CORE ONE LABS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2021 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

CORE ONE LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2021 and December 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	$ 587,036	$ 528,364
Amounts receivables	2,200,567	2,971,716
Advances receivables – Note 6	28,931	23,974
Prepaid expenses and deposit	146,880	93,391
Inventory	1,410	-
Investments – Note 5	110,000	1,369,842
Loan receivable	187,752	-
	3,262,576	4,987,287
Equipment – Note 3	442,208	447,420
Intangible asset	4,244,000	4,089,000
Total Assets	$ 7,948,784	$ 9,523,707
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 7	$ 3,073,464	$ 3,283,098
Due to related parties – Note 10	423,287	228,246
Advances payable – Note 9	108,615	191,973
	3,605,366	3,703,317
Convertible debentures – Note 8	-	427,756
Total liabilities	3,605,366	4,131,073
SHAREHOLDERS' EQUITY		
Share capital – Note 11	124,651,852	97,183,706
Share subscriptions	343,614	-
Commitment to issue shares – Note 5	-	1,000,000
Contributed surplus	21,847,520	13,795,711
Accumulated other comprehensive income	(305,268)	(78,438)
Accumulated deficit	(142,194,300)	(106,508,345)
Total Shareholders' Equity	4,343,418	5,392,634
Total Liabilities and Shareholders' Equity	$ 7,948,784	$ 9,523,707

Going Concern of Operations – Note 1
Commitments and Contingency – Note 14
Subsequent events – Notes 19

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Joel Shacker"	Director	*"Geoff Balderson"*	Director
Joel Shacker		Geoff Balderson	

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

CORE ONE LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Expenses				
Advertising and promotion	$ 195,462	$ 865,675	$ 2,692,768	$ 968,248
Amortization – Note 3	3,114	-	10,013	-
Consulting – Note 10	518,823	426,543	1,652,513	913,905
Foreign exchange loss (gain)	(276,493)	(20,805)	(53,856)	55,346
IT Infrastructure	-	-	-	136,946
Interest expense (income) and accretion	(4,307)	(570)	18,662	16,983
Meals and travel expenses	4,414	2,214	10,304	54,904
Office and miscellaneous	17,851	(35,410)	124,989	69,347
Professional fees	190,810	258,552	400,266	507,005
Research and development	252,945	34,047	648,646	92,613
Regulatory fees	23,979	56,642	66,624	87,086
Loss (gain) on settlement of debt	(17,777)	-	203,537	(225,066)
Loss on acquisitions – Note 4	4,303,798	20,549,005	23,692,326	20,549,005
Loss (gain) on investments – Note 5	-	15,748	139,842	(823,884)
Loss (gain) on shares returned to treasury	-	-	(67,148)	-
Share-based payments – Notes 10 and 11	295,000	891,550	5,980,860	917,817
Wages and salaries – Note 10	25,367	-	165,609	-
	5,532,986	23,043,191	35,685,955	23,320,255
Net income (loss) from continuing operations	(5,532,986)	(23,043,191)	(35,685,955)	(23,320,255)
Net income (loss) from discontinued operations – Note 18	-	(1,384,282)	-	(3,118,248)
Total net income (loss) for the period	(5,532,986)	(24,427,473)	(35,685,955)	(26,438,503)
Net income (loss) attributed to:				
Shareholders of the Company	$ (5,532,986)	$ (24,371,491)	$ (35,685,955)	$ (26,243,244)
Non-controlling interest	-	(55,982)	-	(195,259)
	$ (5,532,986)	$ (24,427,473)	$ (35,685,955)	$ (26,438,503)
Other comprehensive income (loss)				
Exchange differences on translating into presentation currency	(333,510)	788,391	(226,830)	190,445
Total comprehensive loss for the period	$ (5,866,496)	$ (23,639,082)	$ (35,912,785)	$ (26,248,058)
Other comprehensive income (loss) attributed to:				
Shareholders of the Company	$ (5,866,496)	$ 895,187	$ (226,830)	$ 236,261
Non-controlling interest	-	(106,796)	-	(45,816)
	$ (5,866,496)	$ 788,391	$ (226,830)	$ 190,445
Total Comprehensive income (loss) attributed to				
Shareholders of the Company	$ (5,866,496)	$ (23,476,304)	$ (35,912,785)	$ (26,006,983)
Non-controlling interest	-	(162,778)	-	(241,075)
	$ (5,866,496)	$ (23,639,082)	$ (35,912,785)	$ (26,248,058)
Basic and diluted loss per share – Continuing operations	$ (0.37)	$ (0.34)	$ (2.58)	$ (0.70)
Discontinued operations	$ -	$ (0.02)	$ -	$ (0.09)
All operations	$ (0.37)	$ (0.36)	$ (2.58)	$ (0.79)
*Weighted average number of shares outstanding – basic and diluted	14,983,864	67,435,496	13,826,833	33,110,664

*All periods are adjusted for the 8:1 share consolidation completed on July 15, 2021 – see Note 1.

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

CORE ONE LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share capital Issued Shares*	Share capital Amount	Share Subscriptions	Commitment to issue Shares	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, December 31, 2019	1,671,513	$ 51,372,447	$ -	$ -	$ 7,448,493	$ (51,889,363)	$ 298,522	$ (1,611,558)	$ 5,618,541
Shares issued on acquisition of investment	333,333	724,408	-	-	-	-	-	-	724,408
Shares issued on acquisition of Rejuva	3,220,000	20,608,000	-	-	-	-	-	-	20,608,000
Shares issued on acquisition of Shahcor	708,333	4,533,334	-	-	-	-	-	-	4,533,334
Private placement	2,631,579	4,000,000	-	-	-	-	-	-	4,000,000
Share issue costs	-	(170,988)	-	-	139,041	-	-	-	(31,947)
Convertible debt	-	-	-	-	82,376	-	-	-	82,376
Shares issued for debt settlement	306,184	808,325	-	-	-	-	-	-	808,325
Share-based compensation	-	-	-	-	917,817	-	-	-	917,817
Adjustment due to share consolidation	(4)	-	-	-	-	-	-	-	-
Foreign exchange translation	-	-	-	-	-	-	236,261	(45,816)	190,445
Net loss for the period	-	-	-	-	-	(26,243,244)	-	(195,259)	(26,438,503)
Balance, September 30, 2020	8,870,938	$ 81,875,526	$ -	$ -	$ 8,587,727	$ (78,132,607)	$ 534,783	$ (1,852,633)	$ 11,012,796
Balance, December 31, 2020	11,837,816	$ 97,183,706	$ -	$ 1,000,000	$13,795,711	$ (106,508,345)	$ (78,438)	$ -	$ 5,392,634
Shares issued on acquisition of BlueJay	1,168,750	9,817,500	-	-	-	-	-	-	9,817,500
Shares issued on acquisition of Ketamine	29,400	246,960	-	-	-	-	-	-	246,960
Shares issued on acquisition of Akome	483,750	3,250,800	-	-	-	-	-	-	3,250,800
Shares issued on acquisition of Frontier	684,630	3,457,381	-	-	-	-	-	-	3,457,381
Shares issued for debt settlement	382,049	2,681,062	-	(996,766)	-	-	-	-	1,684,296
Shares issued for warrants exercised	1,224,314	3,396,909	-	(3,234)	-	-	-	-	3,393,675
Shares issued for stock options exercised	56,938	195,188	-	-	-	-	-	-	195,188
Warrants issued on acquisition of BlueJay	-	-	-	-	6,060,000	-	-	-	6,060,000
Warrants issued on acquisition of Frontier	-	-	-	-	1,915,441	-	-	-	1,915,441
Transfer of fair value on stock options exercised	-	150,765	-	-	(150,765)	-	-	-	-
Transfer of fair value on warrants exercised	-	5,458,727	-	-	(5,458,727)	-	-	-	-
Return of shares to treasury	(345,722)	(1,187,146)	-	-	-	-	-	-	(1,187,146)
Share subscriptions received	-	-	343,614	-	-	-	-	-	343,614
Share-based payments	-	-	-	-	5,685,860	-	-	-	5,685,860
Foreign exchange translation	-	-	-	-	-	-	(226,830)	-	(226,830)
Net loss for the period	-	-	-	-	-	(35,685,955)	-	-	(35,685,955)
Balance, September 30, 2021	15,521,925	$ 124,651,852	$ 343,614	$ -	$21,847,520	$ (142,194,300)	$ (305,268)	$ -	$ 4,343,418

*All periods are adjusted for the 8:1 share consolidation completed on July 15, 2021 – see Note 1.

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

CORE ONE LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the nine months ended September 30, 2021	2020
Operating Activities		
Net loss for the period from continuing operations	$ (35,685,955)	$ (23,320,255)
Charges to net loss not affecting cash:		
Amortization and depreciation	10,013	-
Foreign exchange	(16,264)	732,780
Impairment on investments	23,617,326	-
Interest expense	11,514	40,205
Loss (Gain) on acquisition of assets	-	20,608,000
Loss (Gain) on settlement of debt	203,537	(225,066)
Loss (Gain) on investment	139,842	(823,884)
Interest income	-	-
Share-based payments	5,980,860	917,817
Changes in non-cash working capital balances related to operations:		
Accounts receivable	771,149	(91,039)
Prepaid expenses and deposit	(53,489)	22,740
Accounts payable and accrued liabilities	341,684	797,423
Amounts due to related parties	70,796	453,573
Cash (used in) operating activities – continuing operations	(4,608,987)	(887,706)
Financing Activities		
Advances payable	(83,358)	14,965
Proceeds from loans	-	450,000
Proceeds from issuance of common shares	3,592,097	-
Proceeds from share subscriptions	343,614	-
Subscriptions to share	-	3,968,051
Cash acquired from acquisition of subsidiaries	1,000,107	-
Cash provided by financing activities – continuing operations	4,852,460	4,433,016
Investing Activities		
Loan receivable	(180,000)	(400,000)
Equipment purchase	(4,801)	-
Cash provided by (used in) investing activities – continuing operations	(184,801)	(400,000)
Effect of foreign exchange on cash	-	(4,668)
Cash flows from continuing operations	58,672	3,140,642
Cash flows from discontinued operations	-	(2,144,760)
Change in cash during the period	58,672	995,882
Cash, beginning of the period	528,364	116,850
Cash, end of the period	$ 587,036	$ 1,112,732
Cash comprised of:		
Cash – Continued operations	$ 587,036	$ 931,995
Cash – Discontinued operations	-	180,737
	$ 587,036	$ 1,112,732

Supplemental disclosure – See Note 17

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

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Core One Labs Inc. (the "Company" or "Core One") was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share (the "September 2019 Consolidation"). On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share (the "July 2020 Consolidation"). On July 15, 2021, the Company further consolidated its issued and outstanding common shares on the basis of eight (8) pre-consolidation shares for every one (1) post consolidation share (the "July 2021 Consolidation"). All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in these financial statements on a post-consolidation basis.

Core One was a technology company that licensed its technology to a state-of-the-art production and packaging facility located in Southern California (Note 18). The Company will now focus on bringing psychedelic medicines to market through novel delivery systems and psychedelic assisted psychotherapy and intends to further develop and apply the technology to psychedelic compounds, such as psilocybin. The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC, V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

As of the date of these condensed interim consolidated financial statements, the Company's structure is represented by Core One Labs Inc., parent company incorporated pursuant to the provision of the Business Corporations Act (British Columbia), and the following subsidiaries:

Name	**Jurisdiction of Incorporation**	**Interest 2021**	**Interest 2020**	**Function**
Akome Biotech Ltd.	British Columbia	100%	-	Research and development
Canna Delivery Systems Inc.	Nevada	100%	100%	Holding company
Lifestyle Capital Corporation	California	100%	100%	Financing
Omni Distribution Inc.	California	100%	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	100%	Holding company
Rainy Daze Cannabis Corp.	British Columbia	100%	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	100%	Medical clinic
Vocan Biotechnologies Inc.	British Columbia	100%	100%	Research and development
Ketamine Infusion Centers of Texas, LLC	Texas	100%	-	Medical clinic
Bluejay Mental Health Group Inc.	British Columbia	100%	-	Medical clinic

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At September 30, 2021, the Company has not yet achieved profitable operations and has an accumulated deficit of $142,194,300 (December 31, 2020 - $106,508,345) and for the nine months ended September 30, 2021 incurred a loss of $35,685,955 and expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its research and development activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

Statement of Compliance
These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, as listed in Note 1. All intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

Basis of Measurement and Use of Estimates
These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs basis except for certain financial instruments and contingencies which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2020.

Functional and presentation currency
These condensed interim consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency. The Company's USA-based subsidiaries' functional currency is the US dollar.

Recent accounting pronouncements

The following new standards and interpretations are not yet effective and have not been applied in preparing these condensed interim consolidated financial statements.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

(Expressed in Canadian Dollars)

3. PROPERTY, PLANT AND EQUIPMENT

		Membership and CUP		Equipment		Total
Cost						
Balance at December 31, 2020	**$**	**3,587,915**	**$**	**716,445**	**$**	**4,304,360**
Additions				4,801		4,801
Balance, at September 30, 2021	**$**	**3,587,915**	**$**	**721,246**	**$**	**4,309,161**
Accumulated Amortization						
Balance at December 31, 2019	$	3,587,915	$	-	$	3,587,915
Impairment				269,025		269,025
Balance at December 31, 2020		**3,587,915**		**269,025**		**3,856,940**
Amortization				10,013		10,013
Balance at September 30, 2021	**$**	**3,587,915**	**$**	**279,038**	**$**	**3,866,953**
Net Book Value						
At December 31, 2020	$	-	$	447,420	$	447,420
At September 30, 2021	**$**	**-**	**$**	**442,208**	**$**	**442,208**

4. ASSET ACQUISITIONS

Acquisition of Ketamine Infusion Centers of Texas LLC

On March 26, 2021, the Company completed the acquisition of all of the outstanding membership interest in Ketamine Infusion Centers of Texas LLC, a limited liability company organized and existing under the laws of the State of Texas. ("KICT") The acquisition was completed pursuant to the Limited Liability Company interest purchase agreement dated February 18, 2021. In consideration for all of the membership interest of KICT, the Company issued 26,250 common shares of the Company to the current interest holders of KICT. In connection with deal, the Company issued 2,625 common shares as finders fee and 525 common shares as an administration fee. The consideration shares are subject to a voluntary pooling arrangement.

At the date of acquisition, The Company determined that KICT did not constitute a business as defined under IFRS 3, Business Combinations, and the KICT Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized.

(Expressed in Canadian Dollars)

4. ASSET ACQUISITIONS (CONTINUED)

Acquisition of Ketamine Infusion Centers of Texas LLC *(continued)*

		Total
Consideration paid:		
Fair value of shares issued (26,250 common shares at a value of $8.40 per share)	$	220,500
3,150 common shares issued as Administration fee at a value of $8.40 per share		26,376
	$	246,876
Net assets acquired (liabilities)		
Cash	$	4,936
Due from related party		5,509
Inventory		1,394
Amounts payable and accrued liabilities		(11,838)
Due to related party		(2,361)
		(2,360)
Loss on acquisition	$	249,236

Acquisition of BlueJay Mental Health Group Inc.

On March 11, 2021, the Company completed a share purchase agreement to acquire all of the outstanding share capital of BlueJay Mental Health Group Inc. ("BlueJay") and the shareholders of BlueJay. The acquisition was completed pursuant to the share purchase agreement dated March 11, 2021. In consideration for all of the shares of BlueJay, the Company issued (i) 1,143,750 common shares; and (ii) 750,000 share purchase warrants entitling the holders to acquire a further 750,000 common shares of the Company for $0.40 per share for a period of 24 months from closing. 206,250 common shares are subject to a voluntary pooling arrangement. In connection with the deal, the Company issued 25,000 common shares split evenly between two parties who assisted with facilitating the transaction.

At the date of acquisition, The Company determined that BlueJay did not constitute a business as defined under IFRS 3, Business Combinations, and the BlueJay Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized.

		Total
Consideration paid:		
Fair value of shares issued (1,143,750 common shares at a value of $8.40 per share)	$	9,607,500
750,000 share purchase warrants		6,060,000
25,000 common shares issued as Administration fee at a value of $8.40 per share		210,000
	$	15,877,500
Net assets acquired		
Cash	$	10,983
Amounts payable and accrued liabilities		(1,833)
		9,150
Loss on acquisition	$	15,868,350

(Expressed in Canadian Dollars)

4. ASSET ACQUISITIONS (CONTINUED)

Acquisition of Akome Biotech Ltd.

On May 5, 2021, the Company completed a share purchase agreement to acquire all of the outstanding share capital of Akome Biotech Ltd. ("Akome") and the shareholders of Akome. The acquisition was completed pursuant to the share purchase agreement dated April 23, 2021. In consideration for all of the shares of Akome, the Company issued 437,500 common shares. 437,500 common shares are subject to a voluntary pooling arrangement. In connection with the deal, the Company issued 46,250 common shares to parties who assisted with facilitating the transaction.

At the date of acquisition, the Company determined that Akome did not constitute a business as defined under IFRS 3, Business Combinations, and the Akome Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized.

		Total
Consideration paid:		
Fair value of shares issued (437,500 common shares at a value of $6.72 per share)	$	2,940,000
46,250 common shares issued as finders' fees at a value of $6.72 per share		310,800
	$	3,250,800
Net assets acquired (liabilities)		
Cash	$	9,349
Due from related party		80,000
Amounts payable and accrued liabilities		(3,325)
Due to related party		(100,000)
		(13,976)
Loss on acquisition	$	3,264,824

Acquisition of Frontier Mycology Corp.

On August 16, 2021, the Company completed a share purchase agreement to acquire all of the outstanding share capital of Frontier Mycology Corp. ("Frontier") and the shareholders of Frontier. The acquisition was completed pursuant to the share purchase agreement dated August 16, 2021. In consideration for all of the shares of Frontier, the Company issued 666,667 common shares and 634,920 share purchase warrants with an exercise price of $6.50 that expire twenty-four months from the grant date. In connection with the deal, the Company issued 17,964 common shares to parties who assisted with facilitating the transaction.

At the date of acquisition, the Company determined that Frontier did not constitute a business as defined under IFRS 3, Business Combinations, and the Frontier Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized.

(Expressed in Canadian Dollars)

4. ASSET ACQUISITIONS (CONTINUED)

Acquisition of Frontier Mycology Corp. *(continued)*

		Total
Consideration paid:		
Fair value of shares issued (666,667 common shares at a value of $5.05 per share)	$	3,366,668
634,920 share purchase warrants		1,915,441
17,964 common shares issued as administration fees at a value of $5.05 per share		90,713
	$	5,372,822
Net assets acquired (liabilities)		
Cash	$	681,310
Due from related party		312,763
Intangible assets		75,000
		1,069,073
Loss on acquisition	$	4,303,749

5. INVESTMENTS

Cannabis Growth Opportunity Corporation

On March 16, 2020, the Company acquired 3,149,606 common shares of Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation) ("CGOC") in exchange for issuing CGOC 333,333 common shares of the Company. At the time of the transaction, the fair market value of CGOC shares was $0.23 per share and the fair market value of the Company's shares was $3.36 per share. On acquisition, the Company recognized marketable securities of $724,409 for the CGOC shares. The fair market value of the CGOC shares as at December 31, 2020 was $1,259,842, and was classified as current in the statement of financial position. The CGOC shares cannot be sold without prior written consent of CGOC, until September 16, 2021, according to share exchange agreements between the Company and CGOC. On April 14, 2021, the Company and CGOC reached an agreement to rescind the share exchange transaction and 333,333 common shares were returned to treasury for cancellation.

Shahcor

On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor.

The Company paid cash of $400,000 and issued 694,445 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares. Shahcor met the requirements for the bonus payment accordingly, as at December 31, 2020, the Bonus Payment was recorded as commitment to issue shares and expensed to consulting fees. On April 30, 2021, the Company issued 126,574 common shares.

In connection with completion of the Shahcor Acquisition, the Company issued 13,889 common shares, and paid $8,000 as an administrative fee to parties that assisted in the acquisition.

The investment has been accounted for at fair value. The Company did not gain significant influence or control over Shahcor, and the shares purchases are non-voting shares.

(Expressed in Canadian Dollars)

5. INVESTMENTS (CONTINUED)

The following table summarizes the recognition of investment asset at the date of acquisition.

		Total
Consideration paid:		
Fair value of shares issued (694,445 common shares at a value of $6.40 per share)	$	3,672,400
Cash consideration due on closing		400,000
Administrative fee		8,000
13,889 common shares issued as Administration fee at a value of $6.40 per share		88,889
	$	4,169,289
Impairment on investment		(4,059,289)
	$	110,000

As at the date of acquisition, the Company assessed for impairment and have recorded an impairment of $4,059,289 and has determined at December 31, 2020 and September 30, 2021, there was no adjustment required based on the market and business conditions of Shahcor.

6. ADVANCES RECEIVABLE

At September 30, 2021, the Company had a total of $28,931 in advances receivable from affiliated entities (December 31, 2020 - $23,974). The advances are due on demand and do not accumulate interest.

During the year ended December 31, 2019, the Company used EPG's power generator in its cultivation operations resulting in $540,768 in advances being recovered. On May 31, 2020, the Company and EPG Energy Corporation, a British Columbia company ("EPG") finalized a promissory note for US$735,825 that bears interest at 8% per annum and is secured with the shares of EPG with a maturity date of December 31, 2026. The total balance outstanding including accrued interest is US$906,617. The amount continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator. As at December 31, 2020 and September 30, 2021, there have been no change to the status of EPG and the amounts remain impaired.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2021		**December 31, 2020**
Accounts payable	$	2,282,888	$	2,078,098
Accrued liabilities		253,576		668,000
Contingent liability		537,000		537,000
Total accounts payable and accrued liabilities	**$**	**3,073,464**	**$**	**3,283,098**

8. CONVERTIBLE DEBENTURE

On March 16, 2020, the Company entered into an agreement with CGOC for convertible debt facility (the "Debt Facility"). As consideration for the Debt Facility, the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "CGOC Debenture") and 93,750 share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture may be advanced by CGOC to the Company in three equal installments of $500,000 each. As at December 31, 2020, the Company had received a total advance of $450,000. Since the Company did not receive the full amount of the $500,000 the CGOC Warrants never vested, therefore no value was assigned.

The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE (CONTINUED)

accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $6.40 per share.

Since the CGOC Debenture is conditional upon the Company meeting certain requirements, only the first $450,000 tranche was recorded on the Company's statement of financial position. At the time of recognition, the CGOC Debenture was separated into its liability and equity components by first valuing the liability component. The fair value of the liability component of the first tranche of the CGOC Debenture at the time of issue was determined to be $375,875, and calculated based on the discounted cash flows for the CGOC Debentures assuming an 20% discount rate, historical rate of interest the Company was able to secure prior debt facilities from non-related parties. The fair value of the equity component (conversion feature) was calculated to be $74,125 and was determined at the time of issue as the difference between the face value of the CGOC Debenture and the fair value of the liability component.

On April 12, 2021, CGOC converted its principal and interest into 78,935 common shares of the Company.

9. ADVANCES PAYABLE

During the nine months ended September 30, 2021, the Company had received $108,615 (December 31, 2020 – $191,973) in advances required for working capital. The advances are due on demand and bear no interest.

10. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		September 30,			
			2021		2020
Management consulting services	a)	$	135,000	$	281,362
Consulting services for research and development	b)	$	47,127	$	40,500
Management salaries	c)	$	30,000	$	222,146
Share-based compensation	d)	$	1,477,196	$	111,933
		$	1,689,323	$	655,941

a) Management consulting services consist of the following:

$Nil (September 30, 2020 – $170,973) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term. Mr. Eckenweiler resigned as CEO and director on July 3, 2020, effectively terminating his agreement with the Company.

$NIL (September 30, 2020 - $40,349) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms.

10. RELATED PARTY TRANSACTIONS (CONTINUED)

Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

$Nil (September 30, 2020 - $49,541) in consulting fees paid or accrued to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

$Nil (September 30, 2020 - $10,500) in consulting fees paid or accrued to Mr. Morris, director of the Company. The Company agreed to pay Mr. Morris $1,500 per month for his services pursuant to a consulting agreement.

$90,000 (September 30, 2020 - $10,500) in consulting fees paid or accrued to Mr. Shacker, current CEO of the Company. The Company agreed to pay Mr. Shacker $10,000 per month for his services pursuant to a consulting agreement starting June 2020.

$45,000 (September 30, 2020 - $Nil) in consulting fees paid or accrued to Mr. Balderson, current CFO of the Company. The Company agreed to pay Mr. Balderson $10,000 per month for his services pursuant to a consulting agreement.

b) Consulting services for research and development consist of the following:

$47,127 (September 30, 2020 – $40,500) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on September 30, 2020, with automatic renewals for successive one-year periods thereafter.

c) Management salaries consist of the following:

$30,000 (September 30, 2020 - $Nil) in management salaries paid to Mr. Robert Hancock, following his appointment as an officer of its subsidiary Vocan and a director of the Company.

$Nil (September 30, 2020 – $122,859) in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees.

$Nil (September 30, 2020 – $94,192) in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

$NIL (September 30, 2020 – $4,095) in management salaries paid to Ms. Christopherson, CEO of CSPA Group and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

On January 15, 2021, the Company granted 6,720,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $1.05 per share until January 15, 2024. The options vested at the date of grant. The Company recorded a stock-based payment of $5,499,263 of which $1,473,017 relates to certain directors and officers of the Company. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions: Stock price at date of grant - $1.05; Expected life

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

of the option – 3 years; Risk Free interest rate of 0.35%; Expected Dividend Yield of Nil and annualized volatility of 141%.

On May 28, 2020, the Company granted 1,500,000 options to certain directors, officers and consultants of the Company of which 950,000 options were to directors and officers of the Company. The options are exercisable at $0.33 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $269,905. During the nine months ended September 30, 2021, the Company had recognized $41,785 of share-based compensation for the vesting of these stock options of which $4,179 relates to certain directors and officers of the Company.

e) Other

In January 2020, the Company entered into an option agreement with Optimus, where the Company granted Optimus the exclusive right and option to purchase the Company's land parcel in Adelanto, California for $200,000. The option gave Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023. The funds Optimus advanced for build out of the dispensary as per above were applied toward the deposit on the Option.

On May 1, 2020, the Company issued 163,788 common shares to settled outstanding debt of $432,400 with former director and former officer of the Company.

Related party payables at September 30, 2021 and December 31, 2020 consisted of the following amounts payable to current and former directors and officers of the Company:

	September 30, 2021	December 31, 2020
Continuing operations		
Yanika Silina	$ 36,710	$ 42,817
Dr. John Sanderson	89,187	89,124
Nanostrips Inc.	8,284	8,278
Pat Morris/Enermetal Ventures Inc.	25,200	25,200
Geoff Balderson/Winchester Advisory Ltd.	5,250	-
Joel Shacker/1156724 BC Ltd.	148,000	62,827
	$ 312,631	$ 228,246

11. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value.

On July 7, 2020, the Company consolidated its share capital on the basis of two (2) existing common shares for one (1) new common share. On July 15, 2021, the Company consolidated its share capital on the basis of eight (8) existing common shares for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

11. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital

As at September 30, 2021, the Company had 15,521,925 (December 31, 2020 – 11,837,816) shares issued and outstanding.

During the nine months ended September 30, 2021, the Company had the following transactions that resulted in issuance of its common stock:

On September 7, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 27,778 common shares to settle debt of $100,000.

On August 16, 2021, the Company issued 666,667 common shares to the shareholders of Frontier valued at $3,366,668. The Company also issued 17,964 common shares valued at $90,713 as finder's fees and administration fees.

On August 10, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 68,750 common shares to settle debt of US $109,000, where 18,750 of the total shares issued were related to proceeds debt settled and used in stock options exercises held by the vendor.

On May 5, 2021, the Company issued 437,500 common shares to the shareholders of Akome valued at $2,940,000. The Company also issued 46,250 common shares valued at $310,800 as finders' fees and administration fees.

On April 15, 2021, the Company issued 78,935 common shares to COGC to settle the outstanding and principal and interest of the convertible debt and on April 30, 2021, issued 151,825 common shares to settle debt of $1,136,000.

On March 29, 2021, the Company issued 26,250 common shares to the members of KICT valued at $220,500. The Company also issued 3,150 common shares valued at $26,460 as finders' fees and administration fees.

On March 11, 2021, the Company issued 1,143,750 common shares to the shareholders of BlueJay valued at $9,607,500. The Company also issued 25,000 common shares valued at $210,000 to two parties who assisted with facilitating the transaction

On January 20, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 11,012 common shares to debt settle $74,000 in debt and on January 21, 2021, issued 62,500 common shares to settle debt of $535,000.

During the nine months ended September 30, 2021, the Company issued 1,224,314 common shares pursuant to the exercise of share purchase warrants and agents warrants for total proceeds of $3,396,909. The Company transferred $5,458,727 from contributed surplus to share capital on warrants and agent's warrants exercised. The weighted average stock price on the date of exercise for warrants is equal to $7.25.

During the nine months ended September 30, 2021, the Company issued 56,938 common shares pursuant to the exercise of stock options for total proceeds of $195,188. The Company transferred $150,765 from contributed surplus to share capital on options exercised. The weighted average stock price on the date of exercise for stock options is equal to $5.96.

During the year ended December 31, 2020, the Company had the following transactions that resulted in issuance of its common stock:

i. On March 16 2020, the Company issued 333,333 common shares to CGOC in exchange for 3,149,606 common shares of CGOC (the "Share-Swap"). At the time of transaction, the fair market value of CGOC's shares was $0.27 per share, and therefore the Company recorded $724,408 as share capital. The shares were issued as restricted, and therefore, until September 16, 2021, CGOC will not be able to trade the shares without prior written consent of the Company.

(Expressed in Canadian Dollars)

11. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital *(continued)*

ii. In April 2020, the Company entered into agreements for the settlement of $808,325 in debt through the issuance of common shares of the Company (the "Debt Settlements"). Pursuant to the Debt Settlements, the Company issued a total of 306,184 common shares of the Company at a price of $2.64 per share to certain creditors of the Company, including certain directors and officers of the Company.

iii. In July 2020, the Company completed a non-brokered private placement of 2,631,578 units at a price of $1.52 per unit for gross proceeds of $4,000,000. Each unit consists of one common share of the Company, and one-half-of-one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company at a price of $5.60 per share until July 3, 2022. The warrants were ascribed a value of $nil under the residual value method.

In connection with completion of the private placement, the Company paid finders' fees of $31,947. In addition the Company issued 54,361 warrants to certain arms-length parties who assisted in introducing subscribers to the Company, with a fair market value of $139,041, which was determined using Black-Scholes Option pricing model based on the following assumptions:

	July 3, 2020
Expected Life of the Broker Warrants	2 years
Risk-Free Interest Rate	0.26%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	75%

iv. On July 10, 2020, the Company issued 3,220,000 common shares at a market price of $6.40 per share in relation of the acquisition of all the issued and outstanding shares of Rejuva.

v. On July 10, 2020, the Company issued 708,333 common shares with a market value of $3,761,289 in relation of the acquisition of 25% of the non-voting participating share capital of Shahcor.

vi. On December 31, 2020, the Company issued 296,875 common shares at a market value of $16,080,225 in relation of the acquisition of all the issued and outstanding shares of Vocan.

The Company maintains a rolling stock option plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

Stock Options Grants and Transactions during the nine months ended September 30, 2021

On January 15, 2021, the Company granted 840,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $8.40 per share until January 15, 2024. The options vested at the date of grant. The Company recorded a stock-based payment of $5,499,263. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions: Stock price at date of grant - $8.40; Expected life of the option – 3 years; Risk Free interest rate of 0.35%; Expected Dividend Yield of Nil and annualized volatility of 141%.

On May 21, 2021, the Company granted 262,500 options to certain directors, officers and consultants of the Company. The options are exercisable at $6.24 per share until May 21, 2024. The options vested at the date of grant. The Company recorded a stock-based payment of $142,812. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions: Stock price at date of grant - $6.24; Expected life of the option – 3 years; Risk Free interest rate of 0.49%; Expected Dividend Yield of Nil and annualized volatility of 121%.

(Expressed in Canadian Dollars)

11. CAPITAL AND RESERVES (CONTINUED)

C. Stock Purchase Options

Stock Option Grants and Transactions during the year ended December 31, 2020

On May 28, 2020, the Company granted 187,500 options to certain directors, officers and consultants of the Company. The options are exercisable at $2.64 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $269,905. During the nine months ended September 30, 2021, the Company recognized $41,785 of share-based compensation for the vesting of these stock options. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions:

	May 28, 2020
Expected Life of the Options	1.93 years
Risk-Free Interest Rate	0.28%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	119%

On July 8, 2020, the Company granted 262,500 incentive stock options to certain consultants and employees of the Company. Each option vested immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $5.36 per share, until July 8, 2025. The grant date fair value of these options was $1,179,423. During the year ended December 31, 2020, the Company recognized $1,179,423 of share-based compensation for the vesting of these stock options. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions:

	July 8, 2020
Expected Life of the Options	5 years
Risk-Free Interest Rate	0.32%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	129%

A continuity of options for the nine months ended September 30, 2021 and for the year ended December 31, 2020 is as follows:

	September 30, 2021		**December 31, 2020**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	450,000	$4.24	-	-
Granted	1,102,500	$6.59	450,000	$4.24
Exercised	(56,938)	$4.80	-	-
Cancelled	(131,250)	$2.91	-	-
Options outstanding, ending	1,364,312	$6.24	450,000	$4.24

The following stock options are outstanding at September 30, 2021:

Number of options	**Exercisable**	**Exercise price**	**Expiry date**
43,750	43,750	$2.64	January 15, 2022
230,562	230,562	$5.36	July 8, 2025
827,500	827,500	$8.40	January 15, 2024
262,500	262,500	$0.78	May 21, 2024
1,364,312	1,364,312		

(Expressed in Canadian Dollars)

11. CAPITAL AND RESERVES (CONTINUED)

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the nine months ended September 30, 2021 and for the year ended December 31, 2020:

	September 30, 2021		December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	1,909,541	$4.96	209,272	$48.00
Issued	1,384,920	$3.20	1,909,541	$4.96
Exercised	(1,206,091)	$2.73	(209,272)	$48.00
Warrants outstanding, ending	2,088,370	$5.08	1,909,541	$4.96

The following share purchase warrants are outstanding as at September 30, 2021:

Number of warrants	Exercise price	Expiry date
859,075	$5.60	July 3, 2022
93,750	$9.60	December 31, 2022
281,250	$2.40	December 31, 2022
219,375	$0.40	March 11, 2023
634,920	$6.50	August 17, 2023
2,088,370		

E. Agent Warrants

The following table summarizes the continuity of share purchase warrants for the nine months ended September 30, 2021 and for the year ended December 31, 2020:

	September 30, 2021		December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	54,361	$5.60	-	-
Issued	-	-	54,361	$5.60
Exercised	(18,223)	$5.60	-	-
Warrants outstanding, ending	36,138	$5.60	54,361	$5.60

The following share purchase warrants are outstanding as at September 30, 2021:

Number of warrants	Exercise price	Expiry date
36,138	$5.60	July 3, 2022
36,138		

12. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. 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 through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company’s management of capital during the period ended September 30, 2021.

The Company is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and marketable securities as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and unearned revenue approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the

Company’s current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2021 is the carrying amount of cash, investments, amounts and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA. Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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

i. *Interest rate risk:*
Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

ii. *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 foreign exchange rates. The Company exposure to foreign currency risk on fluctuations are nominal. Therefore, the Company's exposure to currency risk is minimal.

iii. *Equity price risk:*
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At September 30, 2021, the Company held no (December 31, 2020 – 3,149,606) restricted common shares of CGOC valued at $Nil (December 31, 2020 – $1,259,842). As at September 30, 2021, the Company's equity investment represented 0% of its current assets, therefore management determined that equity price risk was not material to the Company's operations.

Liquidity risk:

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at September 30, 2021, the Company had cash of $587,036 to settle current financial liabilities of $3,605,366. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the

Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and advances payable.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2021:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 3,073,464	$ -
Amounts due to related parties	423,287	-
Advances payable	108,615	-
Total	$ 3,605,366	$ -

14. CONTINGENCY LIABILITY

On February 4, 2021 Desert Sand Properties, LLC ("Desert Sand" or "Plaintiff") filed a claim in the Superior Court of California against its former wholly-owned subsidiaries LDS Development Corporation ("LDS") and CSPA Group, Inc. ("CSPA") and the Company collectively ("the Defendants"). The claim relates to landlord -tenant dispute, whereby the tenant LDS, failed to make certain rent and property tax payments under the terms of the lease agreement that was entered

(Expressed in Canadian Dollars)

14. CONTINGENCY LIABILITY (CONTINUED)

into on April 15, 2019. The Plaintiff further alleges that CSPA and the Company each of whom signed a guaranty of lease are responsible for LDS unpaid debts and obligations under the terms of the lease. The total amount of the claim is for approximately US$863,000. Due to its early infancy, the Company is currently reviewing this matter with the Company's legal counsel. The Company intends to respond to the Plaintiff to address the claims. The amount of the debt was recorded in accounts payable in LDS. As a result of the disposition of LDS and CSPA, at December 31, 2020, the Company being a guarantor of the lease agreement, along with CSPA may be liable for the full amount of the claim. Accordingly, the Company has determined that it is probable that it will have to make a payment to settle this obligation. The Company best estimate is $537,000 (US$422,000) which is included in accounts payable and accrued liabilities.

15. NON-CONTROLLING INTERESTS

The following table summarizes comprehensive income (loss) incurred by the Company's subsidiaries that have non-controlling interests for the nine months ended September 30, 2020:

		LDS Scientific		LDS Agrotech		Agrotech		Total
Gross profit	$	-	$	-	$	22,093	$	22,093
Operating expenses		(826,403)		-		591		(825,812)
Net income (loss)		(826,403)		-		22,684		(803,719)
Other comprehensive income (loss)		(206,843)		(12,789)		18,184		(201,448)
Comprehensive income (loss)	$	(1,033,246)	$	(12,789)	$	40,868	$	(1,005,167)
Comprehensive income (loss) allocated to NCI	**$**	**(258,312)**	**$**	**(3,197)**	**$**	**20,434**	**$**	**(241,075)**

16. GEOGRAPHICAL INFORMATION

Geographical information relating to the Company's activities is as follows:

Revenue		**September 30, 2021**		**September 30, 2020**
Discontinued operations				
United States	$	-	$	2,250,480
	$	-	$	2,250,480

Long-Term Assets[(1)]		**September 30, 2021**		**December 31, 2020**
Continued operations				
Canada	$	4,686,208	$	4,536,420
	$	4,686,208	$	4,536,420

(1) Includes: Property, plant, and equipment

17. SUPPLEMENTAL CASH FLOW DISCLOSURE

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows:

During the nine months ended September 30, 2021:

- The Company issued 1,168,750 common shares valued at $9,817,500 to acquire BlueJay.
- The Company issued 29,400 common shares valued at $246,960 to acquire Ketamine.
- The Company issued 483,750 common shares valued at $3,250,800 to acquire Akome.
- The Company issued 684,630 common shares valued at $3,396,909 to acquire Frontier.
- The Company issued 382,049 common shares to settle debt of $2,681,062.

(Expressed in Canadian Dollars)

18. DISCONTINUED OPERATIONS

In the fourth quarter of 2020, management entered into an agreement to sell its US operations located in Adelanto, California which consisted of the following subsidiaries: LDS Agrotech Inc; LDS Scientific Inc; Rêveur Holdings Inc; LDS Development Corporation; CSPA Group, Inc; Core Isogenics Inc and Agrotech LLC. The sale was completed on December 31, 2020.

The US operations were sold for $3,000,000 plus the assumption of liabilities. In consideration the purchaser will complete a series of cash payments in installments of $500,000 on closing date (received); $500,000 on or before May 1, 2021 ($300,000 received); $1,000,000 on or before September 1, 2021 and the remaining $1,000,000 on or before January 1, 2022. As a result of the timing of the payments the Company discounted the cash to $2,909,091 using a discounting factor of 10%. In connection with the completion of the sale, the Company agreed to pay $450,000 in fees to third parties who assisted with facilitating the sale and have been recorded as finders fee in the consolidated statement of comprehensive loss.

The sale of the US operations segment meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The operating segment were not previously classified as held-for-sale or as a discontinued operation. The comparative condensed interim consolidated statements of operations and comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

The following summarizes the accounting information relating to the discontinued operations for the three and nine months ended September 30, 2020.

Condensed interim consolidated statements of comprehensive loss	**For the three months ended September 30, 2020**	**For the six months ended September 30, 2020**
Sales	$ 997,198	$ 2,250,480
Cost of sales	84,123	1,190,472
	913,075	1,060,008
Realized gain (loss) on changes in fair value of biological assets	(11,726)	(172,770)
Gross margin (loss)	901,349	887,238
Expenses		
Depreciation	185,935	435,645
Consulting fees	31,015	31,015
Impairment of inventory (recovery)	1,118,223	1,922,948
Interest expense	17,872	43,058
Legal fees	21,195	180,366
Meals and travel expenses	4,821	7,898
Office and miscellaneous (recovery)	511,810	494,318
Regulatory fees	67,747	86,193
Wages and benefits	327,720	717,077
Loss on investment	(707)	86,968
	2,285,631	4,005,486
Net loss for the period	$ (1,384,282)	$ (3,118,248)
Net (loss) income attributed to:		
Shareholders of the Company	$ (1,328,300)	$ (2,922,989)
Non-controlling interests	(55,982)	(195,259)
	$ (1,384,282)	$ (3,118,248)

(Expressed in Canadian Dollars)

18. DISCONTINUED OPERATIONS (CONTINUED)

Condensed Interim consolidated statements of cash flows		September 30, 2020
Cash flows used in operating activities		
Net loss from discontinued operations	$	(3,118,248)
Items not affecting cash		
Depreciation		1,666,188
Foreign exchange		598
Impairment of inventory		1,922,948
Interest expense		367,684
Changes in non-cash working capital items		
Amounts receivable		(161,864)
Prepaid expenses and deposit		(78,670)
Inventory		(891,143)
Biological assets		(1,983,436)
Accounts payable and accrued liabilities		342,198
Amounts due to related parties		155,078
Unearned revenue		(26,150)
		(1,804,817)
Cash flows from investing activity		
Equipment disposed		24,396
		24,396
Cash flows from financing activities		
Repayment of lease		(365,607)
		(2,146,028)
Effect of foreign exchange on cash		1,268
Change in cash for the period		(2,144,760)

19. SUBSEQUENT EVENTS

On October 20, 2021, the Company issued 111,112 common shares to settle $190,000 in outstanding payables.