CORE ONE LABS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022

(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 three months ended March 31, 2022 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 March 31, 2022 and December 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	March 31, 2022	December 31, 2021
ASSETS		
Current		
Cash	$ 171,580	$ 763,345
Amounts receivables – Note 9	211,450	185,046
Advances receivables – Note 9	29,011	29,422
Prepaid expenses and deposits	91,281	71,681
Inventory	2,883	2,903
Investments – Note 6	110,000	110,000
	616,205	1,162,397
Property, plant and equipment – Note 7	147,262	154,564
Intangible asset – Note 5, 8	5,703,273	5,701,750
Goodwill – Note 5, 8	591,587	591,587
Total Assets	$ 7,058,327	$ 7,610,298
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 10	$ 2,755,530	$ 2,953,940
Due to related parties – Note 13	209,077	209,077
Advances payable – Note 12	108,324	108,528
Note payable	30,000	30,000
Total liabilities	3,102,931	3,301,545
SHAREHOLDERS' EQUITY		
Share capital – Note 14	136,777,840	127,543,987
Commitment to issue shares – Note 6	-	-
Contributed surplus	24,032,456	21,724,485
Accumulated other comprehensive income	(222,903)	(294,103)
Accumulated deficit	(156,631,997)	(144,665,616)
Total Shareholders' Equity	3,955,396	4,308,753
Total Liabilities and Shareholders' Equity	$ 7,058,327	$ 7,610,298

Going Concern of Operations – Note 1
Commitments and Contingency – Note 17
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 consolidated financial statements.

CORE ONE LABS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three months ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended March 31, 2022	2021
Revenue	$ 132,059	$ -
Expenses		
Advertising and promotion	75,428	1,429,617
Amortization – Note 7	11,852	3,537
Consulting – Note 13	204,159	733,276
Foreign exchange (gain) loss	53,513	25,180
General and administrative	51,996	37,394
Interest expense and accretion	1,699	18,134
Professional fees	124,732	109,173
Research and development	52,189	47,127
Regulatory fees	20,786	13,333
Share-based payments – Notes 13 and 14	2,605,019	5,530,292
Wages and salaries – Note 13	176,951	62,915
	(3,378,324)	(8,009,978)
Net (loss) before other items	(3,246,265)	(8,009,978)
Other Items		
Gain (loss) on settlement of debt – Note 14	9,842	(123,713)
Other income	22	-
Transaction expense – Note 5	(8,729,980)	(16,123,752)
	(11,966,381)	(24,257,443)
Total net income (loss) for the year	**(11,966,381)**	**(24,257,443)**
Other comprehensive income (loss) attributed to:		
Exchange differences on translating into presentation currency	71,200	4,768
Total comprehensive income (loss) for the year	**$ (11,895,181)**	**$ (24,252,675)**
Basic and diluted loss per share	$ (0.47)	$ (1.96)
Weighted average number of shares outstanding – basic and diluted	25,567,593	12,379,797

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

CORE ONE LABS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share capital Issued Shares*	Share capital Amount	Commitment to issue Shares	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, December 31, 2020	**11,837,816**	**$ 97,183,706**	**$ 1,000,000**	**$13,795,711**	**$ (106,508,345)**	**$ (78,438)**	**$ -**	**$ 5,392,634**
Consideration issued on acquisition of BlueJay	1,168,750	9,817,500	-	6,060,000	-	-	-	15,877,500
Consideration issued on acquisition of KICT	29,400	246,960	-	-	-	-	-	246,960
Shares issued for debt settlement	73,512	629,262	(3,234)	-	-	-	-	626,028
Shares issued for stock options exercised	15,625	75,250	-	-	-	-	-	75,250
Shares issued for warrants exercised	593,560	2,863,938	-	-	-	-	-	2,863,938
Share-based payments	-	-	-	5,530,292	-	-	-	5,530,292
Transfer of fair value on stock options exercised	-	60,653	-	(60,653)	-	-	-	-
Transfer of fair value on warrants exercised	-	57,919	-	(57,919)	-	-	-	-
Foreign exchange translation	-	-	-	-	-	4,768	-	4,768
Net loss for the year	-	-	-	-	(24,257,443)	-	-	(24,257,443)
Balance, March 31, 2021	**13,718,663**	**$ 110,935,188**	**$ 996,766**	**$25,267,431**	**$ (130,765,788)**	**$ (73,670)**	**$ -**	**$ 6,359,927**
Balance, December 31, 2021	**21,447,037**	**$ 127,543,987**	**$ -**	**$21,724,485**	**$ (144,665,616)**	**$ (294,103)**	**$ -**	**$ 4,308,753**
Consideration issued on acquisition of Awakened	7,170,600	7,887,660	-	985,145	-	-	-	8,872,805
Shares issued for warrants exercised	160,000	64,000	-	-	-	-	-	64,000
Share-based payments	-	-	-	2,605,019	-	-	-	2,605,019
Transfer of fair value on warrants exercised	-	1,282,193	-	(1,282,193)	-	-	-	-
Foreign exchange translation	-	-	-	-	-	71,200	-	71,200
Net loss for the year	-	-	-	-	(11,966,381)	-	-	(11,966,381)
Balance, March 31, 2022	**28,777,637**	**$ 136,777,840**	**$ -**	**$24,032,456**	**$ (156,631,997)**	**$ (222,903)**	**$ -**	**$ 3,955,396**

*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 consolidated financial statements.

(Expressed in Canadian Dollars)

	For the three months ended March 31, 2022	2021
Operating Activities		
Net loss for the period from continuing operations	$ (11,966,381)	$ (24,257,443)
Charges to net loss not affecting cash:		
Accretion and interest expense	-	19,266
Amortization and depreciation	11,852	3,537
Foreign exchange	71,427	7,672
Interest income	-	(2,663)
Loss (Gain) on settlement of debt	(9,842)	123,712
Share-based payments	2,605,019	5,530,292
Transaction expense	8,729,980	16,123,752
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(26,404)	390,008
Prepaid expenses and deposit	(19,600)	(37,229)
Accounts payable and accrued liabilities	(250,094)	213,872
Amounts due to related parties	-	(73,117)
Cash (used in) operating activities	(854,043)	(1,958,341)
Investing Activities		
Cash acquired from acquisition of subsidiaries	202,828	4,961
Equipment purchase	(4,550)	(1,475)
Loan receivable	-	(180,000)
Cash provided by (used in) investing activities	198,278	(176,514)
Financing Activities		
Advances payable	-	(83,561)
Proceeds from issuance of common shares	64,000	2,935,955
Cash provided by financing activities	64,000	2,852,394
Effect of foreign exchange on cash	-	-
Change in cash during the year	(591,765)	717,539
Cash, beginning of the year	763,345	528,364
Cash, end of the year	$ 171,580	$ 1,245,903

Supplemental disclosure – See Note 18

During the period, the Company paid $Nil for interest and taxes (2021 - $Nil).

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). Core One is a psychedelic research and development company focused 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".

On July 7, 2020, the Company 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.

These 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 March 31, 2022, the Company has not yet achieved profitable operations and has an accumulated deficit of $156,631,997 (December 31, 2021 - $144,665,616) and for the three months ended March 31, 2022, incurred a loss of $11,966,381 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. If the going concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classifications used. Such adjustments could be material.

There was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022.

While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These 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*.

The consolidated financial statements were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on June 29, 2022.

(b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the Company and its Canadian-based subsidiaries' functional currency. The functional currency of the Company's USA-based subsidiaries' functional currency is the United States Dollar ("USD"). All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

(c) Basis of Consolidation

As of the date of these consolidated financial statements, the Company's structure is represented by Core One Labs Inc. and it is wholly owned subsidiaries as follows:

Name	Jurisdiction of Incorporation	Interest 2022	Interest 2021	Function
Akome Biotech Ltd.	British Columbia	100%	100%	Research and development
Awakened Biosciences Inc.	British Columbia	100%	-	Research and development
Bluejay Mental Health Group Inc.	British Columbia	100%	100%	Medical clinic
Canna Delivery Systems Inc.	Nevada	100%	100%	Holding company
Frontier Mycology Corp.	British Columbia	100%	100%	News dissemination
Ketamine Infusion Centers of Texas, LLC	Texas	100%	100%	Medical clinic
Lifestyle Capital Corporation	California	100%	100%	Financing
New Path Laboratories Inc.	British Columbia	100%	100%	Natural health products
Omni Distribution Inc.	California	100%	100%	Holding company
Optimus Prime Design Corp.	British Columbia	100%	100%	Holding company
Rainy Daze Cannabis Corp.	British Columbia	100%	100%	Micro cultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	100%	Medical clinic
Vocan Biotechnologies Inc.	British Columbia	100%	100%	Research and development

The results of the wholly owned subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements for the year ended December 31, 2021. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

Management has made critical judgments in the process of applying accounting policies. The judgments with the most significant effect on the amounts recognized in the financial statements include:

i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.

ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

iii. The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. See Note 5 for details.

Significant estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

i. The Company uses the Black-Scholes option pricing model to value options and warrants granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant estimates (continued)

ii. The determination of whether facts and circumstances suggest that the carrying value of intangible assets may exceed their recoverable amount is an area of significant estimate. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment, estimates, and interpretations. Determining the recoverable amount of the individual asset or cash generating unit is subject to estimates and judgements. These estimates and judgments are inherently subjective given the company's stage of operations with no revenue producing history.

iii. The determination of whether facts and circumstances suggest that the carrying amount of intangible assets and goodwill may exceed their recoverable amount is an area of significant estimate. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment, estimates, and interpretations. Determining the recoverable amount of the individual asset or the cash generating unit is subject to estimates and judgments. These estimates and judgments are inherently subjective given the Company's stage of operations with no revenue producing history.

iv. The determination of fair value of assets acquired, liabilities assumed, and the fair value of the purchase consideration requires the use of various estimates made by management. The classification of a transaction as a business combination or asset acquisition depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3, Business Combination, which can be a complex judgement. The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

v. The Company assesses its equipment, intangible assets, and goodwill, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of equipment, intangible assets and goodwill is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. These estimates include, but are not limited to, expected levels of activity within the psychedelics industry, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a number of factors including, among others, future activity levels within the psychedelics industry, current economic and market conditions, and potential changes in government regulations. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates. Changes to these estimates may affect the recoverable amounts of the Company's CGUs, which may then require a material adjustment to their related carrying values.

vi. The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(Expressed in Canadian Dollars)

5. ACQUISITIONS

Acquisition of Awakened Biosciences Inc.

On February 10, 2021, the Company completed the acquisition of all issued and outstanding share capital of Awakened Biosciences Inc. ("Awakened"). The acquisition was completed pursuant to the share purchase agreement dated February 9, 2022. In consideration for all of the shares of Frontier, the Company issued 7,030,000 common shares and 1,458,200 warrants. The Company also issued 140,600 common shares with a value of $154,660 as an administration fee.

At the date of acquisition, the Company determined that Awakened did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Awakened acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, Share-based payments, and recognized at the fair value of the common shares of the Company at a price of $1.10 per share. As a result of the transaction, the Company issued 1,458,200 warrants with a fair value of $985,145. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 1.60%; Volatility of 100%; Stock Price of $1.10; Exercise price of $1.15; Dividend yield of NIL% and expected life of 3 years.

As a result of the 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 assets and liabilities assumed was expensed as transaction expense.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, 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:

Consideration paid:		
Fair value of 7,030,000 common shares at $1.10 per share	$	7,733,000
Fair value of 1,458,200 warrants		985,145
	$	8,718,145
Net assets acquired (liabilities)		
Cash	$	202,828
Intangible assets – Patents		1,523
Accounts payable and accrued liabilities		(61,526)
Total net assets		142,825
Fair value of 17,963 common shares at $4.46 per share issued as administrative fees		154,660
Transaction expense	$	8,729,980

(Expressed in Canadian Dollars)

5. ACQUISITIONS (CONTINUED)

Acquisition of BlueJay Mental Health Group Inc.

On March 11, 2021, the Company completed the acquisition of all issued and outstanding share capital of BlueJay Mental Health Group Inc. ("BlueJay"), a telemedicine health clinic specializing in alternative medicine and medical cannabis treatments, to expand the Company's outreach to consumers for future treatments. 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 1,143,750 common shares and 750,000 warrants. 206,250 of the consideration shares are subject to a voluntary pooling arrangement. The Company also issued 25,000 common shares with a value of $210,000 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

At the date of acquisition, the Company determined that BlueJay constituted a business as defined under IFRS 3, *Business Combinations*, and the BlueJay acquisition was accounted for as a business combination. The consideration paid was recognized at the fair value of the common shares of the Company at a price of $8.40 per share. As a result of the transaction, the Company issued 750,000 warrants with a fair value of $6,064,641. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.25%; Volatility of 148%; Stock Price of $8.40; Exercise price of $0.40; Dividend yield of NIL% and expected life of 2 years.

Prior to the acquisition of BlueJay by the Company, BlueJay acquired all the issued and outstanding common shares of Green Leaf Medical Clinic ("Green Leaf"). As a result of the acquisition of Green Leaf, intangible assets and goodwill were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets and goodwill received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense. The value of the intangible assets and goodwill further to the acquisition of Green Leaf are consistent for the acquisition of BlueJay. Goodwill is recognized as a result of expected synergies between the treatments being developed by the Company's research and development activities and the expertise of the health clinic in administering treatments to patients.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 1,143,750 common shares at $8.40 per share	$	9,607,500
Less: Restricted stock discount		(233,888)
Fair value of 750,000 warrants		6,064,641
	$	15,438,253
Net assets acquired (liabilities)		
Cash	$	100,527
Net working capital		39,421
Security deposits		7,000
Property, plant and equipment		79,568
Income taxes payable		(3,578)
CEBA loan		(30,000)
Intangible assets – Patient List		58,200
Intangible assets – Trade name		34,550
Goodwill		1,165,909
Total net assets		1,451,596
Fair value of 25,000 common shares at $8.40 per share issued as administrative fees		210,000
Transaction expense	$	14,196,657

From the date of acquisition of March 11, 2021, to December 31, 2021, BlueJay incurred a net and comprehensive loss of $631,296, excluding transaction expenses recognized in the transaction.

(Expressed in Canadian Dollars)

5. ACQUISITIONS (CONTINUED)

Acquisition of Ketamine Infusion Centers of Texas LLC

On March 29, 2021, the Company completed the acquisition of all of the outstanding membership interest in Ketamine Infusion Centers of Texas LLC ("KICT"), a limited liability company organized and existing under the laws of the State of Texas. 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 interest holders of KICT. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 2,624 common shares with a value of $22,042 as finders' fees and issued 526 common shares with a value of $4,418 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

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. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $8.40 per share.

As a result of the 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 assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 26,250 common shares at $8.40 per share	$	220,500
Less: Restricted stock discount		(44,100)
	$	176,400
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)
Total net (liabilities)		(2,360)
Fair value of 2,624 common shares at $8.40 per share issued as finders' fees		22,042
Fair value of 526 common shares at $8.40 per share issued as administrative fees		4,418
Transaction expense	$	205,220

(Expressed in Canadian Dollars)

5. ACQUISITIONS (CONTINUED)

Acquisition of Akome Biotech Ltd.

On May 5, 2021, the Company completed the acquisition of all issued and outstanding share capital of Akome Biotech Ltd. ("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. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 37,500 common shares with a value of $252,000 as finders' fees and issued 8,750 common shares with a value of $58,800 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

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. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $6.72 per share.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 437,500 common shares at $6.72 per share	$	2,940,000
Less: Restricted stock discount		(661,500)
	$	2,278,500
Net assets acquired (liabilities)		
Cash	$	12,387
Intangible assets – Patents		1,520,000
Accounts payable and accrued liabilities		(3,000)
Loan payable		(100,000)
Total net assets		1,429,387
Fair value of 37,500 common shares at $6.72 per share issued as finders' fees		252,000
Fair value of 8,750 common shares at $6.72 per share issued as administrative fees		58,800
Transaction expense	$	1,159,913

(Expressed in Canadian Dollars)

5. ACQUISITIONS (CONTINUED)

Acquisition of Frontier Mycology Corp.

On August 17, 2021, the Company completed the acquisition of all issued and outstanding share capital of Frontier Mycology Corp. ("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 warrants. The Company also issued 17,963 common shares with a value of $80,119 as an administration fee.

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. The consideration paid was determined as an equity share-based payment under IFRS 2, Share-based payments, and recognized at the fair value of the common shares of the Company at a price of $4.46 per share. As a result of the transaction, the Company replaced 634,920 replacement warrants with a fair value of $1,824,173. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.44%; Volatility of 147.12%; Stock Price of $4.46; Exercise price of $4.46; Dividend yield of NIL% and expected life of 2 years.

As a result of the 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 assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 666,667 common shares at $4.46 per share	$	2,973,335
Fair value of 634,920 replacement warrants		1,824,173
	$	4,797,508
Net assets acquired (liabilities)		
Cash	$	681,310
Due from related party		312,763
Accounts payable and accrued liabilities		(22,476)
Total net assets		971,597
Fair value of 17,963 common shares at $4.46 per share issued as administrative fees		80,119
Transaction expense	$	3,906,030

(Expressed in Canadian Dollars)

5. ACQUISITIONS (CONTINUED)

Acquisition of New Path Laboratories Inc.

On December 23, 2021, the Company completed the acquisition of all issued and outstanding share capital of New Path Laboratories Inc. ("New Path"). The acquisition was completed pursuant to the share purchase agreement dated December 22, 2021. In consideration for all of the shares of New Path, the Company issued 5,700,000 common shares. The Company also issued 114,000 common shares with a value of $68,400 as an administration fee.

At the date of acquisition, the Company determined that New Path did not constitute a business as defined under IFRS 3, *Business Combinations*, and the New Path acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $0.60 per share.

As a result of the 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 assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 5,700,000 common shares at $0.60 per share	$	3,420,000
	$	3,420,000
Net assets acquired (liabilities)		
Cash	$	502,005
Property, plant and equipment		57,664
Total net assets		559,669
Fair value of 114,000 common shares at $0.60 per share issued as administrative fees		68,400
Transaction expense	$	2,928,731

(Expressed in Canadian Dollars)

6. 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 $724,408 for the CGOC shares. 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 and the 3,149,606 common shares of CGOC were returned. The Company recorded $1,102,364 in retained earnings for this transaction, which represents the difference between the $1,826,771 fair value of the CGOC shares on the date of cancellation, measured based on the closing stock price, and the original $724,408 value. During the year ended December 31, 2021, a gain of $566,911 (December 31, 2020 – $535,434) was recognized, which represents the difference between the fair value of the investment at the date of disposal and original value.

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.

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, 2021 and March 31, 2022, there was no adjustment required based on the market and business conditions of Shahcor.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	EMR System	Equipment	Furniture	Office	Total
Cost					
Balance at December 31, 2020	$ -	$ 985,470	$.	$.	$ 985,470
BlueJay acquisition (Note 5)	61,670	202	15,276	2,420	79,568
New Path acquisition (Note 5)	-	57,664	-	-	57,664
Additions	-	6,014	1,667	1,000	8,681
Impairment	-	(400,000)	-	-	(400,000)
Balance at December 31, 2021	61,670	649,350	16,943	3,420	**731,383**
Additions	-	4,550	-	-	4,550
Balance at March 31, 2022	**61,670**	**653,900**	**16,943**	**3,420**	**735,933**
Accumulated Amortization and Impairment					
Balance at December 31, 2020	-	538,050	-	-	538,050
Depreciation	22,263	14,696	677	1,133	38,769
Balance at December 31, 2021	**22,263**	**552,746**	**677**	**1,133**	**576,819**
Depreciation	5,474	3,902	1,189	1,287	11,852
Balance at March 31, 2022	**$ 27,737**	**$ 556,648**	**$ 1,866**	**$ 2,420**	**$ 588,671**
Net Book Value					
At December 31, 2021	$ 39,407	$ 96,604	$ 16,266	$ 2,287	$ 154,564
At March 31, 2022	**$ 33,933**	**$ 97,252**	**$ 15,077**	**$ 1,000**	**$ 147,262**

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

As at December 31, 2021, the Company has been granted and acquired patents that enable the Company to biosynthetically process and produce natural psilocybin molecules. These processes and procedures are being further refined to produce current good manufacturing practice ("cGMP") grade psilocybin for use in clinical trials and for use by pharmaceutical companies, manufacturers, and research organizations. The Company also has intangible assets related to the trade name and patient list of its subsidiary.

Pursuant to the acquisition of BlueJay, Akome, and Vocan and as described in Note 5, as at March 31, 2022, the Company has recognized $5,703,273 (December 31, 2021 - $5,701,750) in intangible assets.

Goodwill

Pursuant to the acquisition of BlueJay, and as described in Note 5, as at March 31, 2022, the Company has recognized $591,587 in goodwill. Further to the Company's impairment assessment as at December 31, 2021, the Company has recognized an impairment of $574,322 on the CGU.

Impairment of Licenses and Goodwill

Intangible assets (patents) and goodwill are tested annually for impairment by comparing the carrying value of the CGU to the estimated recoverable amount, where the recoverable amount is the higher of the fair value less costs of disposal and value in use. The Company determined that all of the intangible assets acquired from the Vocan transaction and Akome transaction are recognized as in progress research and development ("IPR&D"). Accordingly, management has prepared an assessment of the progress and development of the patents and achievement of milestones since the time of acquisition and assessed that there is no impairment to the estimated recovery amount.

The Company determined that all of the assets and liabilities acquired from the BlueJay transaction, described in Note 5, represent one CGU. The recoverable amount for the CGU is determined using the discounted cash flow approach, which discounts the earnings projections derived from the business plans prepared by the Company. The projections reflect management's expectations of revenue, profit margins, capital expenditures, working capital, and operating cash flows, which are based on past experience and future expectations of performance.

As at December 31, 2021, the Company completed its annual impairment test using the following key assumptions of its discounted cash flow analysis using the value in use method:

- Management has prepared a standard 4-year period projection using growth rates that range from 15% in 2024 to 5% in for 2025 based on management's assessment of future industry trends, internal and external resources, and historical data.

- The present value of expected cash flows of each segment is determined by applying a suitable discount rate. The discount rate was derived based on the weighted average cost of capital for comparable entities in the cannabis, psychedelic, and pharmaceutical industry, based on market data. The discount rate reflects appropriate adjustments related to market risk and specific risk factors of the Company and has been determined to be 14%. A sensitivity analysis to increase the discount rate by 1% would result in an increase to the goodwill impairment recognized by $65,949.

- Terminal growth rate of 2.0% is determined due to the entrance of new products in the market and possible generic alternatives that may offset population growth. A decrease in the terminal growth rate would result in a greater goodwill impairment for the CGU.

Future cash flows are based on various judgements and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. Based on the impairment test conducted, the Company has assessed that the CGU's recoverable amount is less than the carrying value; therefore, the Company recognized an impairment loss of $574,322 on the goodwill for the year ended December 31, 2021.

(Expressed in Canadian Dollars)

9. AMOUNTS AND ADVANCES RECEIVABLE

	December 31, 2021	December 31, 2020
Trade accounts receivable	$ 48,039	$ 46,197
Due from Optimus (Note 19)	1,924,565	1,924,565
Due from EPG	939,458	939,458
GST receivable	163,411	138,849
Provision for doubtful accounts	(2,864,023)	(2,864,023)
Total amounts receivable	**$ 211,450**	**$ 185,046**

During the year ended December 31, 2021, the Company recorded a provision for doubtful accounts of $2,864,023 (December 31, 2020 - $2,864,023).

The Company applies a direct customer analysis approach to measure expected credit losses. The Company assesses the collectability of receivables of each debtor on an individual basis using quantitative and qualitative information available to management. The historical loss rates are adjusted to reflect the current and forward-looking information on economic factors affecting the ability of the debtors that make regular monthly payments on the receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

At March 31, 2022, the Company had a total of $29,011 in advances receivable from affiliated entities (December 31, 2021 - $29,422). The advances are due on demand and do not accumulate interest.

During the year ended December 31, 2019, the Company used EPG Energy Corporation, a British Columbia company ("EPG")'s power generator in its cultivation operations resulting in $540,768 in advances being recovered. On May 31, 2020, the Company and 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 $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 March 31, 2022 and December 31, 2021, there have been no changes to the status of EPG and the amounts remain impaired.

During the year ended December 31, 2021, the Company paid $32,841 for expenses related to EPG operations. In accordance with the assessment of the promissory above, the Company recognized an impairment on amounts receivable of $32,841. The Company recognized a recovery of $83,244 related to government input tax credits received during the year that were previously written-off.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2022		December 31, 2021
Accounts payable	$	2,274,370	$	2,297,710
Accrued liabilities		200,000		219,230
Contingent liability		281,160		437,000
Total accounts payable and accrued liabilities	**$**	**2,755,530**	**$**	**2,953,940**

11. 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.

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURE (CONTINUED)

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 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, the CGOC debt and interest was settled by the issuance of 78,935 common shares of the Company.

12. ADVANCES PAYABLE

During the year ended March 31, 2022, the Company had received $108,324 (December 31, 2021 – $108,528) in advances required for working capital. The advances are due on demand and bear no interest.

13. 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:

	March 31, 2022	December 31, 2021
Management consulting services	$ 60,000	$ 185,000
Consulting services for research and development	$ 37,500	$ 103,250
Management salaries	$ 30,000	$ 120,000
Share-based compensation	$ -	$ 1,772,196
	$ 127,500	$ 2,180,446

Included in the accounts payable and accrued liabilities is $209,077 (December 31, 2021 – $209,077) related to the above compensation incurred with the Company's Chief Executive Officer, Chief Science Officer, and directors of the Company.

14. SHARE 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.

B. Issued Share Capital

<u>During the three months ended March 31, 2022:</u>

On February 10, 2022, the Company issued 7,030,000 common shares to the shareholders of Awakened valued at $7,733,000. The Company also issued 140,600 common shares valued at $154,660 as administration fees. See Note 5.

During the three months ended March 31, 2022, the Company issued 160,000 common shares pursuant to the exercise of warrants for proceeds of $64,000. The fair value of warrants of $1,282,193 was transferred from contributed surplus to share capital on the warrants exercised. The weighted average stock price on the date of exercise is equal to $1.73.

<u>During the year ended December 31, 2021:</u>

On December 23, 2021, the Company issued 5,700,000 common shares to the shareholders of New Path valued at $3,035,250. The Company also issued 114,000 common shares valued at $68,400 as administration fees. See Note 5.

On October 20, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 111,112 common shares to settle debt of $190,000.

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 17, 2021, the Company issued 666,667 common shares to the shareholders of Frontier valued at $2,940,000. The Company also issued 17,964 common shares valued at $80,119 as administration fees. See Note 5.

On August 10, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 50,000 common shares pursuant to a fulfilment clause in the debt settlement agreement valued at $295,000 and recognized as consulting fees.

On May 5, 2021, the Company issued 437,500 common shares to the shareholders of Akome valued at $2,940, 000 less a restricted stock discount of $661,500. The Company also issued 46,250 common shares valued at $310,800 as finders' fees and administration fees. See Note 5.

On April 30, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 151,825 common shares to settle debt of $1,136,000.

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 of $450,979.

On March 29, 2021, the Company issued 26,250 common shares to the members of KICT valued at $220,500 less a restricted stock discount of $44,100. The Company also issued 3,150 common shares valued at $26,460 as finders' fees and administration fees. See Note 5.

14. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital (continued)

During the year ended December 31, 2021 (continued):

On March 11, 2021, the Company issued 1,143,750 common shares to the shareholders of BlueJay valued at $9,607,500 less a restricted stock discount of $233,888. The Company also issued 25,000 common shares valued at $210,000 as administration fees. See Note 5.

On January 21, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 73,512 common shares to settle debt of $499,250.

During the year ended December 31, 2021, the Company returned 345,723 common shares to the treasury. The Company issued 56,938 common shares pursuant to the exercise of stock options for proceeds of $273,188. The fair value of stock options of $210,872 was transferred from contributed surplus to share capital on the options exercised. The weighted average stock price on the date of exercise is equal to $6.10.

During the year ended December 31, 2021, the Company issued 1,203,885 common shares pursuant to the exercise of warrants for proceeds of $3,282,504. The fair value of warrants of $5,382,775 was transferred from contributed surplus to share capital on the warrants exercised. The weighted average stock price on the date of exercise is equal to $7.23.

During the year ended December 31, 2021, the Company issued 20,430 common shares pursuant to the exercise of agent warrants for proceeds of $114,406. The fair value of agent warrants of $52,253 was transferred from contributed surplus to share capital on the agent warrants exercised. The weighted average stock price on the date of exercise is equal to $8.44.

(Expressed in Canadian Dollars)

14. CAPITAL AND RESERVES (CONTINUED)

C. Stock Options

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 option transactions and the number of stock options outstanding are summarized as follows:

	March 31, 2022		**December 31, 2021**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	1,364,312	$6.24	450,000	$4.24
Granted	1,784,750	$1.45	1,102,500	$6.59
Exercised	-	-	(56,938)	$4.80
Expired	(68,750)	$4.18	-	-
Cancelled	(712,875)	$7.41	(131,250)	$2.91
Options outstanding, ending	2,367,437	$6.24	1,364,312	$6.24

The following stock options were outstanding and exercisable at March 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
January 15, 2024	1.79	$ 8.40	403,125	403,125
May 21, 2024	2.14	$ 6.24	25,000	25,000
January 18, 2025	2.81	$ 1.50	1,564,750	1,564,750
February 16, 2025	2.88	$ 1.07	220,000	220,000
July 8, 2025	3.27	$ 5.36	154,562	154,562
	2.66		2,367,437	2,367,437

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the three months ended March 31, 2022, 1,784,750 (year ended December 31, 2021 – 1,102,500) stock options were issued with a fair value of $1,281,000 (year ended December 31, 2021 – $5,644,075).

The fair value of stock options issued was calculated using the following weighted average assumptions:

	Three Months Ended March 31, 2022	**Year Ended December 31, 2021**
Expected life (years)	3	3
Risk-free interest rate	1.40%	0.38%
Annualized volatility*	100%	136.23%
Dividend yield	0.00%	0.00%
Stock price at issue date	$1.22	$7.89
Exercise price	$1.45	$7.89
Weighted average issue date fair value	$0.72	$0.75

*The share price volatility was determined based on the Company's historical volatility in share price.

(Expressed in Canadian Dollars)

14. CAPITAL AND RESERVES (CONTINUED)

D. Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	March 31, 2022		**December 31, 2021**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	2,090,576	$4.96	1,909,541	$48.00
Issued	1,458,200	$1.15	1,384,920	$4.96
Exercised	(160,000)	$0.40	(1,203,885)	$48.00
Warrants outstanding, ending	3,388,776	$3.61	2,090,576	$4.96

The following warrants were outstanding and exercisable at March 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
July 3, 2022	0.26	$ 5.60	861,281	861,281
December 31, 2022	0.75	$ 9.60	93,750	93,750
December 31, 2022	0.75	$ 2.40	281,250	281,250
February 4, 2023	0.85	$ 1.15	1,458,200	1,458,200
March 11, 2023	0.95	$ 0.40	59,375	59,375
August 17, 2023	1.38	$ 6.50	634,920	634,920
	0.79		3,388,776	3,388,776

The Company applies the residual value method for warrants issued in a unit; however, the Company applies fair value method using the Black-Scholes option pricing model in accounting for its warrants granted independently. During the three months ended March 31, 2022, 1,458,200 (year ended December 31, 2021 – 1,384,920) warrants were issued with a fair value of $985,145 (year ended December 31, 2021 – $7,888,814).

The fair value of warrants issued was calculated using the following weighted average assumptions:

	Three Months Ended March 31, 2022	**Year Ended December 31, 2021**
Expected life (years)	3	2
Risk-free interest rate	1.60%	0.34%
Annualized volatility*	100%	121.60%
Dividend yield	0.00%	0.00%
Stock price at issue date	$1.10	$6.59
Exercise price	$1.15	$3.20
Weighted average issue date fair value	$0.68	$5.66

*The share price volatility was determined based on the Company's historical volatility and comparable entities' historical volatility in share price.

(Expressed in Canadian Dollars)

14. CAPITAL AND RESERVES (CONTINUED)

E. Agent Warrants

Agent warrant transactions and the number of warrants outstanding are summarized as follows:

	March 31, 2022		**December 31, 2021**	
	Number of Agent Warrants	Weighted Average Exercise Price	Number of Agent Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	33,931	$5.60	54,361	$5.60
Issued	-	-	-	-
Exercised	-	-	(20,430)	$5.60
Warrants outstanding, ending	33,931	$5.60	33,931	$5.60

The following agent warrants were outstanding and exercisable at March 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
July 3, 2022	0.26	$ 5.60	33,931	33,931
	0.26		33,931	33,931

F. Restricted Share Units

On January 5, 2022, the Company granted 2,144,000 restricted share units (“RSUs”) to consultants, directors, officers, and employees of the Company that will become fully vested four months from the date of grant. As at March 31, 2022, the Company recorded share based compensation of $1,324,019 related to the vesting of the restricted stock units.

15. 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 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 March 31, 2022.

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

(Expressed in Canadian Dollars)

16. 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 investments 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 convertible debenture 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 March 31, 2022 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.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses on its accounts receivable. The provision amounts are based on direct management interactions with the customer. The calculations reflect the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecast of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, but are not limited to, business failure, failure of a debtor to engage in a repayment plan, and a failure to make contractual payments.

The Company's aging of trade receivables was as follows:

		March 31, 2022		December 31, 2021
0 – 30 days	$	19,412	$	21,057
31 – 60 days		3,583		236
61 – 90 days		-		114
91+ days		25,044		24,790
Total trade receivables	**$**	**48,039**	**$**	**46,197**

(Expressed in Canadian Dollars)

16. 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 March 31, 2022, the Company held no (December 31, 2021 – no) restricted common shares of CGOC valued at $Nil (December 31, 2020 – $Nil). As at December 31, 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 March 31, 2022, the Company had cash of $171,580 to settle current financial liabilities of $3,102,931. 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 increased growth, 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, amounts due to related parties, advances payable and note payable. The following is an analysis of the contractual maturities of the Company's financial liabilities as at March 31, 2022:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 2,755,530	$ -
Amounts due to related parties	209,077	-
Advances payable	108,324	-
Note payable	30,000	
Total	$ 3,102,931	$ -

(Expressed in Canadian Dollars)

17. CONTINGENT 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 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. 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 determined that it was probable that it will have to make a payment to settle this obligation. The Company's best estimate is $537,000 (US$422,000) which is included in accounts payable and accrued liabilities.

On January 26, 2022, the Company executed an agreement to settle the amounts owing for aggregate payments of $443,730 (US $350,000). Of the payments, US $50,000 is to be paid upon execution of the agreement and four instalments of US $75,000 are to be paid every two months thereafter beginning April 1, 2022. Accordingly, the Company recognized a gain on the provision for loss on the legal settlement in the amount of $93,270 in the statements of comprehensive loss for the year ended December 31, 2021. Up to the date of these condensed interim consolidated financial statements, the Company has rendered payment of US $200,000 upon execution of the contract and two out of four instalment payments**.**

18. SUPPLEMENTAL CASH FLOW DISCLOSURE

	For the three months ended March 31, 2022 $	For the year ended December 31, 2021 $
Non-cash financing and investing activities:		
Fair value of common shares issued for Awakened	7,733,000	-
Fair value of warrants issued for Awakened	985,145	-
Fair value of common shares issued for BlueJay	-	9,583,612
Fair value of warrants issued for BlueJay	-	6,064,641
Fair value of common shares issued for KICT	-	202,860
Fair value of common shares issued for Akome	-	2,589,300
Fair value of common shares issued for Frontier	-	3,053,454
Fair value of warrants issued for Frontier	-	1,824,173
Fair value of common shares issued for New Path	-	3,488,400
Fair value of common shares issued to settle debt	77,330	2,851,065
Fair value transferred on exercise of stock options	-	210,872
Fair value transferred on exercise of warrants	1,282,193	5,382,775
Fair value transferred on exercise of brokers' warrants	-	52,253
Fair value of stock options issued and vested	2,605,019	5,685,860
Fair value of stock options exercised per debt settlement	-	85,500

19. 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 consolidated statements of operations and comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

During the year ended December 31, 2021, the Company recorded an impairment on the amounts receivable from the sale of the Adelanto assets in the amount of $1,924,565. The amount will continue to be impaired until such time that Optimus Logistics completes additional financing and is able to continue payments for the consideration of the Adelanto assets.

20. SUBSEQUENT EVENTS

On April 29, 2022, the Company cancelled 1,203,750 stock options issued to consultants and issued 1,713,000 stock options with an exercise price of $0.81 and an expiry date of April 29, 2025.

On May 5, 2022, the Company issued 2,084,000 common shares pursuant to the vesting of the RSUs and 60,000 RSUs are to be issued at a later date.