BIOME GROW INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Biome Grow Inc.

Opinion

We have audited the consolidated financial statements of Biome Grow Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years ended December 31, 2022 and 2021, the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters that indicate the existence of a material uncertainty 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audits of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 1, 2023

BIOME GROW INC.
Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Note	**December 31, 2022**	December 31, 2021
		$	$
ASSETS			
Current			
Cash		**101,671**	582,304
Restricted cash		**-**	897
Goods and services tax recoverable		**6,392**	86,064
Prepaid expenses and deposits - current		**80,135**	88,695
Investments	4	**274,462**	10,249,135
		462,660	11,007,095
Prepaid expenses and deposits		**-**	66,521
Total assets		**462,660**	11,073,616
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5,10	**728,939**	1,138,584
Loans payable	6,10	**4,155,137**	3,506,295
Total liabilities		**4,884,076**	4,644,879
EQUITY (DEFICIENCY)			
Share capital	7(b)	**23,183,398**	23,183,398
Reserves		**2,581,982**	2,544,824
Deficit		**(30,186,796)**	(19,299,485)
Total equity (deficiency)		**(4,421,416)**	6,428,737
Total liabilities and equity (deficiency)		**462,660**	11,073,616

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors:

"Khurram Malik"	*"Mark Lievonen"*
Director	*Director*

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

BIOME GROW INC.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31, **2022**	2021
		$	$
Operating expenses			
Accretion expense	6(a)	**3,883**	41,037
Bad debt expense		**-**	2,663
Donations		**-**	2,500
Financing expense		**1,705**	-
Foreign exchange		**120**	-
General and administration		**2,211**	2,625
Insurance		**166,043**	117,641
Investor relations		**-**	3,052
Professional fees	10	**404,240**	697,128
Salaries and wages		**-**	106,221
Share-based compensation	10	**37,158**	52,327
Transfer agent and listing fees		**27,347**	47,750
Travel		**-**	31,372
		642,707	1,104,316
Other income (expenses)			
Change in fair value on investments	4	**(9,108,901)**	(262,258)
Gain on settlement of accounts payable	5	**-**	675,227
Impairment of goods and services tax recoverable		**(120,796)**	-
Interest expense	6(a)	**(346,813)**	(412,506)
Loss on extinguishment of debt	6(a)	**(63,474)**	-
Loss on legal settlement		**-**	(45,030)
Realized gain (loss) on investments sold	4	**(604,620)**	1,008,954
		(10,244,604)	964,387
Net loss and comprehensive loss		**(10,887,311)**	(139,929)
Net loss per share:			
Basic and diluted		**(0.10)**	(0.00)
Weighted average number of common shares:			
Basic and diluted		**112,417,435**	112,417,435

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

BIOME GROW INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
	$	$
Operating activities:		
Net loss for the year	**(10,887,311)**	(139,929)
Items not affecting cash:		
Accretion expense	**3,883**	41,037
Bad debt expense	**-**	2,663
Share-based compensation	**37,158**	52,327
Change in fair value on investments	**9,108,901**	262,258
Gain on settlement of accounts payable	**-**	(675,227)
Impairment of goods and services tax recoverable	**120,796**	-
Interest expense	**346,813**	412,506
Loss on extinguishment of debt	**63,474**	-
Realized loss (gain) on investments sold	**604,620**	(1,008,954)
Changes in non-cash working capital:		
Goods and services tax recoverable	**(41,124)**	(50,516)
Prepaid expenses and deposits	**75,081**	111,489
Accounts payable and accrued liabilities	**(174,973)**	(847,260)
Cash used in operating activities	**(742,682)**	(1,839,606)
Investing activities:		
Net proceeds on sale of investments	**261,152**	2,162,858
Cash provided by investing activities	**261,152**	2,162,858
Financing activities:		
Repayment of loan payable	**-**	(240,287)
Interest paid on loan payable	**-**	(69,263)
Cash used in financing activities	**-**	(309,550)
Change in cash and restricted cash	**(481,530)**	13,702
Cash and restricted cash, beginning of year	**583,201**	569,499
Cash and restricted cash, end of year	**101,671**	583,201

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

BIOME GROW INC.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity (deficiency)
	#	$	$	$	$
Balance, December 31, 2020	112,417,435	23,183,398	2,492,497	(19,159,556)	6,516,339
Share-based compensation	-	-	52,327	-	52,327
Net loss for the year	-	-	-	(139,929)	(139,929)
Balance, December 31, 2021	112,417,435	23,183,398	2,544,824	(19,299,485)	6,428,737
Share-based compensation	-	-	37,158	-	37,158
Net loss for the year	-	-	-	(10,887,311)	(10,887,311)
Balance, December 31, 2022	**112,417,435**	**23,183,398**	**2,581,982**	**(30,186,796)**	**(4,421,416)**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Biome Grow Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on December 31, 2013. The head and records office of the Company is 1401-480 University Avenue, Toronto, Ontario. The Company's principal business activity is pursuing opportunities in the cannabis industry. The Company is listed for trading on the TSX Venture Exchange under the symbol "BIO.CN"

These audited consolidated financial statements for the years ended December 31, 2022 and 2021 ("financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at December 31, 2022, the Company has a working capital deficiency of $4,421,416 and an accumulated deficit of $30,186,796. For the year ended December 31, 2022, the Company incurred a loss of $10,887,311. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on May 1, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

b) Basis of presentation

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income, and expense as set out in the accounting policies below.

c) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which an entity operates. All amounts on these financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

d) Basis of consolidation

A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

Subsidiaries	Percentage ownership
Cultivator Catalyst Corp.	100%
Great Lake Cannabis Company Inc. (1)	100%
Red Sands Craft Cannabis Corp. (1)	100%
Weed Virtual Retail Inc. (1)	100%

(1) These companies were inactive during the years ended December 31, 2022 and 2021.

2. BASIS OF PREPARATION (continued)

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights to, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital.

All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

e) Reclassification of comparative amounts

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company's share price, the value of the common share, and the risk-free interest rate.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Going concern

Management applies judgment in its evaluation of the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash

Cash include cash on hand and deposits in banks with no restrictions.

c) Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively. Mining duties, taxes, royalties, and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed by a government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable or recoverable with regards to previous years.

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

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

Deferred income tax assets and deferred income tax liabilities are offset only when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

d) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument-by-instrument basis) on the day of acquisition to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

A summary of the Company’s classification of financial instruments under IFRS 9 Financial Instruments is as follows:

Financial instrument	Classification
Financial assets	
Cash / restricted cash	FVTPL
Investments	FVTPL
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in net income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are recognized in other comprehensive income (loss). The does not have any FVTOCI financial assets.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the consolidated statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

g) Share-based compensation

The fair value of stock options granted is measured at the grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired, and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statements of loss with a corresponding entry within equity, against share-based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share-based compensation reserve is credited to share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

h) Investments

The Company's investments are classified as fair value through profit and loss. The original value at the time the Company legally obtains title of the shares is based upon the closing market price of the shares on the date of acquisition. The shares are revalued at each period based upon the closing market price of the shares at the balance sheet date. The change in fair value is recorded as an unrealized gain or loss on investments in the consolidated statements of loss and comprehensive loss.

i) Adoption of new pronouncements

During the year ended December 31, 2022, the Company did not adopt any new or amended accounting standards or interpretations which had a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars, except where noted)

4. INVESTMENTS

A summary of the Company's investments is as follows:

	Shares	Escrow shares	Exchangeable shares	Total
	$	$	$	$
Fair value				
Balance, December 31, 2020	1,102,086	2,561,812	8,001,399	11,665,297
Released from escrow	791,012	(791,012)	-	-
Net proceeds on sales	(2,162,858)	-	-	(2,162,858)
Realized gain on investments sold	1,008,954	-	-	1,008,954
Cost of securities exchanged	5,334,266	-	(5,334,266)	-
Change in fair value on investments	2,756,982	(352,107)	(2,667,133)	(262,258)
Balance, December 31, 2021	8,830,442	1,418,693	-	10,249,135
Net proceeds on sales	(261,152)	-	-	(261,152)
Realized loss on investments sold	(604,620)	-	-	(604,620)
Change in fair value on investments	(7,733,912)	(1,374,989)	-	(9,108,901)
Balance, December 31, 2022	**230,758**	**43,704**	**-**	**274,462**
Cost				
Balance, December 31, 2020	734,724	1,707,875	5,334,266	7,776,865
Released from escrow	791,012	(791,012)	-	-
Securities sold or transferred for debt settlement	(1,153,904)	-	-	(1,153,904)
Securities exchanged	5,334,266	-	(5,334,266)	-
Balance, December 31, 2021	5,706,098	916,863	-	6,622,961
Securities sold	(865,773)	-	-	(865,773)
Balance, December 31, 2022	**4,840,325**	**916,863**	**-**	**5,757,188**

On July 31, 2020, the Company received 4,352,447 MYM Nutraceuticals Inc. ("MYM") shares, 38,461,538 escrow shares and 132,551,040 exchangeable shares of MYM as consideration for the sale of Highland Grow Inc. ("HGI").

In connection with the sale of HGI, the Company entered into various debt settlements and bonus payments with former employees of the Company and HGI, which were settled with the issuance of either exchangeable shares or MYM shares. On May 21, 2021, the Company exchanged the 88,904,428 outstanding exchangeable shares for 88,904,428 MYM shares.

On July 9, 2021, MYM was acquired by IM Cannabis Corp. ("IMC") and all MYM shares were converted into common shares of IMC. The Company received 270,091 IMC common shares (of which 33,618 are held in escrow), in exchange for 122,768,413 MYM shares (which included 15,281,054 escrow shares).

On November 17, 2022, IMC completed a consolidation of its common shares on a ten to one basis (the "IMC Share Consolidation"). All IMC share and per share amounts have been retrospectively adjusted to reflect the consolidation. Any references to IMC commons shares are on a post-consolidation basis.

For the year ended December 31, 2022, the Company recorded a loss on its revaluation of these investments to fair value of $9,108,901 (2021 - $262,258). During the year ended December 31, 2022, the Company recorded a realized loss on sale of investments of $604,620 (2021 - gain of $1,008,954). As at December 31, 2022, the Company held 211,125 IMC shares (December 31, 2021 - 243,401), of which 33,618 are IMC escrow shares (December 31, 2021 – 33,618).

The remaining IMC escrow shares are expected to be released within the next 12 months and have been classified as a current asset along with the IMC common shares on the statements of financial position. The fair value of the Company's investments are estimated using Level 1 inputs.

(Expressed in Canadian dollars, except where noted)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	December 31, 2022	December 31, 2021
	$	$
Accrued liabilities	**112,000**	261,510
Deferred compensation	**20,000**	60,000
Interest payable	**56,033**	298,003
Trade payables	**540,906**	519,071
	728,939	1,138,584

During the year ended December 31, 2022, the Company recognized a gain on settlement of accounts payable of $nil (2021 - $675,227).

During the year ended December 31, 2020, the Company entered legal proceedings with the former Chief Executive Officer ("CEO") of HGI subsequent to the disposition of HGI. As at December 31, 2020, the Company recorded an accrued liability for settlement contingency of $571,891 representing the estimated cost of legal expenses and a final settlement amount, which was included in accrued liabilities. During the year ended December 31, 2021, the Company finalized the settlement and recorded an additional loss on legal settlement of $45,030. The total amount of $616,921 was paid fully during the year ended December 31, 2021.

6. LOANS PAYABLE

A summary of the Company's loans payable is as follows:

	MYM Loan	**Related party loan**	**Total**
	$	$	$
Balance, December 31, 2020	2,455,545	1,250,000	3,705,545
Principal repayments, net	(240,287)	-	(240,287)
Accretion expense	41,037	-	41,037
Balance, December 31, 2021	2,256,295	1,250,000	3,506,295
Accretion expense	3,883	-	3,883
Interest capitalized on loan	581,485	-	581,485
Repayment of MYM Loan	(2,905,137)	-	(2,905,137)
Loss on extinguishment of debt	63,474	-	63,474
Proceeds from Amended MYM Loan agreement	2,905,137	-	2,905,137
Balance, December 31, 2022	**2,905,137**	**1,250,000**	**4,155,137**

a) MYM Loan

On July 31, 2020, in connection with sale of HGI, MYM agreed to loan the Company an amount equal to $1,000,000 (the "MYM Loan - Tranche #1") plus the balance of certain liabilities of HGI, which will continue to be owed by HGI, post-closing, in the amount of $1,664,141 (the "MYM Loan - Tranche #2"), both for a term of 18 months with an option to extend for an additional six months at the sole discretion of the Company upon the Company paying an extension fee (together the "MYM Loan"). The MYM Loan bears interest at a rate of 17.5% per annum.

Pursuant to the loan and security agreement, the Company incurred a one-time set-up fee equal to 8% of the MYM Loan - Tranche #1 advance. Interest on the MYM Loan is calculated from July 31, 2020 on a monthly basis and payable every four months beginning on November 30, 2020. The total debt issuance costs of $80,000 were applied against the loan principal in the amount of $2,664,141 and are accreted over the term of the loan.

6. LOANS PAYABLE (continued)

During the year ended December 31, 2022, the Company incurred $339,515 of interest expense in connection with this loan (2021 - $403,250). On January 31, 2022, the MYM loan payable matured. IMC (the parent of MYM) and the Company have been renegotiating maturity and terms of the loan. On October 4, 2022, the Company signed a loan amended agreement ("Amended MYM Loan") with the lenders of the MYM Loan, whereby the MYM Loan maturity date was extended to December 9, 2023, interest will accrue at an annual rate of 8% starting September 9, 2022; and on December 31, 2022, the Company was required to pay all accrued and unpaid interest as well as a principal payment of either 5% or 10% of the loan outstanding. The percentage to be paid was subject to certain conditions including assessment of the weighted-average price of IMC shares during the last ten trading days of November 2022. Additionally, if at any point during the year ended December 31, 2023 the share price of IMC exceeds $23.50 per share (after the IMC Share Consolidation), the Amended MYM Loan becomes due on demand. During the year ended December 31, 2022, no payments related to this loan were made.

During the year ended December 31, 2022, the Company recognised a $63,474 loss on extinguishment of debt in connection with the loan amendment agreement (2021 - $nil).

b) Related party loan

During the year ended December 31, 2019, the Company received a series of advances from a related party totaling $1,250,000. The amounts are secured by promissory notes, bear no interest and are due on demand. As at December 31, 2022, the carrying value of these loans are $1,250,000 (December 31, 2021 - $1,250,000). The MYM Loan is senior to the related party advances in terms of creditor hierarchy.

7. SHARE CAPITAL

a) Authorized share capital

- Unlimited number of voting common shares without par value.
- Unlimited number of Special Class C Shares without par value subject to special rights and restrictions.
- Unlimited number of Class B Preferred Shares without par values subject to special rights and restrictions.

b) Issued share capital

There were no common share transactions during the years ended December 31, 2022 and 2021.

As at December 31, 2022 and December 31, 2021, there were 112,417,435 common shares outstanding.

c) Stock options

The Company has adopted a stock option plan for its directors, officers, employees, and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

During the year ended December 31, 2022, the Company had no stock option grants.

During the year ended December 31, 2021, the Company had the following stock option grant:

On November 5, 2021, the Company granted 1,500,000 stock options to directors of the Company with an exercise price of $0.05. The options vest in two equal tranches on November 5, 2022 and 2023, respectively, and expire on October 26, 2026.

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

A summary of the Company's stock option activity is as follows:

	Number of stock options	Weighted average exercise price
	#	$
Balance, December 31, 2020	1,700,000	0.26
Granted	1,500,000	0.05
Expired	(200,000)	1.60
Balance, December 31, 2021 and 2022	**3,000,000**	**0.07**

A summary of the Company's stock options outstanding and exercisable as at December 31, 2022, is as follows:

Expiry date	Weighted average exercise price	Number of options outstanding	Number of options exercisable	Weighted average remaining life
	$	#	#	years
July 31, 2025	0.08	1,500,000	1,500,000	2.58
October 26, 2026	0.05	1,500,000	750,000	3.82
	0.07	**3,000,000**	**2,250,000**	**3.20**

A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the year ended December 31, 2021 is as follows:

Stock price	$0.04
Risk-free interest rate	1.26%
Annualized volatility	100%
Expected dividend yield	0.00%
Expected life	5 years

During the year ended December 31, 2022, the Company recognized share-based compensation of $37,158 (2021 - $52,327). The share-based compensation represents the fair value of stock options over their respective vesting term.

d) Share purchase warrants

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, December 31, 2020	6,394,880	0.52
Expired	(1,037,737)	1.68
Balance, December 31, 2021 and 2022	**5,357,143**	**0.28**

As at December 31, 2022, the Company had 5,357,143 share purchase warrants outstanding and exercisable at an exercise price of $0.28 with a weighted average remaining life of 0.9 years.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

As at December 31, 2022, the Company's financial instruments consisted of cash, restricted cash, investments, accounts payable and accrued liabilities and loans payable.

The Company's financial instruments are classified and measured at amortized cost, with the exception of investments, which are classified and measured at fair value through profit and loss. The Company's investments are measured at fair value using Level 1 inputs. The fair value of investments is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

The carrying value of cash, restricted cash, accounts payable and accrued liabilities and loans payable approximate their fair values due to their short-term to maturity.

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. Credit risk for the Company is primarily associated with its cash. At present, the Company holds its cash in highly rated Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash. The Company considers the credit risk related to cash to be minimal.

The Company's maximum exposure to credit risk at December 31, 2022 is in respect of cash and cash equivalents and accounts receivable of $108,063 (2021 - $669,265). As at December 31, 2022 and 2021, no provision for doubtful accounts has been recorded.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

As at December 31, 2022, the Company did not have derivative financial liabilities with contractual maturities.

The Company may need to seek a combination of debt, equity and cash equivalents asset divestitures to meet its operational requirements. As at December 31, 2022, the Company has cash of $101,671 (2021 - $582,304) to meet its current liabilities of $4,884,076 (2021 - $4,644,879).

(Expressed in Canadian dollars, except where noted)

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2022 are as follows:

	<1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 728,938	$ —	$ —	$ —	$ 728,938
Loan payable	4,155,137	—	—	—	4,155,137
	$ 4,884,075	$ —	$ —	$ —	$ 4,884,075

d) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded investment in IMC. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2022 value of investments, a 10% increase or decrease in the share price of IMC would have impacted profit or loss for the period, up or down, by approximately $27,446 before income taxes.

9. MANAGEMENT OF CAPITAL

The Company's capital structure consists of all components of its shareholders equity and loans. The Company’s objectives when managing capital are to support further advancement of the Company’s business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enters into loan facilities or acquire or dispose of assets. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

10. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered 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. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, CEO and Chief Financial Officer.

A summary of the Company’s related party transactions for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Professional fees	**95,000**	364,006
Share-based compensation	**37,158**	52,327
Salaries and wages	**-**	60,000
	132,158	476,333

A summary of the Company’s amounts payable to related parties is as follows:

	December 31, 2022	December 31, 2021
	$	$
Accounts payable and accrued liabilities	**77,777**	194,324
Loans payable	**1,250,000**	1,250,000
	1,327,777	1,444,324

(Expressed in Canadian dollars, except where noted)

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at December 31, 2022, accounts payable and accrued liabilities include $77,777 due to related parties comprised of the following:

- $20,000 in deferred compensation to the CEO of the Company. During the year ended December 31, 2021, $60,000 in deferred compensation to directors of the Company related to the sale of HGI was recorded in salaries and wages in the consolidated statements of loss. The deferred compensation was payable at the earlier of November 5, 2022, or IMC shares trading at greater than $8.86 per share. During the year ended December 31, 2022, $40,000 was paid was the non-executive directors.
- $56,000 for amounts owed for current year professional fees and $1,777 for amounts owed for current year of reimbursement of expenses to the CEO.

As at December 31, 2022, the Company has loans payable totaling $1,250,000 (December 31, 2021 - $1,250,000) to an entity under control of a significant shareholder of the Company (Note 6(b)). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

11. INCOME TAX

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Net loss before income taxes	**(10,887,311)**	(139,929)
Combined federal and provincial statutory income tax rates	**27%**	27%
Expected income tax (recovery)	**(2,940,000)**	(38,000)
Non-deductible expenditures and non-taxable revenues	**10,000**	15,000
Non-deductible portion of capital item	**82,000**	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**-**	(614,000)
Change in unrecognized deferred tax assets	**2,848,000**	637,000
Net deferred tax (recovery)	**-**	-

A summary of the Company's significant components of a potential deferred tax asset are as follows:

	December 31, 2022	December 31, 2021
	$	$
Non-capital loss carry forward	**6,849,000**	6,555,000
Allowable capital losses	**82,000**	-
Capital assets	**866,000**	866,000
Share issuance and financing costs	**-**	39,000
Investments	**1,480,000**	(979,000)
Loans and Interests	**52,000**	-
Deferred tax assets not recognized	**(9,329,000)**	(6,481,000)
Deferred tax asset	**-**	-

As at December 31, 2022 the Company has losses of approximately $25,368,000 (2021 - $24,277,000) available for carry-forward to reduce future years' taxable income. These losses begin to expire in 2038 through 2042.