Condensed Interim Consolidated Financial Statements of

CRAFTPORT CANNABIS CORP.

For the three and six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

CRAFTPORT CANNABIS CORP.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three and Six Months ended June 30, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Craftport Cannabis Corp. (formerly Benchmark Botanics Inc.) have been prepared by, and are the responsibility of, the Company's management.

Craftport Cannabis Corp.'s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 29, 2022

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

	Note	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
		$	$
ASSETS			
Current Assets			
Cash		**229,626**	121,895
Restricted cash		**34,500**	34,500
Amounts receivable	4	**26,467**	17,128
Inventory	6	**538,475**	30,357
Deposits		**43,400**	60,575
		872,468	264,455
Deposits	7	**-**	214,545
Property, plant and equipment	7	**6,374,314**	6,043,254
		7,246,782	6,522,254
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Loan	11	**40,000**	40,000
Accounts payable and accrued liabilities	10	**2,253,421**	2,273,644
Debentures	11	**588,303**	4,202,359
Operating loan	11	**458,285**	-
Short-term mortgage loans	11	**3,184,747**	3,184,747
		6,524,756	9,700,750
Long-term mortgage loans	11	**3,809,685**	-
		10,334,441	9,700,750
Equity			
Share capital	13	**36,859,328**	35,235,012
Share subscriptions received	13	**300,000**	-
Warrants reserve	13	**948,667**	948,667
Stock options reserve	13	**2,229,150**	2,153,365
Deficit		**(39,903,256)**	(38,215,509)
		433,889	121,535
Non-controlling interest	14	**(3,521,548)**	(3,300,031)
		(3,087,659)	(3,178,496)
		7,246,782	6,522,254

GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 19)

Approved on behalf of the Board:

"George Dorin" __________ *"Feng Lu"*

Director Director

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

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021
(Unaudited)
(Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
		$	$	**$**	$
Revenue		**47,501**	301,392	**29,118**	837,979
Excise taxes		**5,554**	68,136	**6,478**	198,155
Net revenue		**41,947**	233,256	**22,640**	639,824
Inventory production costs expensed to cost of sales		**71,144**	184,236	**84,737**	463,026
Gross profit before fair value adjustments		**(29,197)**	49,020	**(62,097)**	176,798
Fair value changes in biological assets included in inventory sold and other inventory charges		**-**	21,238	**-**	102,770
Unrealized gain on changes in fair value of biological assets	5	**-**	(93,827)	**-**	(114,932)
Gross profit		**(29,197)**	121,609	**(62,097)**	188,960
Expenses					
Amortization of tangible assets		**44,630**	83,669	**89,260**	149,040
Depreciation on intangible and right of use assets		**-**	103,240	**-**	204,423
Sales and marketing expenses		**1,591**	11,537	**5,260**	47,218
General and administrative expenses		**601,992**	693,252	**1,285,957**	1,377,697
Share-based compensation	13	**75,017**	1,775	**75,785**	(61,407)
		723,230	893,473	**1,456,262**	1,716,971
Loss before other expense		**(752,427)**	(771,864)	**(1,518,359)**	(1,528,011)
Other expense					
Finance and other costs	18	**(190,187)**	(145,135)	**(390,905)**	(322,904)
Impairment on tangible asset		**-**	(1,500,000)	**-**	(1,500,000)
Impairment on intangible asset		**-**	(1,653,777)	**-**	(1,653,777)
Write off of deposits		**-**	(324,364)	**-**	(324,364)
		(190,187)	(3,623,276)	**(390,905)**	(3,801,045)
Net loss and comprehensive loss		**(942,614)**	(4,395,140)	**(1,909,264)**	(5,329,056)
Net loss and comprehensive loss attributable to:					
Equityholders of the Company		**(841,099)**	(2,673,007)	**(1,687,747)**	(3,412,856)
Non-controlling interests		**(101,515)**	(1,722,133)	**(221,517)**	(1,916,200)
		(942,614)	(4,395,140)	**(1,909,264)**	(5,329,056)
Loss per common share – basic and diluted		**($0.033)**	($0.216)	**($0.078)**	($0.262)
Weighted average number of common shares		**28,538,506**	20,361,202	**24,517,622**	20,361,202

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

Craftport Cannabis Corp.

(formerly Benchmark Botanics Inc.)
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2022 and 2021
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Share Subscriptions Received	Warrants Reserve	Stock Options Reserve	Deficit	Total	Non-Controlling Interest	Total
		$	$	$	$	$	$	$	$
Balance, January 1, 2021	**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 (recovery)	-	-	-	-	(61,407)	-	(61,407)	-	(61,407)
Comprehensive loss for the period	-	-	-	-	-	(3,412,856)	(3,412,856)	(1,916,200)	(5,329,056)
Balance, June 30, 2021	**20,361,202**	**35,235,012**	**-**	**948,667**	**2,148,341**	**(31,566,632)**	**6,765,388**	**(1,428,647)**	**5,336,741**
Balance, January 1, 2022	**20,361,202**	**35,235,012**	-	**948,667**	**2,153,365**	**(38,215,509)**	**121,535**	**(3,300,031)**	**(3,178,496)**
Shares issued for cash, net	18,750,000	1,500,000					1,500,000		1,500,000
Shares issued for debts settlement	1,130,141	124,316					124,316		124,316
Share-based compensation	-	-	-	-	75,785	-	75,785	-	75,785
Share subscriptions received	-	-	300,000	-	-	-	300,000	-	300,000
Comprehensive loss for the period	-	-	-	-	-	(1,687,747)	(1,687,747)	(221,517)	(1,909,264)
Balance, June 30, 2022	**40,241,343**	**36,859,328**	**300,000**	**948,667**	**2,229,150**	**(39,903,256)**	**433,889**	**(3,521,548)**	**(3,087,659)**

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

Craftport Cannabis Corp.
(formerly Benchmark Botanics Inc.)
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2022 and 2021
(Unaudited)
(Expressed in Canadian Dollars)

	Note	June 30, 2022	June 30, 2021
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(1,909,264)	(5,329,056)
Items not involving cash:			
Fair value changes in biological assets included in inventory sold		-	102,770
Unrealized gain on changes in fair value of biological assets	5	-	(114,932)
Depreciation and amortization		89,260	362,303
Impairment on tangible asset		-	1,500,000
Impairment on intangible asset		-	1,653,777
Interest accretion on lease liabilities		-	55,867
Interest accrual on debentures	11	25,043	76,544
Interest accrual on long-term mortgage loans	11	170,586	-
Share-based compensation	13	75,785	(61,407)
Write off of deposits	9	-	324,364
		(1,548,590)	(1,429,770)
Changes in non-cash working capital balances:			
Amounts receivable		(9,339)	70,165
Biological assets		-	(95,405)
Inventory		(508,118)	152,215
Prepaid expenses		17,175	40,799
Accounts payable and accrued liabilities		(11,938)	(281,094)
Cash used in operating activities		(2,060,810)	(1,543,090)
INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(420,320)	(1,393)
Adjustment on property and equipment		-	261,691
Deposits on acquisition of equipment	7	214,545	-
Cash (used in) provided by investing activities		(205,775)	260,298
FINANCING ACTIVITIES			
Proceeds from shares issurance	13	1,624,316	-
Share subscriptions received	13	300,000	
Operating loans received	11	450,000	-
Debentures received		-	1,390,000
Payment on lease liabilities		-	(245,473)
Cash provided by financing activities		2,374,316	1,144,527
Change in cash during the period		107,731	(138,265)
Cash, beginning of period		156,395	284,871
Cash, end of period		264,126	146,606
Supplemental cash flow information:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-

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

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 condensed interim consolidated financial statements (the "interim 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 June 30, 2022, the Company has an accumulated deficit of $39,903,256, a working capital deficiency of $5,652,288, and has generated negative cash flows from operations to date. For the six months ended June 30, 2022, the Company incurred a net loss of $1,909,264 (2021 – $5,329,056). 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 interim 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 interim consolidated financial statements. Management's plans to meet the Company's current and future obligations are to generate revenue from sales, raise equity capital through prospectus and private placements, rely on the financial support of its shareholders and parties related to the current shareholders, as well as explore financing that may be available to the Company.

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2021 and 2020.

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

b) Basis of measurement

The interim 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 interim 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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the interim 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 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; 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; and
- Income tax and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

4. AMOUNTS RECEIVABLE

Amounts receivables are comprised of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	$	$
GST receivable	26,467	17,128
Other receivable	127,405	127,405
	153,872	144,533
Impairment on other receivable	(127,405)	(127,405)
Balance, end of year	26,467	17,128

5. BIOLOGICAL ASSETS

The changes in the carrying value of the biological assets are as follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	$	$
Balance, beginning of period	-	69,790
Unrealized gain on changes in fair value of biological assets	-	83,788
Production costs capitalized	-	194,924
Harvested cannabis transferred to inventory	-	(348,502)
Balance, end of period	-	-

(Expressed in Canadian Dollars)

5. BIOLOGICAL ASSETS (continued)

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 were 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.

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

In August 2021, the Company closed its cultivation operations at its Peachland facility. As at June 30, 2022 and December 31, 2021, the Company had no biological assets.

6. INVENTORY

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	$	$
Dry cannabis	405,895	14,790
Raw materials	132,580	15,567
Total	538,475	30,357

For the six months ended June 30, 2022, the Company sold 17,433 (2021 – 178,257) grams of dried cannabis. Inventory expensed during the six months ended June 30, 2022, was $84,737 (2021 - $463,026).

The fair value changes of biological assets included in inventory sold for the six months ended June 30, 2022 was $nil (2021 - $102,770).

(Expressed in Canadian Dollars)

7. 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, 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
Additions	-	-	-	-	-	417,113	3,207	-	-	420,320
Balance, June 30, 2022	3,674,266	1,771,919	347,292	810,865	33,900	961,949	183,541	159,354	102,938	8,046,024
Accumulated Depreciation										
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
Charge for the period	-	21,998	16,800	19,215	-	13,904	267	6,782	10,294	89,260
Balance, June 30, 2022	-	301,763	16,800	343,796	33,900	558,740	180,601	150,827	85,283	1,671,710
Net book value										
31-Dec-21	3,674,266	1,492,154	347,292	486,284	-	-	-	15,309	27,949	6,043,254
30-Jun-22	3,674,266	1,470,156	330,492	467,069	-	403,209	2,940	8,527	17,655	6,374,314

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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.

In 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. During the six months ended June 30, 2022, the Company received delivery of this equipment.

8. 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 it 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.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (continued)

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 7). As a result, the carrying values of the Health Canada license and goodwill were written off to $nil at December 31, 2021.

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

Cost	$
Balance, December 31, 2020	2,992,283
Addition	-
Impairment	(2,797,789)
Balance, December 31, 2021	194,494
Addition	-
Balance, June 30, 2022	194,494
Accumulated depreciation	
Balance, December 31, 2020	82,283
Depreciation	112,211
Balance, December 31, 2021	194,494
Depreciation	-
Balance, June 30, 2022	194,494
Carrying amount as at December 31, 2021	-
Carrying amount as at June 30, 2022	-

The net change on Goodwill is as follows:

	June 30, 2022	December 31, 2021
	$	$
Balance – beginning of the period	-	1,653,777
Impairment	-	(1,653,777)
Balance – ending of the period	-	-

9. 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 six months ended June 30, 2022:

Cost	$
Balance, January 1, 2021	1,473,585
Adjustment	(1,120,814)
Balance, December 31, 2021	352,771
Adjustment	-
Balance, June 30, 2022	352,771
Accumulated depreciation	
Balance, January 1, 2021	223,155
Depreciation	129,616
Balance, December 31, 2021	352,771
Depreciation	-
Balance, June 30, 2022	352,771
Carrying amount as at December 31, 2021	-
Carrying amount as at June 30, 2022	-

(Expressed in Canadian Dollars)

9. RIGHT OF USE ASSETS (continued)

Lease liabilities

The following is the continuity of lease liabilities as at and for the six months ended June 30, 2022:

	$
Balance, January 1, 2021	126,509
Adjustment	(1,152,702)
Lease payments	(221,115)
Interest expense on lease liabilities	55,867
Balance, December 31, 2021	1,317,950
Additions	-
Lease payments	-
Interest expense on lease liabilities	-
Balance, June 30, 2022	-

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 June 30, 2022 is nil (December 31, 2021 - nil 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	$	$
Trade payables	1,572,634	1,587,442
Accrued liabilities	680,787	686,202
Total	2,253,421	2,273,644

11. LOANS

As of June 30, 2022 and December 31, 2021, the Company had the following loans and borrowings:

	June 30, 2022 $	December 31, 2021 $
Bank loan **(a)**	40,000	40,000
Short-term loans **(b)**	3,184,747	3,184,747
Debentures **(c)**	588,303	4,202,359
Operating loans **(d)**	458,285	-
Long-term loans **(e)**	3,809,685	-
Total loans and borrowings	8,181,020	7,427,106
Less: long-term loans	(3,809,685)	-
Total current portion of liabilities and loans	4,371,335	7,427,106

11. 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, 2022. During the six months ended June 30, 2022, 1139 extended the US$1,250,000 loan to January 31, 2023. Furthermore, on March 1, 2022, 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

As of December 31, 2021, the Company had $3,945,000 of debentures outstanding at an interest rate of 10% per annum. During the six months ended June 30, 2022, the Company converted $3,440,000 of debentures into a mortgage loan which has a maturity date of December 31, 2023. After the conversion, as of June 30, 2022, the Company had $505,000 of debentures outstanding at an interest rate of 10% per annum, $305,000 with a maturity date of December 31, 2021, and $200,000 with a maturity date of July 31, 2022.

For the six months ended June 30, 2022, interest expense in the amount of $25,043 (2021 - $76,544) was recorded.

The debentures balance as at June 30, 2022 includes principal balance in the amount of $505,000 (December 31, 2021 - $3,945,000) and accrued interest of $83,303 (December 31, 2021 - $257,359).

d) Operating loans

On May 27, 2022, the Company, through its wholly owned subsidiary, Potanicals, entered into a revolving credit facility of up to $1 million. The credit facility has an interest rate of 18% per annum on the outstanding balance drawn on the credit facility and is secured by the accounts receivable associated with the sales made by the cannabis flower purchased. The Company has drawn $450,000 on the credit facility during the six months ended June 30, 2022.

For the six months ended June 30, 2022, interest expense in the amount of $8,285 (2021 - $nil) was recorded.

The operation loans as at June 30, 2022 includes principal balance in the amount of $450,000 (December 31, 2021 - $nil) and accrued interest of $8,285 (December 31, 2021 - $nil). Subsequent to the period end, the Company has paid back the operating loans together with accrued interest.

(Expressed in Canadian Dollars)

11. LOANS (continued)

e) Long-term mortgage loans

During the six months ended June 30, 2022, the Company converted $3,440,000 of debentures into a mortgage loan which has a maturity date of December 31, 2023. The loan is repayable in full on the maturity date, and the loan bears interest at a rate of 10% 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 lenders 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 $3.44 million, together with an assignment of rents of the lands located at the Company's Peachland property.

For the six months ended June 30, 2022, interest expense in the amount of $170,586 (2021 - $nil) was recorded.

The long-term mortgage loans balance as at June 30, 2022 includes principal balance in the amount of $3,440,000 (December 31, 2021 - $nil) and accrued interest of $369,685 (December 31, 2021 - $nil).

12. 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 six months ended June 30, 2022 and 2021. Short-term key management compensation consists of the following:

	Six Months Ended June 30, 2022	Six Months Ended June 30,2021
	$	$
Share-based payments	27,737	17,193
Salaries	78,000	78,000
Management fees	-	92,203
Director fees	45,583	42,250
Consulting fees	-	18,000
	151,320	247,646

Related party balances and transactions

a) During the six months ended June 30, 2022, the Company incurred $nil (2021 - $21,000) in lease payment to a former director of the Company.

b) Included in the debentures is $100,000 due to a company controlled by a former officer and director of the Company.

13. 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 interim consolidated financial statements.

During the six months ended June 30, 2022, the Company issued the following shares:

a) 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.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (continued)

b) Private Placement closed

On May 27, 2022, the Company closed a non-brokered private placement offering of 18,750,000 common shares at a price of $0.08 per common share for gross proceeds of $1.5 million. Proceeds of the offering were received in advance of closing and used by the Company for general working capital purposes. The common shares issued pursuant to the offering are subject to resale restrictions for a period of four months and a day expiring on September 28, 2022.

At June 30, 2022, there were 40,241,343 common shares issued and outstanding (December 31, 2021 – 20,361,202).

During the six months ended June 30, 2022, the Company received $300,000 in relation to a $1,500,000 private placement financing (see Note 19b) which closed subsequent to the period end on July 19, 2022.

Escrow Shares

As at June 30, 2022, the Company has nil of its common shares held in escrow (December 31, 2021 - 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 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, January 1, 2021	596,000	
Stock options forfeited	(475,000)	$3.47
Granted on March 5, 2021	50,000	$0.95
Outstanding, December 31, 2021	171,000	
Granted on April 6, 2022	1,790,000	$0.11
Outstanding, June 30, 2022	1,961,000	

The following table summarizes stock options outstanding and exercisable after share consolidation as at June 30, 2022:

	Outstanding			Exercisable		
Grant Date	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price	Expiration Date
7-Nov-17	60,000	$2.00	0.60	60,000	$2.00	6-Nov-22
9-Aug-18	66,000	$6.00	1.36	66,000	$6.00	8-Aug-23
19-Oct-18	20,000	$4.80	1.55	20,000	$4.80	18-Oct-23
5-Mar-21	25,000	$0.95	3.93	16,667	$0.95	4-Mar-26
6-Apr-22	1,790,000	$0.11	4.77	596,667	$0.11	5-Apr-27
	1,961,000	$0.42	4.48	759,333	$0.91	

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (continued)

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

	Outstanding			Exercisable		
Grant Date	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price	Expiration Date
7-Nov-17	60,000	$2.00	0.85	60,000	$2.00	6-Nov-22
9-Aug-18	66,000	$6.00	1.60	66,000	$6.00	8-Aug-23
19-Oct-18	20,000	$4.80	1.80	20,000	$4.80	18-Oct-23
5-Mar-21	25,000	$0.95	4.18	8,333	$0.95	4-Mar-26
	171,000	$3.72	1.74	154,333	$4.02	

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.

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.

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.

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 six months ended June 30, 2022, the Company recognized share-based (recovery) of $nil (2021 - $(43,445)) 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.

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 six months ended June 30, 2022, the Company recognized share-based payments (recovery) of $nil (2021 - $(34,445)) 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 six months ended June 30, 2022, the Company recognized share-based expenses of $1,546 (2021 - $16,483) related to these stock options.

On April 6, 2022, 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. During the six months ended June 30, 2022, the Company recognized share-based expenses of $74,239 (2021 - $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.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (continued)

The weighted average fair value at grant date of the stock options granted during the six months ended June 30, 2022 was $0.09 (2021 - $0.08) per option. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2022	2021
Expected volatility	125%	125%
Risk-free interest rate	0.16%	0.38%
Dividend yield	-	-
Expected life of options	5.0 years	5.0 years
Stock price on grant date	$0.11	$0.08
Forfeiture rate	-	-

Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price
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
Warrants expired	(340,000)	$12.00
Balance at June 30, 2022	-	-

The weighted average remaining contractual life of warrants outstanding as at June 30, 2022 is nil years (December 31, 2021 – 0.17 years).

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 was 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 was 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.

14. 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 June 30, 2022	Canada Bond	1139000 BC Ltd	Total
Ownership Interest	65%	51%	
	$	$	$
Current assets	276	13,117	13,393
Non-current assets	-	3,923,981	3,923,981
Current liabilities		5,209,175	5,209,175
Non-current liabiliites	35,000	5,937,319	5,972,319
Revenue for the period ended	-	-	-
Net loss for the period ended	-	(452,076)	(452,076)
Non-controlling interest	-	(221,517)	(221,517)

(Expressed in Canadian Dollars)

14. NON-CONTROLLING INTEREST (continued)

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

	Canada Bond	1139000 BC Ltd	Total
	$	$	$
As of December 31, 2020	(3,256)	490,809	487,553
Net loss attibuted to non-controlling interest	(8,821)	(3,778,763)	(3,787,584)
As of December 31, 2021	(12,077)	(3,287,954)	(3,300,031)
Net loss attibuted to non-controlling interest	-	(221,517)	(221,517)
As of June 30, 2022	(12,077)	(3,509,471)	(3,521,548)

15. 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:

	June 30, 2022	December 31, 2021
	$	$
Financial assets at fair value through profit or loss (i)	264,126	156,395
Financial assets at amortized cost (ii)	26,467	17,128
Financial liabilities at amortized cost (iii)	9,653,653	9,014,584

(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				
June 30, 2022	264,126	-	-	264,126
December 31, 2021	156,395	-	-	156,395

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 June 30, 2022 and December 31, 2021, the Company has no financial assets that are past due or impaired due to credit risk defaults.

15. FINANCIAL INSTRUMENTS (continued)

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.

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
	$	$	$	$	$
30-Jun-22					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	1,572,633	1,572,633	1,572,633	-	-
Debentures	588,303	588,303	588,303	-	-
Operating loans	458,285	458,285	458,285		
Short-term mortgage loans	3,184,747	3,184,747	3,184,747	-	-
Long-term mortgage loans	3,809,685	3,809,685	-	3,809,685	
	9,653,653	9,653,653	5,843,968	3,809,685	-
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	-	-
	9,014,548	9,014,548	9,014,548	-	-

16. 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.

(Expressed in Canadian Dollars)

17. 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 six months ended June 30, 2022 and 2021, the Company incurred the following general and administrative expenses:

	Three-Month Period Ended (Unaudited)		Six-Month Period Ended (Unaudited)	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021
	$	$	$	$
Consulting fees	31,375	41,961	40,637	60,719
Director fees	19,250	20,875	45,583	42,250
Insurance	25,827	14,600	61,020	36,271
Management fees	-	-	-	92,203
Office and general	78,780	202,474	209,353	293,070
Professional fees	123,048	19,356	164,168	71,695
Salaries and benefits	260,557	378,365	668,031	688,168
Travel and entertainment	20,282	10,148	33,970	19,663
Utilities	42,873	10,329	63,195	78,514
	601,992	693,252	1,285,957	1,377,697

18. FINANCE AND OTHER COSTS

	Three-Month Period Ended (Unaudited)		Six-Month Period Ended (Unaudited)	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021
	$	$	$	$
Interest and bank charges	5,522	-2,594	14,932	4,856
Interest on operating loans	8,285	-	8,285	-
Interest on lease liabilities	-	20,857	-	55,867
Interest on debentures	98,356	48,848	195,629	76,544
Mortgage Interest	78,024	78,024	172,059	185,637
	190,187	145,135	390,905	322,904

19. SUBSEQUENT EVENTS

a) On July 6, 2022, the Company announced that Mr. Feng Lu has been appointed as the Chief Executive Officer and Director of the Company. Mr. Lu replaces Michael Cosic as the Company's CEO and will fill the vacancy created from the resignation of Mr. Cosic as a director of the Company. Further, Mr. Cosic has also resigned as the sole director and President of Potanicals Green Growers Inc. ("PGG"), a wholly-owned subsidiary of the Company. Yuan Gao has been appointed as director of PGG.

b) Private Placement - Closed

On July 19, 2022, the Company announced that it closed a non-brokered private placement offering of 18,750,000 common shares at a price of $0.08 per common share for gross proceeds of $1.5 million. The Company initially announced the Offering in a press release on May 27, 2022. Net proceeds of the Offering are expected to be used by the Company for general working capital purposes. The Common Shares of the Company issued pursuant to the Offering are subject to resale restrictions for a period of four months and a day expiring on November 19, 2022. No finders' fees have been or will be paid in connection with the Offering.