CITY VIEW GREEN HOLDINGS INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
City View Green Holdings Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of City View Green Holdings Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Material Uncertainty Relating to Going Concern
We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $4,623,325 during the year ended December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
May 2, 2022

City View Green Holdings Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**$ 42,655**	$ 152,577
Amounts receivable (note 6)	**88,155**	275,629
Prepaid rent and deposit	**78,202**	186,711
Promissory notes receivable (note 7)	**364,333**	497,901
Total current assets	**573,345**	1,112,818
Non-current assets		
Plant and equipment (note 8)	**2,026,721**	629,167
Right-of-use assets (note 9)	**2,496,310**	2,825,626
Intangible assets and goodwill (notes 5 and 10)	**-**	1,886,818
Investments in associate (note 11)	**-**	1,232,872
Total assets	**$ 5,096,376**	$ 7,687,301
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	**$ 1,530,856**	$ 1,061,116
Promissory note payable (note 13)	**236,246**	-
Loans payable (note 14)	**233,720**	427,822
Current portion of lease liabilities (note 15)	**156,378**	137,413
Due to related parties (note 19)	**20,000**	-
Total current liabilities	**2,177,200**	1,626,351
Non-current liabilities		
Loans payable (note 14)	**40,000**	40,000
Lease liabilities (note 15)	**2,801,611**	2,957,987
Total liabilities	**5,018,811**	4,624,338
Equity		
Share capital (note 16)	**30,298,577**	28,500,186
Shares to be issued (note 5)	**351,789**	1,384,053
Contributed surplus (note 17)	**8,665,993**	7,794,193
Deficit	**(39,238,794)**	(34,615,469)
Total equity	**77,565**	3,062,963
Total equity and liabilities	**$ 5,096,376**	$ 7,687,301

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

Nature of operations and going concern (note 1)
Subsequent events (note 23)

Approved on behalf of the Board:

(Signed) "Rob Fia" Director (Signed) "Tim Peterson" Director

City View Green Holdings Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Expenses		
Consulting (note 19)	**$ 637,113**	$ 761,412
Professional fees	**96,158**	180,074
Rent	**227,112**	237,744
General and administration	**337,859**	115,745
Debt issue costs (notes 13, 14 and 18)	**37,300**	158,202
Share-based compensation (notes 17, 18 and 19)	**231,800**	3,481,735
Depreciation and amortization (notes 8, 9 and 10)	**989,342**	433,249
Advertising and promotion	**19,062**	115,603
Interest on loans and promissory notes payable (notes 13 and 14)	**37,616**	95,405
Interest on lease liabilities (note 15)	**394,405**	421,339
	3,007,767	6,000,508
Net loss before interest and undernoted items	**(3,007,767)**	(6,000,508)
Interest income	**23,489**	31,629
Gain on lease modification (note 15)	**-**	223,720
Loss on debt settlement (note 16)	**(23,815)**	-
Share of gain (loss) in associate (note 11)	**(139,742)**	132,872
Impairment loss from investment in associate (note 11)	**(1,093,130)**	-
Impairment of intangible assets and goodwill (notes 5 and 10)	**(382,360)**	-
Net loss and comprehensive loss for the year	**$ (4,623,325)**	$ (5,612,287)
Basic and diluted net comprehensive loss per share (note 20)	**$ (0.02)**	$ (0.03)
Weighted average number of common sharesoutstanding - basic and diluted	**269,456,802**	214,609,930

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

City View Green Holdings Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating activities		
Net loss for the year	**$ (4,623,325)**	$ (5,612,287)
Adjustments for:		
Depreciation and amortization	**989,342**	433,249
Share-based compensation	**231,800**	3,481,735
Accrued interest	**14,127**	38,776
Interest expense on lease liabilities	**394,405**	421,339
Debt issue cost	**37,300**	158,202
Gain on lease modification	**-**	(223,720)
Loss on debt settlement	**23,815**	-
Share of loss in associate	**139,742**	(132,872)
Impairment loss from investment in associate	**1,093,130**	-
Impairment of intangible assets and goodwill	**382,360**	-
Changes in non-cash working capital items:		
Amounts receivable	**187,474**	(32,100)
Prepaid rent and deposit	**108,509**	(115,701)
Accounts payable and accrued liabilities	**903,793**	685,909
Net cash used in operating activities	**(117,528)**	(897,470)
Investing activities		
Purchase of plant and equipment	**(1,727,175)**	(438,688)
Repayment of lease liabilities	**(531,816)**	(445,636)
Cash acquired in asset purchase transaction	**-**	439,238
Asset purchase transaction costs	**-**	(14,310)
Repayment of promissory note receivable	**157,057**	(94,000)
Net cash used in investing activities	**(2,101,934)**	(553,396)
Financing activities		
Proceeds from issuance of units, net of share issue costs	**1,584,540**	1,420,000
Proceeds from stock options exercised	**-**	60,000
Proceeds from warrants exercised	**5,000**	62,500
Proceeds from (repayment of) promissory note payable	**225,000**	(606,771)
Proceeds from loan payable	**-**	451,688
Advances from related parties	**20,000**	-
Shares to be issued	**275,000**	210,000
Net cash provided by financing activities	**2,109,540**	1,597,417
Net change in cash and cash equivalents	**(109,922)**	146,551
Cash and cash equivalents, beginning of year	**152,577**	6,026
Cash and cash equivalents, end of year	**$ 42,655**	$ 152,577

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

City View Green Holdings Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital					
	Number of shares	**Amount**	**Shares to be issued**	**Contributed surplus**	**Deficit**	**Total**
Balance, December 31, 2019	**186,397,937**	**$ 25,987,484**	**$ -**	**$ 3,654,029**	**$ (29,003,182)**	**$ 638,331**
Units issued for cash	28,550,000	1,427,500	-	-	-	1,427,500
Share issuance cost	-	(7,500)	-	-	-	(7,500)
Fair value of warrants	-	(641,000)	-	641,000	-	-
Common shares issued for debt settlement	6,970,849	348,542	-	-	-	348,542
Common shares issued for asset acquisition	23,481,056	1,174,053	-	-	-	1,174,053
Units issued for financing costs	411,688	44,036	-	62,000	-	106,036
Issued on exercise of stock options	400,000	97,609	-	(37,609)	-	60,000
Issued on exercise of warrants	1,250,000	69,462	-	(6,962)	-	62,500
Shares to be issued	-	-	210,000	-	-	210,000
Shares to be issued pursuant to asset purchase transaction	-	-	1,174,053	-	-	1,174,053
Share-based payments	-	-	-	3,481,735	-	3,481,735
Net loss for the year	-	-	-	-	(5,612,287)	(5,612,287)
Balance, December 31, 2020	**247,461,530**	**$ 28,500,186**	**$ 1,384,053**	**$ 7,794,193**	**$ (34,615,469)**	**$ 3,062,963**
Units issued for cash	28,149,856	1,794,540	(210,000)	-	-	1,584,540
Fair value of warrants	-	(605,100)	-	605,100	-	-
Common shares issued for debt settlement	7,700,884	601,551	-	-	-	601,551
Warrants issued for financing costs	-	-	-	37,300	-	37,300
Issued on exercise of warrants	100,000	7,400	-	(2,400)	-	5,000
Shares to be issued	-	-	351,789	-	-	351,789
Cancellation of asset purchase transaction	-	-	(1,174,053)	-	-	(1,174,053)
Share-based payments	-	-	-	231,800	-	231,800
Net loss for the year	-	-	-	-	(4,623,325)	(4,623,325)
Balance, December 31, 2021	**283,412,270**	**$ 30,298,577**	**$ 351,789**	**$ 8,665,993**	**$ (39,238,794)**	**$ 77,565**

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

1. Nature of operations and going concern

City View Green Holdings Inc. ("City View" or the "Company”) was incorporated pursuant to the Canada Business Corporations Act on February 5, 2008. The Company continued into British Columbia from the jurisdiction of Canada, under the BCBCA, on February 18, 2011. On February 27, 2019, the Company completed a reverse take-over business combination with 2590672 Ontario Inc. ("2590672 Ontario") wherein the Company acquired 100% of the issued and outstanding common shares of 2590672 Ontario and began trading on the Canadian Securities Exchange ("Exchange") under the symbol "CVGR". The Company's registered office is located at 1173 Dundas Street East, Suite 132, Toronto, Ontario, M4M 3P1.

These consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, 2590672 Ontario.

The consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. As at December 31, 2021, the Company is still in the development stage, has accumulated losses of $39,238,794 since its inception and expects to incur further losses in the development of its business. These conditions raise material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds for operations. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

On April 30, 2021, the Company received the cannabis processing license from Health Canada. The processing license allows the Company to produce cannabis edibles and related products and will allow the Company to conduct development activities, including the formulation of proprietary cannabis infused edibles. On April 21, 2022, the Company also received its cannabis research licence under Health Canada.

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

2. Significant accounting policies

Basis of presentation

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 2, 2022, the date the Board of Directors approved the statements.

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. They have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value through profit and loss (FVTPL).

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit at banking institutions and deposit in transit. The Company did not have any cash equivalents as at December 31, 2021.

Plant and equipment

Upon initial acquisition, plant and equipment is valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the assets to the location and in the condition necessary for these assets to be capable of operating in the manner intended by management. In subsequent periods, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Each component or part of plant and equipment with a cost that is significant in relation to the total cost of the item will be depreciated separately, unless there is no difference in depreciation on the respective components.

Leasehold improvement	5 years, straight-line method
Equipment	5 years, straight-line method

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

2. Significant accounting policies (continued)

Plant and equipment (continued)

The recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss.

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company elected to not recognize right of use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Intangible assets

Intangible assets, including testing/formation technology, standard operating procedures and contracts that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is calculated to write of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. Amortization commences when the asset is ready for use.

2. Significant accounting policies (continued)

Goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the groups of assets (each a "Cash-Generating Unit" or a “CGU") to which goodwill has been allocated must be valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Investments in associates

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. The Company also provides loans to these entities. Investment in associate are carried in the consolidated statement of financial position using the equity method. The equity method is the basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor’s pro-rata share of post-acquisition earnings and other comprehensive income of the investee. Funding advances to the investee increase the carrying value of the investment and profit distributions from the investment, if any, reduce the carrying value of the investment. Refer to note 11 for details of investments where the Company exerts significant influence.

Research and development costs

Research costs are expensed when incurred. Development costs are capitalized as intangible assets when the conditions related to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled. Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

As at December 31, 2021, no such costs have been deferred in the accounts of the Company.

Share-based compensation

The Company accounts for all equity-settled stock-based payments using a fair value based method incorporating the Black-Scholes option pricing model. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and is either recorded at the date of grant, in the case of options that vest immediately, or over the vesting period in the case of options that vest over a period of time. In the latter case, the Company estimates forfeitures at the time of grant and the amount recognized as an expense from time to time is adjusted to reflect any changes in the Company’s estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements with non-employees in which the Company receives goods or services as consideration are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted.

2. Significant accounting policies (continued)

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive loss (“FVTOCI”); and
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive loss (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial instruments classified and measured as follows:

Cash and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Promissory note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory note payable	Amortized cost
Loans payable	Amortized cost
Due to related parties	Amortized cost

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Loss per share

Basic and diluted net loss per share are calculated using the weighted average number of outstanding shares. The calculation of diluted loss per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options) on the theoretical number of shares using the treasury method. The Company had no dilutive instruments during the year ended December 31, 2021 and 2020.

2. Significant accounting policies (continued)

Related party transactions

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

Income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are determined on a non-discounted basis, using the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

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

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Significant accounting judgments, estimates and assumptions

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

Critical accounting estimates

Share-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Warrants – management is required to make a number of estimates when measuring the value of warrants including expected life of the instruments.

Plant and equipment and right-of-use assets - management is required to estimate the useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

Recoverability of promissory notes receivable – Management's assessment of whether indicator of write off the receivable are present requires judgment based on facts and circumstances at reporting period ends.

3. Significant accounting judgments, estimates and assumptions (continued)

Critical judgments in applying accounting policies

Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Going concern – the assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Impairment assessment of investment in associate – Management's assessment as to whether there is any objective evidence that its net investment in the associate is impaired. Management must determine whether there has been a loss event that has an impact of the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity.

Impairment of plant and equipment and right-of-use assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.

Intangible assets – The Company applies judgment to assess whether there are any indications that its intangible assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period.

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital structure to consist of share capital, contributed surplus, and deficit, which at December 31, 2021 totaled $77,565 (December 31, 2020 - $3,062,963). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution.

(Expressed in Canadian Dollars)

5. Asset acquisition

On April 30, 2020, the Company closed an asset purchase transaction (the "Asset Purchase Transaction") with Infusion Works Inc. ("Infusion"). The Asset Purchase Transaction involved the acquisition of certain know-how, intellectual property and machinery related to food manufacturing, including baked goods, chocolates and other confectionary products containing various cannabinoids.

Pursuant to the Asset Purchase Transaction, the Company acquired equipment for the production of cannabis-infused food products including certain intellectual property related to the production thereof. In addition, Infusion paid a deposit of $439,238 (the "Deposit") to the Company to be used towards the purchase of certain new food manufacturing equipment and shall assign to City View the economic benefit of all existing contracts and future contracts or the contracts themselves at the time the Company receives the Licence (as defined herein below).

In consideration, the Company was to issue to Infusion an aggregate of 46,462,114 common shares of the Company ("Consideration Shares") issuable in three tranches, subject to an adjustment (the "Adjustment"). The first tranche was issued on April 30, 2020 and consisted of 9,292,422 shares. The second tranche was issued on October 26, 2020 upon receipt by the Company of the Deposit and consisted of 13,938,634 shares. The third and final tranche (the "Third Tranche") was to be issued upon the receipt by the Company of a Health Canada licence under the Cannabis Act (the "Licence") and consisted of 23,231,057 shares. Pursuant to the Adjustment, at the time of Third Tranche, the Company was to issue to Infusion such number of shares equal to 19.99% of the amount by which the issued and outstanding number of shares on the date of issuance of the third tranche shares exceeds 257,276,785. Moreover, the Company and Infusion entered into a profit sharing agreement pursuant to which the Company was to pay to Infusion 10% of its EBIT for a period of 3 years commencing on the date of receipt of the Licence, payable in shares at a price equal to the 15 day volume weighted average price of the shares on the CSE prior to the applicable period.

In connection with the Transaction, the Company and Infusion have each paid a finder a finder fee of 500,000 shares, for a total of 1,000,000 shares issuable in two equal tranches. The first tranche of the finders shares was paid on April 30, 2020 and the second tranche of finder shares was to be paid at the time of the Third Tranche.

The purchase price allocation of the assets acquired is as follows:

Cash	$	439,238
Equipment		36,360
Intangible assets and goodwill		
Testing/formation technology		864,310
Standard operating procedures		61,750
Contracts		560,758
Goodwill		400,000
	$	2,362,416

Consideration given

First tranche - 9,292,422 common shares (issued)	$	464,621
Finder fees (first tranche) - 250,000 common shares (issued)		12,500
Second tranche - 13,938,634 common shares (issued)		696,932
Third tranche - 23,231,057 common shares (i)		1,161,553
Finder fees (second tranche) - 250,000 common shares (i)		12,500
Transaction costs		14,310
	$	2,362,416

(i) Subsequent to December 31, 2021, the Asset Purchase Transction was terminated and the Third Tranche of common shares and the second tranche of finder fees were not issued (see note 23) .

(Expressed in Canadian Dollars)

6. Amounts receivable

	As at December 31, 2021	As at December 31, 2020
Sales tax receivable (i)	**$ 88,155**	$ 221,014
Amounts receivable	**-**	54,615
	$ 88,155	$ 275,629

(i) Sales tax receivable is not past due.

7. Promissory notes receivable

(i) On March 5, 2019, the Company entered into a loan agreement in the amount of $200,000 with 11103016 Canada Inc. ("11103016 Canada"). The loan is secured by 11103016 Canada's inventory and equipment, and bears interest rate of Prime Bank Rate plus 5% per annum, calculated monthly not in advance. The loan is repayable on or before March 5, 2020. The Company loaned an additional $100,000 to 11103016 Canada in August 2019. On March 5, 2020, the Company extended the repayment date of the loan to December 31, 2020. In April 2021, the repayment date was extended to December 31, 2021, and in April 2022, the repayment date was further extended to December 31, 2022.

As at December 31, 2021, the Company was owed $364,333 (December 31, 2020 - $341,983) including accrued interest.

(ii) In April 2019, the Company entered into a loan agreement with Budd Hutt, whereby the Company can advance up to $400,000 per year to Budd Hutt by way of a single loan or multiple loans. On April 12, 2019, the Company advanced $50,000. The loan bore interest rate of 8% per annum, calculated monthly not in advance. The loan was repayable on or before April 12, 2020. The Company loaned an additional $94,000 during the year ended December 31, 2020.

During the year ended December 31, 2021, Budd Hutt fully repaid $157,057, including accrued interest.

(Expressed in Canadian Dollars)

8. Plant and equipment

Cost	**Leasehold improvements**	**Equipment**	**Total**
Balance, December 31, 2019	$ 306,881	$ -	$ 306,881
Additions (note 5)	341,672	133,376	475,048
Balance, December 31, 2020	648,553	133,376	781,929
Additions	457,728	1,269,447	1,727,175
Balance, December 31, 2021	$ 1,106,281	$ 1,402,823	$ 2,509,104

Accumulated depreciation	**Leasehold improvements**	**Equipment**	**Total**
Balance, December 31, 2019	$ 58,302	$ -	$ 58,302
Depreciation for the year	94,460	-	94,460
Balance, December 31, 2020	152,762	-	152,762
Depreciation for the year	186,798	142,823	329,621
Balance, December 31, 2021	$ 339,560	$ 142,823	$ 482,383

Carrying value	**Leasehold improvements**	**Equipment**	**Total**
Balance, December 31, 2020	$ 495,791	$ 133,376	$ 629,167
Balance, December 31, 2021	$ 766,721	$ 1,260,000	$ 2,026,721

9. Right-of-use assets

Cost	**Brantford facility**
Balance, December 31, 2019	$ 3,647,330
Modification of lease (note 15(i))	(330,943)
Balance, December 31, 2020 and December 31, 2021	3,316,387

Accumulated depreciation	**Brantford facility**
Balance, December 31, 2019	$ 151,972
Depreciation for the year	338,789
Balance, December 31, 2020	490,761
Depreciation for the year	329,316
Balance, December 31, 2021	$ 820,077

Carrying value	**Brantford facility**
Balance, December 31, 2020	$ 2,825,626
Balance, December 31, 2021	$ 2,496,310

(Expressed in Canadian Dollars)

10. Intangible assets and goodwill

Cost	**Testing/ formation technology**	**Standard operating procedures**	**Contracts**	**Goodwill**	**Total**
Balance, December 31, 2019	$ -	$ -	$ -	$ -	$ -
Additions (note 5)	864,310	61,750	560,758	400,000	1,886,818
Balance, December 31, 2020	864,310	61,750	560,758	400,000	1,886,818
Impairment (i)	(864,310)	(61,750)	(560,758)	(400,000)	(1,886,818)
Balance, December 31, 2021	$ -	$ -	$ -	$ -	$ -

Accumulated depreciation	**Testing/ formation technology**	**Standard operating procedures**	**Contracts**	**Goodwill**	**Total**
Balance, December 31, 2019 and December 31, 2020	$ -	$ -	$ -	$ -	$ -
Depreciation for the year	192,069	13,723	124,613	-	330,405
Impairment (i)	(192,069)	(13,723)	(124,613)	-	(330,405)
Balance, December 31, 2021	$ -	$ -	$ -	$ -	$ -

Carrying value	**Testing/ formation technology**	**Standard operating procedures**	**Contracts**	**Goodwill**	**Total**
Balance, December 31, 2020	$ 864,310	$ 61,750	$ 560,758	$ 400,000	$ 1,886,818
Balance, December 31, 2021	$ -	$ -	$ -	$ -	$ -

(i) During the year ended December 31, 2021, the Company wrote off the intangible assets and goodwill as the Asset Purchase Transction was terminated (see notes 5 and 23). As a result, the Company recognized an impairment of intangible assets and goodwill of $382,360.

(Expressed in Canadian Dollars)

11. Investment in associate

On November 5, 2018, the Company entered into an agreement with Budd Hutt whereby the Company and Budd Hutt will conduct a mutual share exchange consisting of the Company owning 19.9% of Budd Hutt, and Budd Hutt owning 19.9% of the Company. In connection with this transaction, the Company issued 29,968,427 shares valued at $0.19 per share. The transaction closed on January 31, 2019.

On September 30, 2019, the Company acquired an additional 500,000 common shares of Budd Hutt with a deemed value of $0.20 per share to settle $100,000 of balance owed (see note 7). As a result, the Company owns 27.5% of Budd Hutt.

The Company has accounted for the transactions below as an investment in Budd Hutt, with an initial aggregate acquisition cost carrying value in the amount of $5,719,080 (December 31, 2020 - $5,719,080), and will follow equity accounting, with a provision for write-downs, if required, in the future. Management determined that the Company has significant influence over these investments. The Company continues to review the accounting treatment for this investment and will make any adjustment in the future as required under IFRS.

	As at December 31, 2021	As at December 31, 2020
Acquisition costs	**$ 5,719,080**	$ 5,719,080
Share of loss in associate	**(476,810)**	(337,068)
Impairment loss from investment in associate	**(5,242,270)**	(4,149,140)
	$ -	$ 1,232,872

During the year ended December 31, 2021, the Company assessed an impairment on the value of its investment in Budd Hutt due to a lack of revenue growth and recorded an impairment loss of $1,093,130 (2020 - $nil).

The following is a summary of the financial information of Budd Hutt on a 100% basis as at the specified date and for the period then ended, as disclosed in the table below, which is the most recent publicly available information for Budd Hutt. The information is pursuant to Budd Hutt's management prepared (unaudited) financial statements as at and for the year ended December 31, 2021.

	As at December 31, 2021	As at December 31, 2020
Cash	**$ 21,852**	$ -
Total current assets	**187,660**	165,808
Total non-current assets	**3,774,116**	3,182,816
Loans payable to the the Company	**-**	(155,918)
Total current liabilities	**(4,619,648)**	(3,498,344)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net income (loss)	**$ (508,152)**	$ 483,171
Proportionate share of net income (loss)	**$ (139,742)**	$ 132,872

(Expressed in Canadian Dollars)

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

	As at December 31, 2021	As at December 31, 2020
Accounts payable	**$ 1,142,992**	$ 917,805
Accrued liabilities	**387,864**	143,311
Total accounts payable and accrued liabilities	**$ 1,530,856**	$ 1,061,116

13. Promissory note payable

In August 2021, the Company obtained a $225,000 secured loan from Quinsam Capital Corporation ("Quinsam"). The loan is repayable by December 31, 2021, bears interest at 10% per annum, and is secured by the Company's assets. As at December 31, 2021, the Company owed $236,246 (December 31, 2020 - $nil) including accrued interest.

In connection therewith, the Company issued 750,000 warrants to Quinsam. Each warrant is exercisable for one common share of the Company at a price of $0.15 per share for a period of 2 years. The 750,000 warrants were valued at $37,300 as estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.47%; dividend yield - 0%; expected stock volatility - 199% and an expected life of 2 years.

In April 2022, the Company extended the repayment date to December 31, 2022. In consideration, the Company agreed to issue 500,000 shares of the Company to Quinsam.

14. Loans payable

(i) On July 7, 2020, the Company entered into a revolving line of credit agreement (the "LOC Agreement") with a third party lender ("Lender"), whereby the Company can obtain $1,500,000 of revolving line of credit financing facility to be used exclusively for the purchase of the Company's business related equipment, deposits for construction work and tenant's improvement on the Company's Brantford facility, or for security, rental payments, taxes and insurance related thereto. The funds advanced under the LOC bore interest at a rate of 10% per annum. During the year ended December 31, 2021 the LOC Agreement was amended to terminate on April 30, 2022 and bear interest rate at a rate of 7% per annum effective September 8, 2021.

In consideration for lending the funds advanced, the Company is to issue to the Lender one unit of the Company for each full $1 advanced. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant shall entitle the Lender to purchase one common share of the Company at the greater of $0.15 and a 25% premium to the market price of the Company's common shares at the time of issuance and expire in 2 years.

(Expressed in Canadian Dollars)

14. Loans payable (continued)

(i) (continued) In consideration, during the year ended December 31, 2020, the Company issued:

- On July 20, 2020, 250,000 units valued at $48,250, which consisted of 250,000 common shares valued at $26,250 and 250,000 warrants valued at $22,000 as estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.27%; dividend yield - 0%; expected stock volatility - 208% and an expected life of 2 years; and

- On September 16, 2020, 161,688 units valued at $32,786, which consisted of 161,688 common shares valued at $17,786 and 161,688 warrants valued at $15,000 as estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.26%; dividend yield - 0%; expected stock volatility - 204% and an expected life of 2 year.

For the year ended December 31, 2021, $nil (year ended December 31, 2020 - $81,036) was expensed to debt issue cost.

During the year ended December 31, 2021, the Company issued 2,755,900 common shares to settle $220,472 of the LOC. As at December 31, 2021, the Company owed $233,720 (December 31, 2020 - $427,822) including accrued interest.

(ii) In April 2020, the Company received $40,000 under the Canada Emergency Business Account (CEBA) program. 25% of the loan is forgivable if repaid by December 31, 2022. The loan accrues no interest until December 31, 2022, and thereafter converts to a 3-year term loan with a 5% annual interest rate. Any portion of the loan is repayable without penalty at any time prior to December 31, 2025.

15. Lease liabilities

	Brantford facility
Balance, December 31, 2019	$ 3,674,360
Modification of lease (i)	(554,663)
Interest expense	421,339
Lease payments	(445,636)
Balance, December 31, 2020	3,095,400
Interest expense	394,405
Lease payments	(531,816)
	2,957,989
Less: current portion	(156,378)
Balance, December 31, 2021	$ 2,801,611

(i) During the year ended December 31, 2020, the Company negotiated with its landlord who has agreed to reduce the monthly rent payable at the Brantford facility to $25,000 from April to September 2020 and $44,318 from October 2020 to October 2024. As a result, the Company recognized a gain on lease modification of $223,720.

(Expressed in Canadian Dollars)

16. Share capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019	186,397,937	$ 25,987,484
Common shares issued for asset acquisition (note 5)	23,481,056	1,174,053
Units issued for cash (i)(iii)	28,550,000	1,427,500
Share issuance cost (i)	-	(7,500)
Fair value of warrants (i)(iii)	-	(641,000)
Common shares issued for debt settlement (ii)	6,970,849	348,542
Issued on exercise of stock options	400,000	97,609
Issued on exercise of warrants	1,250,000	69,462
Units issued for financing costs (note 14)	411,688	44,036
Balance, December 31, 2020	247,461,530	28,500,186
Units issued for cash (iv)(vi)(viii)(ix)	28,149,856	1,794,540
Fair value of warrants (iv)(vi)(viii)(ix)	-	(605,100)
Common shares issued for debt settlement (v)(vii)(x)	7,700,884	601,551
Issued on exercise of warrants	100,000	7,400
Balance, December 31, 2021	283,412,270	$ 30,298,577

(i) During April - June 2020, the Company completed non-brokered private placement in 3 tranches, pursuant to which it issued an aggregate of 24,350,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $1,217,500. Each unit is composed of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $0.05 per warrant for a period of 3 years from the date of issuance, subject to an acceleration provision whereby, after one year from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company incurred share issuance cost of $7,500.

The 24,350,000 warrants issued were assigned a value of $584,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.026, risk-free rate of return of 0.28%, expected volatility of 220% based on historical trends, dividend yield of 0%, and expected life of 3 years.

(ii) On June 17, 2020, the Company issued 6,970,849 common shares to certain creditors of the Company to settle an aggregate debt of $348,542. The common shares issued had a deemed price of $0.05 based on the fair value.

16. Share capital (continued)

(b) Common shares issued (continued)

(iii) On December 24, 2020, the Company completed the first tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 4,200,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $210,000. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.10 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

The 2,100,000 warrants issued were assigned a value of $57,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.03, risk-free rate of return of 0.22%, expected volatility of 201% based on historical trends, dividend yield of 0%, and expected life of 2 years.

(iv) On January 8, 2021, the Company completed the second and final tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 11,400,000 units for aggregate gross proceeds of $570,000. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $0.05 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

The 5,700,000 warrants issued were assigned a value of $155,000 using the Black-Scholes valuation model using the following assumptions: weighted average unit price of $0.05, risk-free rate of return of 0.19%, expected volatility of 200% based on historical trends, dividend yield of 0%, and expected life of 2 years.

(v) On January 29, 2021, the Company issued 1,082,197 common shares to certain creditors of the Company to settle an aggregate debt of $91,987. The common shares issued had a deemed price of $0.11 based on the fair value and as a result, the Company recognized a loss on settlement of debt of $27,055.

(vi) In April 2021, the Company completed a non-brokered private placement, pursuant to which it issued an aggregate of 5,205,000 units for aggregate gross proceeds of $416,400. Each unit is composed of one common share of the Company and one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.15 per share for a period of 2 years from the closing date, subject to acceleration from and after the date that is fourth months and one day after the closing date, if the closing price of the Company's common shares on the CSE is equal to or exceeds $0.20 for 10 consecutive trading days, at which time the Company may accelerate the expiry date of the warrants to the date that is 30 following the date on which the Company issues notice to all the warrant holders of the new expiry date.

The 2,602,500 warrants issued were assigned a value of $113,000 using the Black-Scholes valuation model using the following assumptions: unit price of $0.08, weighted average risk-free rate of return of 0.26%, expected volatility of 196% based on historical trends, dividend yield of 0%, and expected life of 2 years.

16. Share capital (continued)

(b) Common shares issued (continued)

(vii) On April 30, 2021, the Company issued 2,755,900 common shares to settle $220,472 of the LOC (note 14(i)). The common shares issued had a deemed price of $0.105 based on the fair value and as a result, the Company recognized a loss on settlement of debt of $68,897.

(viii) On August 11, 2021, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 9,044,142 units for gross proceeds of $633,090. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.15 per share for a period of 2 years.

The 9,044,142 warrants issued were assigned a value of $264,200 using the Black-Scholes valuation model using the following assumptions: unit price of $0.07, weighted average risk-free rate of return of 0.47%, expected volatility of 199% based on historical trends, dividend yield of 0%, and expected life of 2 years.

(ix) On October 8, 2021, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 2,500,714 units for gross proceeds of $175,050. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.15 per share for a period of 2 years.

The 2,500,714 warrants issued were assigned a value of $72,900 using the Black-Scholes valuation model using the following assumptions: unit price of $0.07, weighted average risk-free rate of return of 0.68%, expected volatility of 198% based on historical trends, dividend yield of 0%, and expected life of 2 years.

(x) On December 22, 2021, the Company issued 3,862,787 common shares to certain creditors of the Company to settle an aggregate debt of $270,395. The common shares issued had a deemed price of $0.05 based on the fair value and as a result, the Company recognized a gain on settlement of debt of $77,256.

17. Stock options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 15% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

(Expressed in Canadian Dollars)

17. Stock options (continued)

	Number of stock options		Weighted average exercise price
Balance, December 31, 2019	19,119,732	$	0.36
Granted (i)(ii)	14,520,000		0.10
Cancelled	(3,450,000)		0.45
Exercised	(400,000)		0.15
Balance, December 31, 2020	29,789,732		0.23
Granted (ii)	4,500,000		0.10
Balance, December 31, 2021	34,289,732	$	0.21

(i) On September 14, 2020, the Company granted 14,320,000 stock options to its directors, employees and consultants of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years. The grant date fair value of $1,414,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 223%, risk-free rate of return of 0.36% and an expected maturity of 5 years. For the year ended December 31, 2021, $nil (year ended December 31, 2020 - $1,414,000) was expensed to share-based compensation.

(ii) On October 7, 2020, the Company granted 200,000 stock options to a consultant of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years. The grant date fair value of $17,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.09, expected dividend yield of 0%, expected volatility of 212%, risk-free rate of return of 0.38% and an expected maturity of 5 years. For the year ended December 31, 2021, $nil (year ended December 31, 2020 - $17,000) was expensed to share-based compensation.

(iii) On February 18, 2021, the Company granted 600,000 stock options to consultants of the Company exercisable at $0.12 per common share. The options vest immediately and expire in 3 years. The grant date fair value of $66,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.12, expected dividend yield of 0%, expected volatility of 200%, risk-free rate of return of 0.27% and an expected maturity of 3 years. For the year ended December 31, 2021, $66,000 (year ended December 31, 2020 - $nil) was expensed to share-based compensation.

(iv) On December 22, 2021, the Company granted 3,900,000 stock options to its directors, employees and consultants of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 3 years. The grant date fair value of $163,200 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.05, expected dividend yield of 0%, expected volatility of 180%, risk-free rate of return of 1.03% and an expected maturity of 3 years. For the year ended December 31, 2021, $163,200 (year ended December 31, 2020 - $nil) was expensed to share-based compensation.

(Expressed in Canadian Dollars)

17. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2021:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
January 9, 2023	0.375	1.02	1,646,400	1,646,400
February 18, 2024	0.12	2.13	600,000	600,000
February 28, 2024	0.75	2.16	600,000	600,000
February 28, 2024	0.25	2.16	4,560,000	4,560,000
February 28, 2024	0.75	2.16	3,013,332	3,013,332
June 3, 2024	0.15	2.42	1,850,000	1,850,000
July 24, 2024	0.18	2.56	300,000	300,000
October 4, 2024	0.15	2.76	3,300,000	3,300,000
December 22, 2024	0.10	2.98	3,900,000	3,900,000
September 14, 2025	0.10	3.71	14,320,000	14,320,000
October 7, 2025	0.10	3.77	200,000	200,000
	0.21	2.93	34,289,732	34,289,732

18. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	15,101,333	$ 0.18
Issued (i)(ii)(iii)(iv)(v)	29,036,688	0.06
Expired	(3,000,000)	0.15
Exercised	(1,250,000)	0.05
Balance, December 31, 2020	39,888,021	0.10
Issued (i)(vi)	20,597,356	0.14
Expired	(1,000,000)	0.15
Exercised	(100,000)	0.05
Balance, December 31, 2021	59,385,377	$ 0.11

(i) During the year ended December 31, 2021, the Company issued an aggregate of 19,847,356 warrants (year ended December 31, 2020 - 26,450,000 warrants) as a part of its non-brokered private placements. See note 16.

18. Warrants (continued)

(ii) On November 3, 2020, the Company issued 550,000 warrants to a consultant of the Company. Each warrant is exercisable into one common share at a price of $0.10 per share and expires in 3 years. The fair value of $29,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 0.29%; dividend yield - 0%; expected stock volatility - 196% and an expected life of 3 years.

(iii) During the year ended December 31, 2020, the Company issued 1,000,000 warrants to a creditor for loan extension. Each warrant was exercisable into one common share at a price of $0.15 per share and expired on January 30, 2021. The fair value of $25,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.32%; dividend yield - 0%; expected stock volatility - 250% and an expected life of 8 months.

(iv) During the year ended December 31, 2020, the Company issued an aggregate of 411,688 warrants as a part of its LOC Agreement. See note 14(i).

(v) During the year ended December 31, 2020, as a part of its warrant incentive program, the Company issued an aggregate of 625,000 warrants exercisable at $0.20 per share and expiring in 2 years. The fair value of $23,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 0.23-0.25%; dividend yield - 0%; expected stock volatility - 201% and an expected life of 2 years.

(vi) During the year ended December 31, 2021, the Company issued 750,000 warrants to Quinsam in connection with a secured loan. See note 13.

(Expressed in Canadian Dollars)

18. Warrants (continued)

The following table reflects the warrants issued and outstanding as of December 31, 2021:

Expiry date	Exercise price ($)	Warrants outstanding
April 30, 2022 (vii)	0.15	6,700,000
July 20, 2022	0.15	250,000
September 17, 2022	0.15	161,688
November 15, 2022	0.30	2,001,333
November 30, 2022	0.20	500,000
December 13, 2022	0.20	2,400,000
December 23, 2022	0.20	125,000
December 24, 2022	0.10	2,100,000
January 8, 2023	0.10	5,700,000
April 30, 2023	0.05	9,600,000
May 22, 2023	0.05	6,000,000
June 17, 2023	0.05	7,400,000
November 3, 2023	0.10	550,000
July 30, 2024	0.18	1,000,000
April 9, 2023	0.15	1,946,250
April 30, 2023	0.15	656,250
August 11, 2023	0.15	9,044,142
August 11, 2023	0.15	750,000
October 8, 2023	0.15	2,500,714
	0.11	59,385,377

(vii) On September 30, 2020, the Company extended the expiry date of the 6,700,000 warrants from September 30, 2020 to September 30, 2021. As a result, during the year ended December 31, 2020, the Company recognized a share-based compensation of $284,300, as estimated using the Black-Scholes model for option pricing with the assumptions: risk free interest rate - 0.27%; dividend yield - 0%; expected stock volatility - 245% and an expected life - 1 years.

On September 30, 2021, the Company further extended the expiry date of the 6,700,000 warrants from September 30, 2021 to January 31, 2022. As a result, during the year ended December 31, 2021, the Company recognized a share-based compensation of $2,000, as estimated using the Black-Scholes model for option pricing with the assumptions: risk free interest rate - 0.53%; dividend yield - 0%; expected stock volatility - 122% and an expected life - 4 months.

On December 22, 2021, the Company further extended the expiry date of the 6,700,000 warrants from January 31, 2022 to April 30, 2022. As a result, during the year ended December 31, 2021, the Company recognized a share-based compensation of $600, as estimated using the Black-Scholes model for option pricing with the assumptions: risk free interest rate - 0.96%; dividend yield - 0%; expected stock volatility - 108% and an expected life - 4 months.

(Expressed in Canadian Dollars)

19. Related party balances and transactions

Related parties include key management being the Company's executive officers, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The following related party transactions were conducted in the normal course of operations and were made on an arm's length basis:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Consulting	**$ 231,250**	$ 245,940
Professional fees	**50,171**	49,379
Share-based compensation	**83,692**	1,297,061
	$ 365,113	$ 1,592,380

As at December 31, 2021, $269,469 (December 31, 2020 - $79,237) included in accounts payable and accrued liabilities was payable to key management personnel.

During the year ended December 31, 2021, a director of the Company advanced $20,000 to the Company. The advance is non-interest bearing and repayable on demand.

During the year ended December 31, 2021, the directors of the Company subscribed for an aggregate of 5,069,643 units for gross proceeds of $346,000 (year ended December 31, 2020 - an aggregate of 4,000,000 units for gross proceeds of $200,000).

20. Loss per share

For the year ended December 31, 2021, basic and diluted loss per share has been calculated based on the loss attributable to common shares of $4,623,325 (year ended December 31, 2020 - $5,612,287) and weighted average number of common shares outstanding of 269,456,802 (year ended December 31, 2020 - 214,609,930). Diluted loss per share did not include the effect of stock options as they are anti-dilutive.

(Expressed in Canadian Dollars)

21. Income taxes

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Loss before income taxes	**$ (4,623,325)**	$ (5,612,287)
Combined statutory income tax rate	**26.5%**	26.5%
Expected income tax recovery	**(1,225,181)**	$ (1,487,256)
Non-deductible expenses	**489,567**	922,660
Permanent differences and other	**(136,320)**	(155,131)
Share issuance cost booked directly to equity	**(7,908)**	(1,988)
Deferred tax assets not recognized	**879,842**	721,715
	$ -	$ -

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	As at December 31, 2021	As at December 31, 2020
Associate investment	**$ 1,515,556**	$ 1,188,845
Non-current assets	**179,557**	131,398
Share issuance cost and other	**157,130**	18,593
Non-capital losses carried forward	**5,602,388**	5,235,953
Deferred tax assets	**7,454,631**	6,574,789
Less: deferred tax assets not recognized	**(7,454,631)**	(6,574,789)
Net deferred tax assets	**$ -**	$ -

The Company has approximately $21,012,714 of non-capital losses available, which expire between 2034 and 2041 and may be applied against future taxable income for income tax purposes.

The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

22. Financial risk management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company has a working capital deficiency of $1,603,855 (December 31, 2020 - working capital deficiency of $513,533). The Company had a cash balance of $42,655 (December 31, 2020 - $152,577) to settle current financial liabilities of $2,177,200 (December 31, 2020 - $1,626,351). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short term loans.

(c) 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 equity prices.

Interest rate risk

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's interest-bearing debts and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign currency risk with respect to the expenditures incurred by its US subsidiaries.

(d) Fair Value

The carrying amount of each accounts payable and accrued liabilities and short-term loans approximates their fair value because of the short-term maturities of these items.

23. Subsequent events

On March 10, 2022, the Company and Infusion Works agreed to a settlement (the "Settlement") to terminate the Asset Purchase Transaction (see note 5). In conjunction with the termination, Mr. Karl Wirtz resigned as a director of the Company.

Under the terms of the Settlement, the parties agreed:

- Infusion will continue to provide its expertise to the Company and its subsidiaries;
- Infusion will provide contract manufacturing services for Pawsperity and Therasnax pet snacks;
- Infusion will no longer have the right to appoint a nominee to the Company's board;
- The Company will not issue to Infusion the Third Tranche consideration shares previously required under the Asset Purchase Transaction;
- Of the consideration shares previously issued to Infusion under the Asset Purchase Transaction, 8,542,222 shares held in escrow will be released quarterly over the next 3 years based on the value of services Infusion contributes to the Company;
- Infusion will transfer certain intellectual property relating Pawsperity and Therasnax pet snacks;
- Any profits associated with Pawsperity and Therasnax pet snacks will be for the sole benefit of the Company; and
- Infusion will transfer the Panacea trademark and related intellectual properties to the Company.

On March 17, 2022, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 9,600,000 units for aggregate gross proceeds of $480,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common shares of the Company at a price of $0.10 per share for a period of 2 years from the closing date, subject to acceleration from and after the date that is fourth months and one day after the closing date, if the closing price of the Company's common shares on the CSE is equal to or exceeds $0.11 for 5 consecutive trading days, at which time the Company may accelerate the expiry date of the warrants to the date that is 30 following the date on which the Company issues notice to all the warrant holders of the new expiry date. As at December 31, 2021, the Company received $275,000 in relation to the private placement.

The Company also issued 1,261,784 common shares to certain creditors of the Company to settle an aggregate debt of $88,325.

On March 17, 2022, the Company granted 500,000 stock options to a consultant of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 3 years.

On April 21, 2022, the Company received its cannabis research licence under Health Canada's Cannabis Act and Cannabis Regulations. The licence permits the Company to conduct controlled human sensory (taste) trials of cannabis infused products.