,700,000
Shares issued for acquisition (Note 10)	2,699,995	3,780,000	-	-	-	3,780,000	4,717,000	8,497,000
Stock option exercised	166,666	614,723	-	(281,390)	-	333,333	-	333,333
Share-based compensation	-	-	-	87,923	-	87,923	-	87,923
Comprehensive loss for the year	-	-	-	-	(10,104,750)	(10,104,750)	(4,229,447)	(14,334,197)
Balance, December 31, 2020	20,361,202	35,235,012	948,667	2,209,748	(28,153,776)	10,239,651	487,553	10,727,204
Share-based compensation	-	-	-	(56,383)	-	(56,383)	-	(56,383)
Comprehensive loss for the year	-	-	-	-	(10,061,733)	(10,061,733)	(3,787,584)	(13,849,317)
Balance, December 31, 2021	20,361,202	35,235,012	948,667	2,153,365	(38,215,509)	121,535	(3,300,031)	(3,178,496)

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

Craftport Cannabis Corp.
(formerly Benchmark Botanics Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(13,849,317)	(14,334,197)
Items not involving cash:		
Fair value changes in biological assets included in inventory sold	199,703	504,680
Unrealized gain on fair value change of biological assets	(83,788)	(281,344)
Depreciation and amortization	573,839	661,113
Gain of acquisition of associate	-	(1,986,516)
Foreign exchange loss	43,153	-
Impairment on tangible assets	5,094,410	6,780,991
Impairment on intangible assets	4,451,566	4,426,717
Income tax recovery	-	(714,000)
Interest accretion on lease liabilities	55,867	109,699
Interest accruals on debentures	244,700	-
Interest income	-	(183,077)
Loss on equity investments	-	1,363,694
Loss on write-off inventory	135,056	628,450
Loss on write-off purchase deposits	324,364	-
Share-based compensation	(56,383)	87,923
	(2,866,830)	(2,935,867)
Changes in non-cash working capital balances:		
Amounts receivable	240,471	17,566
Biological assets	69,790	32,468
Inventory	191,570	(163,655)
Prepaid expenses and deposits	39,399	(72,032)
Accounts payable and accrued liabilities	(405,067)	74,082
Cash used in operating activities	(2,730,667)	(3,047,438)
INVESTING ACTIVITIES		
Cash from acquisition of subsidiary (note 10)	-	54,487
Deposits on acquisition of equipment	(214,545)	-
Acquisition of property, plant and equipment	(6,349)	(339,358)
Disposal of property, plant and equipment	4,200	-
Cash used in investing activities	(216,694)	(284,871)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issuance costs	-	2,033,333
Loans received	3,040,000	905,000
Payment on lease liabilities	(221,115)	(231,000)
Cash provided by financing activities	2,818,885	2,707,333
Change in cash during the year	(128,476)	(624,976)
Cash, beginning of year	250,371	875,347
Cash, end of year	121,895	250,371
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Craftport Cannabis Corp. (formerly Benchmark Botanics Inc.) (the “Company”) was incorporated on November 23, 2009 under the Business Corporation Act of Alberta. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”). On October 29, 2021, the Company’s name changed from Benchmark Botanics Inc. to Craftport Cannabis Corp. Effective November 1, 2021, the Company’s shares began trading on the CSE under the new ticker symbol CFT. On November 2, 2017, the Company acquired Potanicals Green Growers Inc. (“Potanicals”) through a reverse acquisition transaction. Potanicals was incorporated on February 7, 2014 under the British Columbia Business Corporation Act. The address of the Company’s head office and principal place of business is 4715 Paradise Valley Drive, Peachland, British Columbia V0H 1X3. The Company’s Registered and Records office is 550 Burrard Street, Suite 2900, Vancouver, British Columbia V6C 0A3.

The Company’s principal business is the production of cannabis, licensed under the *Cannabis Act (Canada)* and its relevant regulations (the “Cannabis Act”), which came into force on October 17, 2018. All of the Company’s cannabis licenses are held by its wholly owned subsidiary, Potanicals. In 2021, the Company completed an assessment of its operations and made the decision to close the cultivation and harvesting activities at Potanicals’ Peachland facility, and transition the Peachland facility to an asset-light model whereby premium craft cannabis purchased from other licensed cannabis producers would be processed and packaged in Peachland and sold under the brand name Craftport Cannabis.

These consolidated financial statements have been prepared on the basis of accounting principals applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at December 31, 2021, the Company has an accumulated deficit of \$38,215,509, a working capital deficiency of \$9,436,295, and has generated negative cash flows from operations to date. For the year ended December 31, 2021, the Company incurred a net loss of \$13,849,317 (2020 – \$14,334,197). In addition, in January 2022, the Company listed its Pitt Meadows facility for sale and suspended its operations at that location. In August 2021, it also closed its cultivation operations at its Peachland facility. All of these matters and conditions indicate the existence of a material uncertainty that may raise significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and successfully generating positive cash flows from profitable operations.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Management’s plans to meet the Company’s current and future obligations are to raise equity capital through prospectus and private placements, rely on the financial support of its shareholders and parties related to the current shareholders, generate revenue from sales as well as explore other forms of financing that may be available to the Company.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by International Financial Reporting Committee (“IFRIC”).

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2022.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments carried at fair value where changes are recorded through profit or loss.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Potanicals Green Growers Inc. and controlled subsidiaries of 1139000 B.C. Ltd., 1161750 B.C. Ltd., and Canada Bond Biotechnology Co., Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- Estimating the stage of growth of the biological assets, the cannabis plants, up to the point of harvest, the expected future yields from the cannabis plants, their values during the growth cycle, costs to convert the harvested cannabis to finished goods, their sales price and net realizable value;
- Estimating the fair values of identifiable assets acquired and liabilities assumed in business combinations and the fair values of previously held equity interests and non-controlling interests in the acquiree;
- Estimating the recoverable amounts of property, plant and equipment, intangible assets and goodwill; and
- Estimating the value of variables used to calculate the fair value of share-based payment transactions.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- The evaluation of the Company's ability to continue as going concern (see Note 1);
- The determination of impairment in the carrying costs of inventory;
- The recognition and valuation of impairment of property and equipment, intangible assets and goodwill; and
- Income tax and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

b) Revenue Recognition

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statement of comprehensive loss, represents revenue from the sale of goods less applicable excise taxes, expected price discounts, and allowances for customer returns. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

The Company's contracts with customers for the sale of dried cannabis consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract.

c) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

Investments in associates are accounted for using the equity method. The Company's interest in an associate is initially recorded at cost and is subsequently adjusted for the Company's share of changes in the net assets of the associate, less any impairment in the value of individual investments, and any dividends paid. Where the Company transacts with an associate, unrealized profits and losses are eliminated to the extent of the Company's interest in that associate.

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventories of harvested finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent postharvest costs ("processing costs") are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at cost.

e) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. Costs incurred to transform biological assets to the point of harvest ("production costs") are capitalized as they are incurred, which become the cost basis of the biological assets. While the Company's biological assets are within the scope of IAS 41 Agriculture, the Company applies a similar approach to IAS 2 Inventories in capitalizing direct and indirect costs of biological assets. These costs include direct costs such as nutrients, soil, seeds, and direct labour, as well as other indirect costs such as utilities, an allocation of indirect labour, property taxes, and depreciation of equipment used in the growing process. The biological assets are then revalued to their fair value less costs to sell at the end of the period. Gains or losses arising from changes in fair value less costs to sell are included under fair value adjustments within the consolidated statement of comprehensive loss.

f) Cash equivalents

Cash equivalents consist of highly liquid investments and bank overdrafts, excluding restricted cash, if any, that are readily convertible to cash with maturities of three months or less when purchased, or which are redeemable at the option of the Company.

g) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes the acquisition price, any direct costs to bring the asset into productive use at its intended location, the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Major inspection cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation is computed on a straight-line basis based on nature and useful lives of the assets, except in the year of acquisition, when half of the rate is used. The significant classes of plant and equipment and their estimated useful lives are as follows:

Leasehold improvements	term of lease
Plant	25 years
Health Canada license	20 years
Production and other equipment	5 -10 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Vehicles	5 years

i) Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company classifies its financial liabilities in the following categories: at FVTPL or at amortized cost. The classification depends on the purpose for which the financial assets and liabilities are acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of comprehensive loss in the period in which they arise. The Company's cash and restricted cash are classified as FVTPL.

Financial assets at FVTOCI

Financial assets carried at FVOCI are financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company has no financial assets classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise, on specified date, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are initially recognized at fair value and are measured subsequent at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Interest income is recognized using the effective interest method, and is recognized in interest and other income on the consolidated statements of comprehensive loss. The Company has classified its accounts receivable, other receivable, due from associate and loans receivable as financial assets at amortized cost.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the consolidated statement of comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of financial assets at amortized cost

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as FVTPL) is impaired. The criteria used to determine if there is objective evidence of an impairment loss include:

- (i) significant financial difficulty of the obligor;
- (ii) delinquencies in interest or principal payments; and
- (iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

The loss of a financial asset carried at amortized cost is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method. The Company has classified its bank loan, accounts payable, debentures, loans and leases as financial liabilities at amortized cost.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statement of comprehensive loss. The Company has no financial liabilities designated at FVTPL.

j) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered probable. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

k) Share-based payments

The Company accounts for share-based payments awards granted to employees and consultants using the fair value method. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earnings per share. Diluted earnings per share excludes all dilutive potential common shares if their effect is anti-dilutive.

m) Income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred income tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

o) Functional and presentation currency

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The functional currency of the Company and its subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

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4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of:

	2021	2020
	\$	\$
Accounts receivable	-	116,199
GST receivable	17,128	141,400
Other receivable	127,405	-
	144,533	257,599
Impairment on other receivable	(127,405)	-
Balance, end of year	17,128	257,599

5. BIOLOGICAL ASSETS

As at December 31, 2021, the Company's biological assets consisted of cannabis plants. The changes in the carrying value of the biological assets are as follow:

	2021	2020
	\$	\$
Balance, beginning of year	69,790	102,258
Unrealized gain on changes in fair value of biological assets	83,788	281,344
Production costs capitalized	194,924	283,078
Harvested cannabis transferred to inventory	(348,502)	(596,890)
Balance, end of year	-	69,790

As of December 31, 2020, the weighted average fair value less cost to complete and cost to sell was \$5.00 per gram. As of December 31, 2021, the carrying value of its biological assets was \$nil.

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

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth.

During the year ended December 31, 2021, the Company's biological assets produced 69,700 grams of dried cannabis (2020 – 119,378 grams).

The significant unobservable inputs and their range of values are noted in the table below:

Unobservable Inputs	Range	Sensitivity
Estimated Yield per Plant – varies by strain and is obtained through historical growing results (trailing 6-months moving average) or grower estimate if historical results are not available.	60 grams/plant to 125 grams/plant	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Listed Selling Price of Dry Cannabis – varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available.	\$3 to \$8/gram	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

The Company estimates the average grow cycle of plants up to the point of harvest is approximately twelve weeks.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

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6. INVENTORY

	2021	2020
	\$	\$
Dry cannabis	14,790	319,436
Raw materials	15,567	153,462
Total	30,357	472,898

For the year ended December 31, 2021, the Company sold 321,404 (2020 – 227,355) grams of dried cannabis. Inventory expensed during the year ended December 31, 2021, was \$818,140 (2020 - \$543,622).

The fair value changes of biological assets included in inventory sold and other inventory charges for the year ended December 31, 2021 was \$199,703 (2020 - \$504,680). There was a net realizable value impairment adjustment to inventory of \$135,056 (2020 - \$628,450).

7. PREPAID EXPENSES AND DEPOSITS

	2021	2020
	\$	\$
Prepaid expenses	-	25,737
Deposits	60,575	74,237
Total	60,575	99,974

8. LOANS RECEIVABLE

On January 28, 2019, the Company entered into a revolving loan agreement (the “Loan Agreement”) with 1139000 BC Ltd. (“1139”), an associated company as described in Note 10. Pursuant to the Loan Agreement, the Company agreed to make loans to 1139 from time to time. The loans were unsecured, bear interest at 8% per annum and will be due on demand.

The interest income of \$196,058 was accrued for the period from January 1, 2020 up to August 31, 2020. As the Company gained ownership of 1139 on August 31, 2020, the loan receivable balance and interest income and expense between the Company and 1139 have been eliminated on consolidation commencing August 31, 2020 and at December 31, 2020 and 2021.

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9. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant	Building under Development	Greenhouse	Leasehold Improvement	Production and Other Equipment	Computer Equipment and Software	Furniture and Fixtures	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, December 31, 2019	1,971,844	1,963,079	1,918,479	-	33,900	1,083,674	151,879	195,778	107,138	7,425,771
Acquisition of 1139	6,560,751	-	-	4,948,617	-	135,210	56,962	6,599	-	11,708,139
Impairment	(1,141,564)	(803,160)	(915,604)	(3,920,663)	-	-	-	-	-	(6,780,991)
Additions	-	-	216,111	105,652	-	25,844	5,563	11,876	-	365,046
Balance, December 31, 2020	7,391,031	1,159,919	1,218,986	1,133,606	33,900	1,244,728	214,404	214,253	107,138	12,717,965
Additions	-	-	2,621	-	-	2,643	-	1,085	-	6,349
Impairment	(3,044,765)	(60,000)	(874,315)	(322,741)	-	(702,535)	(34,070)	(55,984)	-	(5,094,410)
Disposal	-	-	-	-	-	-	-	-	(4,200)	(4,200)
Adjustment	(672,000)	672,000	-	-	-	-	-	-	-	-
Balance, December 31, 2021	3,674,266	1,771,919	347,292	810,865	33,900	544,836	180,334	159,354	102,938	7,625,704
Accumulated Depreciation										
Balance, December 31, 2019	-	154,845	-	-	24,012	238,199	114,854	51,548	19,338	602,796
Acquisition of 1139	-	-	-	199,194	-	5,917	2,314	715	-	208,140
Charge for the year	-	78,523	-	78,779	9,888	135,422	53,144	49,102	34,644	439,502
Balance, December 31, 2020	-	233,368	-	277,973	33,900	379,538	170,312	101,365	53,982	1,250,438
Charge for the period	-	46,397	-	46,608	-	165,298	10,022	42,680	21,007	332,012
Balance, December 31, 2021	-	279,765	-	324,581	33,900	544,836	180,334	144,045	74,989	1,582,450
Net book value										
December 31, 2020	7,391,031	926,551	1,218,986	855,633	-	865,190	44,092	112,888	53,156	11,467,527
December 31, 2021	3,674,266	1,492,154	347,292	486,284	-	-	-	15,309	27,949	6,043,254

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9. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2020, the Company concluded that there were some factors which were indicators of impairment. As a result, the Company estimated the recoverable amount of its Peachland operations to be \$4 million using the fair value less cost of disposal, which was estimated using level 3 inputs based on information received from third parties.

At December 31, 2020, the Company concluded that indicators of impairment on the property acquired through the acquisition of 1139 were present and had occurred after August 31, 2020. The Company estimated the recoverable amount of its 1139 property to be \$7.5 million at year-end using the fair value less cost of disposal, which was estimated using level 3 inputs, based on appraisals obtained by the Company and evaluation of current market conditions.

At December 31, 2021, the Company concluded that there were some factors which were indicators of impairment. As a result, the Company estimated the recoverable amount of its Peachland operations to be \$2.04 million, net of cost of disposal, using the fair value less cost of disposal, which was estimated using level 3 inputs, based on a valuation report obtained by the Company and an evaluation of current market conditions.

During the year ended December 31, 2021, the Company concluded that indications of further impairment on the Pitt Meadows' property had occurred and were present. The Company estimated the recoverable amount of its 1139 property to be \$3.96 million, net of cost of disposal, at year-end based on a valuation report obtained by the Company and an evaluation of current market conditions.

An impairment of \$5,094,410 was recorded accordingly to adjust the Company's Peachland and Pitt Meadows' facilities' value to a total estimated recoverable amount of \$6.0 million.

The Company had made deposits of \$324,364 to purchase equipment for the Company's extraction facility. Due to Covid-19, the suppliers were not able to ship the equipment to the Company based on the purchase contract. In addition, the equipment may not suit the Company's use as the extraction facility is incomplete and the Company is not performing any extraction activities. As a result, the Company concluded that the amount of the deposits may not be recoverable and, as a result, during the year ended December 31, 2021, the Company wrote off deposits of \$324,364 made to purchase equipment for the Company's extraction facility.

During the year ended December 31, 2021, the Company made other deposits of \$214,545 to purchase equipment for the Company to process premium products. This amount has been recorded in Deposits at December 31, 2021. Subsequent to December 31, 2021, the Company received delivery of this equipment.

10. ACQUISITION

In 2019, the Company, through its wholly owned subsidiary, Potanicals Green Growers Inc., earned its initial 25% ownership interest in 1139000 B.C. Ltd. ("1139") by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Cannabis Act to the Pitt Meadows facility (the "Facility"). The Company had the option to acquire from 1139's shareholders an additional 26% ownership interest in 1139 when the Facility reached a Commercial Stage as defined by the Agreement. The Company would pay for the additional 26% ownership interest at its fair value to be determined at the time when the option is exercised by issuance of the Company's common shares. On November 29, 2019, the Company received a cultivation license for the Facility and received its 25% interest in 1139 on December 6, 2019.

On August 11, 2020, the Company entered into a share exchange agreement with shareholders of 1139 for the acquisition of an additional 5,199,000 common shares of 1139 from 1139's shareholders. Prior to the share exchange agreement, the Company owned 5,000,000 common shares of 1139. After the completion of the transactions contemplated under the share exchange agreement, the Company will own 10,199,000 Common shares, which will represent 51% of issued and outstanding share capital of 1139. Pursuant to the share exchange agreement, the Company issued to the shareholders of 1139 an aggregate of 26,999,958 pre-consolidation Common Shares in exchange for their 5,199,000 common shares of 1139. On August 31, 2020, the Company completed the share exchange transaction contemplated under the share exchange agreement.

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10. ACQUISITION (continued)

The following table outlines the investment in 1139 that is accounted for using the equity method for the period ended August 31, 2020:

	\$
Balance, December 31, 2018	-
Initial recognition of the 25% ownership of 1139	1,809,000
Share of 1139 loss for the year	(24,822)
Balance, December 31, 2019	1,784,178
Share of 1139 loss for the period	(1,363,694)
Balance, August 31, 2020	420,484

The Company's acquisition of the additional 26% ownership interest of 1139 was determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase. The measurement of a business combination requires management estimation in determining the fair value of assets and liabilities acquired. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values. The excess of the fair value of 1139 over the fair value of the identifiable assets acquired and liabilities assumed was recognized as goodwill.

Under IFRS 3, to record the acquisition of control of 1139 on August 31, 2020, the Company remeasured its previously held 25% interest in 1139 to fair value with the remeasurement gain recorded in income.

The following table summarizes the fair value of net assets acquired and the fair value of the non-controlling interest on acquisition of 1139 on August 31, 2020:

	\$
Cash	54,486
Prepaid expenses	6,715
GST receivables	123,896
Inventory	306,000
Property, plant & equipment	11,500,000
Goodwill	4,327,777
Licenses	4,745,000
Due to related parties	(4,473,910)
Bank loan	(40,000)
Accounts payable and accrued liabilities	(1,790,370)
Mortgage payable	(3,141,594)
Deferred tax liability	(714,000)
Net Assets	10,904,000
Non-controlling interest	(4,717,000)
Net Assets Acquired	6,187,000
Consideration paid in shares	3,780,000
Fair value of initial 25% interest	2,407,000
Original carrying cost	420,484
Gain on acquisition of initial 25% interest	1,986,516

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11. INTANGIBLE ASSETS AND GOODWILL

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 definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual periods, if any, over the following terms:

Health Canada licenses - Useful life of the facility

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 life or not yet available for use are not subject to amortization.

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.

Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment. Goodwill and indefinite life intangible assets are tested annually as of December 31 for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation of goodwill to the CGUs or group of CGUs requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

At December 31, 2020, the Company identified impairment indicators and concluded that the carrying values of the Health Canada license and goodwill at 1139 were impaired. The recoverable amounts of the license and the cash generating unit were estimated using the fair value less costs of disposal, using discounted cash flow projections involving level 3 inputs.

At December 31, 2021, the Company concluded that the carrying values of the Health Canada license and goodwill at 1139 were fully impaired based on its estimate of the recoverable amount of the Company's Pitt Meadows facility (Note 9). As a result, the carrying values of the Health Canada license and goodwill were written off to \$nil at December 31, 2021.

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11. INTANGIBLE ASSETS AND GOODWILL (continued)

The Company's intangible assets are comprised of the following:

Cost	\$
Balance, December 31, 2019	-
Health Canada Licenses acquired on acquisition of 1139 (note 10)	4,745,000
Impairment	(1,752,717)
Balance, December 31, 2020	2,992,283
Addition	-
Impairment	(2,797,789)
Balance, December 31, 2021	194,494
Accumulated depreciation	
Balance, December 31, 2019	-
Depreciation	82,283
Balance, December 31, 2020	82,283
Depreciation	112,211
Balance, December 31, 2021	194,494
Carrying amount as at December 31, 2020	2,910,000
Carrying amount as at December 31, 2021	-

The net change on Goodwill is as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Balance – beginning of the year	1,653,777	-
Goodwill from acquisition of 1139 (note 10)	-	4,327,777
Impairment	(1,653,777)	(2,674,000)
Balance – ending of the year	-	1,653,777

12. RIGHT OF USE ASSETS

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (office premises leases) as at and for the year ended December 31, 2021:

Cost	\$
Balance, January 1, 2020	160,843
Addition	1,312,742
Balance, December 31, 2020	1,473,585
Adjustment	(1,120,814)
Balance, December 31, 2021	352,771
Accumulated depreciation	
Balance, January 1, 2020	58,140
Depreciation	165,015
Balance, December 31, 2020	223,155
Depreciation	129,616
Balance, December 31, 2021	352,771
Carrying amount as at December 31, 2020	1,250,430
Carrying amount as at December 31, 2021	-

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12. RIGHT OF USE ASSETS (continued)

Lease liabilities

The following is the continuity of lease liabilities as at and for the year ended December 31, 2021:

	\$
Balance, January 1, 2020	126,509
Addition	1,312,742
Lease payments	(231,000)
Interest expense on lease liabilities	109,699
<hr/>	
Balance, December 31, 2020	1,317,950
Adjustment	(1,152,702)
Lease payments	(221,115)
Interest expense on lease liabilities	55,867
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Balance, December 31, 2021	-

On adoption of IFRS 16, the Company recognized lease liabilities on office premises which had previously been classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates applied to the lease liabilities. The weighted average incremental borrowing rate applied to the lease liabilities was 15% per annum. The weighted average lease term remaining as at December 31, 2021 is nil (2020 - 4.6 years).

On July 1, 2017, the Company entered into a lease agreement with a related party for office premises located in Richmond, BC. On December 31, 2018, the agreement was amended, and the Company agreed to pay annual rent of \$42,000 until the lease expired on June 30, 2021.

On February 20, 2020, the Company entered into a lease agreement for office premises located in Richmond, BC. The Company agreed to pay annual rent of \$190,627 from July 1, 2020 to June 30, 2021, \$200,660 from July 1, 2021 to June 30, 2023, \$210,693 from July 1, 2023 until the lease expires on June 30, 2025. On June 15, 2021, the Company entered into a Surrender of Lease Agreement with the landlord to terminate the lease. During the year ended December 31, 2021, an adjustment to right of use assets and lease liabilities was made due to the Company entering into the Surrender of Lease Agreement.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
	\$	\$
Trade payables	1,587,442	2,458,566
Accrued liabilities	686,202	188,257
<hr/>		
Total	2,273,644	2,646,823

During the year-ended December 31, 2021, the Company recorded a recovery of \$261,691 as a result of forgiveness of account payable which was forgiven by one of the Company's suppliers.

14. LOANS

As of December 31, 2021, the Company had the following loans and borrowings:

	December 31, 2021	December 31, 2020
	\$	\$
Bank loan (a)	40,000	40,000
Short-term loans (b)	3,184,747	3,141,594
Debentures (c)	4,202,359	917,659
<hr/>		
Total loans and borrowings	7,427,106	4,099,253
<hr/>		
Total current portion of liabilities and loans	7,427,106	4,099,253

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14. LOANS (continued)

a) Canada Emergency Business Account (“CEBA”) loan

The Company, through its subsidiary 1139, applied for the CEBA loan from the Government of Canada. The loan is interest free until December 31, 2022. In January 2022, the Government of Canada announced that the repayment deadline would be extended from December 31, 2022 to December 31, 2023; if the Company has repaid at least \$30,000 of the loan amount on or prior to December 31, 2023, the remaining balance of the loan amount can be forgiven. The loan can be extended to December 31, 2025. Interest of 5% per annum will be charged during the extended term starting from January 1, 2024.

b) Short term loans

On January 24, 2020, the Company’s subsidiary 1139, entered into a mortgage loan agreement (the “Loan”) to borrow up to two loans in the amount of \$1,600,000 and US\$1,250,000. The Loan is interest bearing at 9.75% per annum, calculated monthly. 1139 shall repay US\$1,250,000 on or before January 31, 2021. This loan was extended during the year ended December 31, 2021 to January 31, 2022. Subsequent to year-end, 1139 extended the US\$1,250,000 loan to January 31, 2023 (Note 23). Furthermore, subsequent to December 31, 2021, the Company failed to make a required interest payment on the loan causing it to be in default on the loan. Interest and principal associated with the \$1,600,000 loan shall be repaid in full on the due date of July 31, 2022.

The Loan is secured by:

1. A mortgage and assignment of rents over the Property located at 13460 Rippington Road, Pitt Meadows BC and legally described as Parcel Identifier: 004-622-294 South Half Lot 23 Section 13 Block 6 North Range 1 East New Westminster District Plan 19021 (the “Property”);
2. A General Security Agreement;
3. An Assignment of Insurance;
4. A General Assignment of Material Contracts and Project Documents; and
5. An Environmental Agreement and Indemnity.

If the Loan and any accrued and unpaid interest are not repaid on the Due Date, the Loan and the unpaid interest will bear interest at 18% per annum calculated daily.

c) Debentures

In 2020, the Company issued \$905,000 of debentures at an interest rate of 10% per annum. During the year ended December 31, 2021, the Company issued an additional \$3,040,000 of debentures. As at December 31, 2021, there were \$3,945,000 of debentures outstanding, \$3,745,000 with a maturity date of December 31, 2021, and \$200,000 with a maturity date of July 31, 2022.

Subsequent to the year-end, the Company converted \$1,990,000 of debentures into a mortgage loan which has a maturity date of December 31, 2023 (see Note 23).

For the year ended December 31, 2021, interest expense in the amount of \$244,700 (December 31, 2020 - \$12,659) was recorded.

The debentures balance as at December 31, 2021 includes principal balance in the amount of \$3,945,000 (December 31, 2020 - \$905,000) and accrued interest of \$257,359 (December 31, 2020 - \$12,659).

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15. RELATED PARTY BALANCES AND TRANSACTIONS

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the years ended December 31, 2021 and 2020. Short-term key management compensation consists of the following:

	2021	2020
	\$	\$
Share-based payments (recovery)	(56,383)	28,134
Salaries	198,045	166,250
Management fees	92,203	490,920
Consulting fees	35,806	48,000
Director fees	83,000	97,250
Rent	21,000	42,000
	373,671	872,554

Related party balances and transactions

- During the year ended December 31, 2021, the Company incurred \$21,000 (2020 - \$42,000) in lease payment to directors of the Company.
- Included in the accounts payable, are amounts of \$25,762 due to the CEO, Mike Cosic for his payments made on behalf of the Company.
- Included in the debentures, are amounts of \$100,000 due to a company controlled by a former officer and director of the Company.

16. SHARE CAPITAL

On November 1, 2021, the Company consolidated the common shares of the Company on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation Share (the "Consolidation"). Upon the Consolidation becoming effective, a total of 20,361,202 common shares were issued and outstanding. The number of outstanding shares, warrants, options, and per share amounts in periods prior to the share consolidation have been revised to reflect the 10 to 1 share consolidation in these consolidated financial statements.

At December 31, 2021, there were 20,361,202 common shares issued and outstanding (2020 – 20,361,222). The difference between the year-end 2020 and year-end 2021 common share amounts is the result of how fractional shares were treated during the Consolidation.

There were no shares issued for the year ended December 31, 2021.

For the year ended December 31, 2020:

- On March 6, 2020, the Company closed a non-brokered private placement financing (the "Private Placement") of 340,000 units (each, a "Unit") at a price of \$5.00 per Unit for total gross proceeds of \$1,700,000. Each Unit was comprised of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant can be exercisable into one common share at a price of \$10.20 for a period of 24 months from the closing date of the Private Placement. The fair value of the warrants was \$442,000 based on the residual value method, which was included in the warrants reserve balance as of December 31, 2020.
- On August 31, 2020, the Company acquired 5,199,000 common shares of 1139 from the shareholders. The Company now owns 10,199,000 common shares of 1139, which represents a 51%, controlling interest in the issued and outstanding share capital of 1139. As consideration for the 5,199,000 common shares of 1139, the Company issued to the shareholders of 1139 an aggregate of 2,699,995 Craftport Cannabis Corp. common shares.
- During the year ended December 31, 2020, there were 166,666 common shares issued on exercise of stock options for total proceeds of \$333,333.

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16. SHARE CAPITAL (continued)

Escrow Shares

As at December 31, 2021, the Company has nil of its common shares held in escrow (December 31, 2020 - nil).

Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Securities Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

The status of the stock options is summarized as follows after share consolidation:

	Number of Options	Exercise Price
Outstanding, December 31, 2019	850,666	
Exercised on February 29, 2020	(110,000)	\$2.00
Exercised on March 27, 2020	(56,666)	\$2.00
Stock options forfeited	(158,000)	\$5.40
Granted on May 7, 2020	20,000	\$3.50
Granted on June 1, 2020	50,000	\$2.80
Outstanding, December 31, 2020	596,000	
Stock options forfeited	(475,000)	\$3.47
Granted on March 5, 2021	50,000	\$0.95
Outstanding, December 31, 2021	171,000	

The following table summarizes stock options outstanding and exercisable after share consolidation as at December 31, 2021:

Grant Date	Outstanding			Exercisable	
	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price
7-Nov-17	60,000	\$2.00	0.85	60,000	\$2.00
9-Aug-18	66,000	\$6.00	1.60	66,000	\$6.00
19-Oct-18	20,000	\$4.80	1.80	20,000	\$4.80
5-Mar-21	25,000	\$0.95	4.18	8,333	\$0.95
	171,000	\$3.72	1.74	154,333	\$4.02

The following table summarizes the stock options outstanding and exercisable as at December 31, 2020:

Grant Date	Outstanding			Exercisable	
	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price
7-Nov-17	210,000	\$2.00	1.85	210,000	\$2.00
9-Aug-18	111,000	\$6.00	2.60	111,000	\$6.00
19-Oct-18	95,000	\$4.80	2.80	95,000	\$4.80
24-Jan-19	60,000	\$4.50	3.06	40,000	\$4.50
3-Sep-19	50,000	\$4.30	3.67	33,333	\$4.30
7-May-20	20,000	\$3.50	4.35	6,667	\$3.50
1-Jun-20	50,000	\$2.80	4.42	16,667	\$2.80
	596,000	\$3.40	3.25	512,667	\$3.78

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16. SHARE CAPITAL (continued)

On November 7, 2017, the Company granted an aggregate of 870,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of \$2.00 and an expiry date of November 6, 2022.

On August 9, 2018, the Company granted an aggregate of 258,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of \$6.00 and an expiry date of August 8, 2023. During the year ended December 31, 2021, the Company recognized share-based (recoveries) payments of nil (2020 - \$(29,863)) related to these stock options.

On October 19, 2018, the Company granted an aggregate of 95,000 stock options to directors and officer of the Company. These stock options have an exercise price of \$4.80 and an expiry date of October 18, 2023. During the year ended December 31, 2021, the Company recognized share-based payments of \$nil (2020 - \$39,036) related to these stock options.

On January 24, 2019, the Company granted 60,000 stock options to a director and 45,000 stock options to an employee of the Company. These stock options have an exercise price of \$4.50 and an expiry date of January 23, 2024. During the year ended December 31, 2021, the Company recognized share-based recovery of \$nil (2020 - \$(88,842)) related to these stock options.

On September 3, 2019, the Company granted 50,000 stock options to a consultant of the Company. These stock options have an exercise price of \$4.30 and an expiry date of September 2, 2024. During the year ended December 31, 2021, the Company recognized share-based payments (recovery) \$(43,445) of \$nil (2020 - \$74,397) related to these stock options.

On May 7, 2020, the Company granted 20,000 stock options to an officer of the Company. These stock options have an exercise price of \$3.50 and an expiry date of May 6, 2025. During the year ended December 31, 2021, the Company recognized share-based payments of \$nil (2020 - \$19,583) related to these stock options.

On June 1, 2020, the Company granted 50,000 stock options to an employee and a consultant of the Company. These stock options have an exercise price of \$2.80 and an expiry date of May 31, 2025. During the year ended December 31, 2021, the Company recognized share-based payments (recovery) of \$(34,445) (2020 - \$73,612) related to these stock options.

On March 5, 2021, the Company granted 50,000 stock options to an employee and a consultant of the Company. These stock options have an exercise price of \$0.95 and an expiry date of March 4, 2026. During the year ended December 31, 2021, the Company recognized share-based expenses of \$21,507 (2020 - \$nil) related to these stock options.

All of the above options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter.

The weighted average fair value at grant date of the stock options granted during the year ended December 31, 2021 was \$0.08 (2020 - \$0.30) per option. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2021	2020
Expected volatility	125%	125%
Risk-free interest rate	0.38%	0.38%
Dividend yield	-	-
Expected life of options	5.0 years	5.0 years
Stock price on grant date	\$0.08	\$0.30
Forfeiture rate	-	-

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16. SHARE CAPITAL (continued)

Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2019	3,091,666	\$10.20
Warrants issued	340,000	\$12.00
Warrants expired	(266,666)	\$12.00
Balance at December 31, 2020	3,165,000	\$10.40
Warrants expired	(2,825,000)	\$10.00
Balance at December 31, 2021	340,000	\$12.00

The weighted average remaining contractual life of warrants outstanding as at December 31, 2021 is 0.17 years (December 31, 2020 – 1.18 years).

Pursuant to the private placement closed on September 5, 2018, the Company issued 266,666 share purchase warrants at fair value of \$506,667. Each warrant was exercisable into one common share of the Company at an exercise price of \$12.00 per common share for a period of two years. The warrants expired on September 9, 2020.

Pursuant to the private placement closed on June 6, 2019, the Company issued 2,825,000 share purchase warrants at fair value of \$nil. Each warrant is exercisable into one post-consolidation common share of the Company at an exercise price of \$10.00 per common share for a period of two years, expiring on June 5, 2021.

Pursuant to the private placement closed on March 6, 2020, the Company issued 340,000 share purchase warrants at fair value of \$442,000. Each warrant is exercisable into one post-consolidation common share of the Company at an exercise price of \$12.00 per common share for a period of two years, expiring on March 5, 2022.

17. INCOME TAX

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2021	2020
	\$	\$
Canadian Statutory income tax rate	27%	27%
Income tax recovery at statutory rates	(3,739,316)	(4,063,013)
Non-deductible and other items	1,722,132	(542,010)
Change in unrecognized deferred tax assets	2,017,184	3,891,023
Income tax expense (recovery)	-	(714,000)

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred tax assets (liabilities) are as follows:

	2021	2020
	\$	\$
Non-capital losses	7,498,470	6,009,218
Share issuance costs	8,019	16,038
Property, plant and equipment	1,923,023	2,172,772
Intangible assets	-	(785,700)
Unrecognized deferred tax assets	(9,429,512)	(7,412,428)
Net deferred income tax assets	-	-

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17. INCOME TAX (continued)

As at December 31, 2021, the Company had non-capital losses carried forward of approximately \$27,773,000 which may be applied to reduce future years' taxable income, expiring as follows:

2029	\$	17,000
2030		121,000
2031		240,000
2032		215,000
2033		159,000
2034		690,000
2035		940,000
2036		813,000
2037		2,026,000
2038		5,494,000
2039		5,731,000
2040		7,853,000
2041		3,474,000
	\$	<u>27,773,000</u>

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

18. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. The information represents amounts before intercompany eliminations.

As of December 31, 2021	Canada Bond	1139000 BC Ltd	Total
Ownership Interest	65%	51%	
	\$	\$	\$
			-
Current assets	276	27,795	28,071
Non-current assets	-	3,959,996	3,959,996
Current liabilities		4,947,701	4,947,701
Non-current liabilities	35,000	5,754,258	5,789,258
Revenue for the period ended	-	355,500	355,500
Net loss for the period ended	(25,203)	(9,144,954)	(9,170,157)
Non-controlling interest	(8,821)	(3,778,763)	(3,787,584)

The net change in the non-controlling interests is as follows:

	Canada Bond	1139000 BC Ltd	Total
	\$	\$	\$
As of January 1, 2020	-	-	-
Acquisition and ownership change	-	4,717,000	4,717,000
Net loss attributed to non-controlling interest	(3,256)	(4,226,191)	(4,229,447)
As of December 31, 2020	(3,256)	490,809	487,553
Net loss attributed to non-controlling interest	(8,821)	(3,778,763)	(3,787,584)
As of December 31, 2021	(12,077)	(3,287,953)	(3,300,030)

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19. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, restricted cash, accounts receivable, other receivable, due from associate, loans receivable, and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	2021	2020
	\$	\$
Financial assets at fair value through profit or loss (i)	156,395	284,871
Financial assets at amortized cost (ii)	17,128	257,599
Financial liabilities at amortized cost (iii)	9,014,584	7,875,769

- (i) Cash and restricted cash
- (ii) Accounts receivables and other receivable
- (iii) Accounts payable, debentures, and loans

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices 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 that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and restricted cash				
December 31, 2021	156,395	-	-	156,395
December 31, 2020	284,871	-	-	284,871

Interest Rate and Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management evaluates credit risk on an ongoing basis. The primary sources of credit risk for the Company arise from its financial assets consisting of cash, restricted cash and amounts receivable. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risks the Company only holds its cash with chartered Canadian financial institutions. As at December 31, 2021 and 2020, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars and all current operational activities occur within Canada. In management's opinion there is no significant foreign exchange risk to the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its other receivables in a timely manner and by maintaining sufficient cash on hand through equity or debt financing. As described in Note 1, the Company's ability to continue as a going concern is dependent on its ability to raise additional financing and generate positive cash flow from profitable operations. Factors exist that indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and, thus, manage its liquidity risk.

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19. FINANCIAL INSTRUMENTS (continued)

The following are the contractual maturities of the Company's financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years and over
	\$	\$	\$	\$	\$
31-Dec-21					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	1,587,442	1,587,442	1,587,442	-	-
Debentures	4,202,359	4,202,359	4,202,359	-	-
Loans	3,184,747	3,184,747	3,184,747	-	-
	<u>9,014,548</u>	<u>9,014,548</u>	<u>9,014,548</u>	<u>-</u>	<u>-</u>
31-Dec-20					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,458,566	2,458,566	2,458,566	-	-
Debentures	917,659	917,659	917,659	-	-
Loans	3,141,594	3,141,594	3,141,594	-	-
Lease liabilities	1,317,950	224,822	224,822	270,193	822,935
	<u>7,875,769</u>	<u>6,782,641</u>	<u>6,782,641</u>	<u>270,193</u>	<u>822,935</u>

20. CAPITAL DISCLOSURES

The Company's definition of capital includes share capital, warrants reserve, stock options reserve, net of deficit.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion corresponding to the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt. The Company is not subject to any externally imposed capital requirements.

21. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's operating expenses are presented on the consolidated statements of comprehensive loss based on the functions of the expenses to the following classifications: inventory production costs, sales and marketing and general and administrative.

During the years ended December 31, 2021 and 2020, the Company incurred the following general and administrative expenses:

	2021	2020
	\$	\$
Consulting fees	127,106	200,300
Director fees	83,000	97,250
Insurance	114,931	139,933
Management fees	92,203	490,920
Office and general	533,852	464,494
Professional fees	182,659	221,733
Salaries and benefits	1,332,006	1,076,609
Supplies	152,862	24,876
Travel and entertainment	45,073	88,992
Utilities	146,568	100,591
	<u>2,810,260</u>	<u>2,905,698</u>

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22. FINANCE AND OTHER COSTS

	2021	2020
	\$	\$
Interest and bank charges	23,528	13,584
Interest on lease liabilities	55,867	109,699
Interest on debentures	244,700	25,152
Mortgage Interest	341,686	105,511
	665,781	253,946

23. SUBSEQUENT EVENTS

- a) On January 22, 2022, the Company's subsidiary, 1139, renewed a mortgage loan agreement in the amount of US\$1,250,000 in order to extend the maturity date of the loan to January 31, 2023. On March 1, 2022, the Company failed to make a required interest payment on this mortgage loan, thus causing it to be in default on the loan.

- b) Asset Held for Sale

Effective on January 3, 2022, the Company through its subsidiary, 1139, executed a Multiple Listing Contract for the sale of the Pitt Meadows Property located at 13460 Rippington Road, Pitt Meadows. The sale of the property requires approval of 66.66% of the shares held by the shareholders of 1139. The Company will approach the shareholders for a vote once a purchase offer on the property is received.

- c) Revoke Health Canada License for Pitt Meadows Facilities

Given the decision to sell 1139's Pitt Meadows facility, Potanicals submitted a notice of cessation of activities, and requested revocation of its Health Canada cannabis license for this site. Health Canada approved the revocation request, resulting in the license at 1139's Pitt Meadows site being revoked effective as of March 31, 2022.

In addition to the cannabis license at the Pitt Meadows site owned by 1139, Potanicals also had a standard cultivation license at another nearby site in Pitt Meadows owned by Yatai and BBT Biotech Ltd as a result of a cooperation agreement entered on May 27, 2019, between the Company and Yatai Pharmaceutical Co., Ltd. As operations at this site never advanced, Potanicals submitted a notice of cessation of activities, and requested revocation of its Health Canada cannabis license at this site. Health Canada approved the revocation request, resulting in the license at the Yatai and BBT Biotech Ltd site being revoked effective as of March 31, 2022.

- d) Issuance of Shares for Debt Settlement

On April 6, 2022, the Company settled certain outstanding accounts payable with non-related parties in the aggregate amount of \$124,316 through the issuance of 1,130,141 common shares of the Company at a deemed price of \$0.11 per common share. The settlement shares are subject to a hold period of four months and a day.

- e) Extension of Maturity Date and Security Granted on Certain Outstanding Loans

On April 13, 2022, the Company entered into a loan agreement with an arm's-length company with an aggregate principal amount of \$1.99 million, previously received by the Company between August 2020, and December 2021 and recorded as debentures. Under the terms of this loan agreement, the maturity date has been set at December 31, 2023, the loan is repayable in full on the maturity date, and the loan bears interest at a rate of 10 per cent per annum in respect of each advance under the loan, calculated from the date of each such advance and payable on the maturity date. As security for the payment of the Company's obligations under the loan agreement, the Company has, concurrently with the loan agreement, granted the lender a general security agreement; a guarantee from Potanicals; security interest in all personal property of the Company; and a mortgage by Potanicals in the principal amount of \$1.99 million, together with an assignment of rents of the lands located at the Company's Peachland property.

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23. SUBSEQUENT EVENTS (continued)

f) Stock Option Grant

Subsequent to the year-end, the Company granted an aggregate of 1.79 million stock options to certain directors, officers, employees and consultants. Each stock option entitles the holder thereof to purchase one common share of the Company at a price of \$0.11 per common share for a period expiring five years following the date of the grant. The vesting schedule of the stock options is one-third immediately upon the grant, one-third on the first anniversary following the date of the grant and one-third on the second anniversary following the date of the grant. Following the grant of stock options, the Company has a total of 1,961,000 stock options outstanding, representing approximately 9.1 per cent of the issued and outstanding common shares of the Company.