Vext Science, Inc.

Condensed Interim Consolidated Financial Statements

September 30, 2021 and 2020

(Expressed in U.S. Dollars)

Vext Science, Inc.

Table of Contents

VEXT SCIENCE, INC
Consolidated Interim Statements of Financial Position
(Expressed in U.S. Dollars) (Unaudited)

	Notes	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		$ 7,443,415	$ 1,745,381
Accounts receivable	4	22,099,180	17,224,397
Inventory	5	338,606	857,317
Prepaid expenses, deposits, and other receivables	6	777,931	1,566,145
Due from related parties current	19	537,151	537,151
Notes receivable – current	7	451,319	1,853,573
Advances to joint operations	10	330,383	69,013
Investment in sublease – current	17	—	144,601
		31,977,985	23,997,578
Non-current assets			
Notes receivable	7	12,714,735	7,024,110
Investment (Legacy)	8	212,675	350,000
Property, plant and equipment	12	26,598,291	12,457,565
Investment in sublease – non-current	17	—	432,287
Investment in joint ventures	9	1,248,447	1,282,598
Right-of-use asset	17	236,218	258,362
Due from related parties - non-current	19	1,644,634	1,644,634
Intangible assets and goodwill	13	7,381,052	8,007,527
Total Assets		$ 82,014,037	$ 55,454,661
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accrued liabilities	15,19	$ 2,714,773	$ 2,572,975
Due to Legacy Ventures Hawaii, LLC	8	—	22,479
Notes payable – current portion	16,19	1,130,876	920,828
Notes payable from RDF acquisition - current	16	501,665	948,750
Lease liability – current portion	17	13,787	156,694
Loan payable	18	4,339,070	4,165,034
Income tax payable		45,633	45,633
Total current liabilities		8,745,804	8,832,393
Long-term liabilities			
Notes payable - non-current portion	16,19	4,624,186	64,763
Lease liability – non-current portion	17	255,559	701,810
Notes payable from RDF acquisition - non-current	16	4,262,275	4,529,575
Deferred tax liabilities		6,383,843	5,013,000
Total liabilities		24,271,667	19,141,541
Shareholders' equity			
Subordinated and multiple voting shares	20	32,971,033	17,182,123
Reserves	20	3,498,634	1,998,273
Accumulated other comprehensive income		(45,210)	(283,558)
Retained earnings		21,317,913	17,416,282
Total shareholders' equity		57,742,370	36,313,120
Total liabilities and shareholders' equity		$ 82,014,037	$ 55,454,661

Nature of operations and going concern (Note 1)
Contingencies (Note 24)
Subsequent events (Note 25)

Approved on November 17, 2021, on behalf of the Board of Directors:

"Jason T. Nguyen", Director *"Eric J. Offenberger"*, Director

VEXT SCIENCE, INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income
(Expressed in U.S. Dollars) (Unaudited)

		For the Three Months Ended		For the Nine Months Ended	
	Notes	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
REVENUES					
Management fees		$ 1,350,000	$ 1,200,000	$ 5,250,000	$ 2,900,000
Professional services		2,352,062	2,052,578	8,123,829	5,733,235
Product sales		3,244,440	3,408,245	10,140,377	8,448,515
Equipment leasing		2,223,548	1,350,696	4,038,880	1,572,309
Property leasing	17	229,650	(59,871)	382,679	130,410
		9,399,700	7,951,648	27,935,765	18,784,469
COST OF SALES					
Cost of goods sold		2,378,440	2,603,465	7,067,061	6,168,338
Salaries, wages, and contractors	17	2,229,736	1,856,835	6,742,347	4,739,483
Property and equipment leasing, utilities, & property taxes	15	50,762	21,778	85,627	76,496
Amortization	12	639,449	334,435	1,562,315	915,234
		(5,298,387)	(4,816,513)	(15,457,350)	(11,899,551)
Gross Profit		4,101,313	3,135,135	12,478,415	6,884,918
OPERATING EXPENSES					
Accretion	14	785,192	89,030	1,052,537	89,030
Advertising and promotion		110,095	62,910	382,349	333,038
Amortization	12, 15	247,472	467,673	786,999	581,996
Bank charges and interest	15, 16	243,994	111,776	574,111	471,328
Consulting fees	19	160,161	87,101	519,542	417,588
Insurance		89,833	37,097	188,669	53,871
Office and general		56,062	(35,334)	664,196	984,296
Professional fees		221,060	319,908	697,931	687,155
Rent, property taxes, and utilities	17	145,307	32,574	212,466	67,791
Repairs and maintenance		93,153	176,913	241,473	364,537
Research and development		39,387	26,471	119,306	95,297
Share-based compensation	19	171,479	86,790	816,842	636,122
Salaries, wages, and commissions	19	263,095	142,430	831,173	673,020
Travel, training, and meals and		29,913	30,598	128,613	190,374
		(2,656,203)	(1,635,937)	(7,216,206)	(5,645,443)
Share of profit (loss) of Joint Ventures	9	(2,602)	(76,747)	(408,697)	(393,175)
Gain / (loss) on asset disposal		75,000	(82,531)	75,000	(83,297)
Loss on Investment		(212,675)	—	(212,675)	—
Gain on derecognition of ROU asset		—	—	3,195	—
Foreign exchange (Gain) / Loss		29	(18,738)	(7,858)	(25,007)
Interest income		203,552	91,792	561,302	260,356
Net income (loss) before taxes		1,508,414	1,412,974	5,272,476	998,352
Income tax expense		(538,308)	—	(1,370,844)	—
Net income (loss) after taxes		$ 970,106	$ 1,412,974	$ 3,901,632	$ 998,352
Unrealized gain / (loss) on foreign exchange translation		(109,872)	21,292	238,348	2,707
Total comprehensive income (loss)		$ 860,234	$ 1,434,266	$ 4,139,980	$ 1,001,059
Basic earnings (loss) per common shares		0.01	0.02	0.04	0.01
Diluted earnings (loss) per common shares		0.01	0.02	0.03	0.01
Weighted average number of common share outstanding - basic		136,712,624	84,363,326	111,395,362	75,919,152
Weighted average number of common share outstanding - diluted		146,414,401	84,363,326	123,810,224	79,136,664

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

VEXT SCIENCE, INC

Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in U.S. Dollars) (Unaudited)

	Share Capital									
	Number of Subordinated Voting Shares	**Amount: Subordinated Voting Shares**	**Number of Multiple Voting Shares**	**Amount: Multiple Voting Shares**	**Reserves: Warrants**	**Reserves: Stock Options**	**Reserves: RSU**	**Accumulated other comprehensive income**	**Retained Earnings**	**Shareholder's Equity**
Balance - December 31, 2019	**21,834,626**	**9,597,446**	**625,287**	**19**	**$ 552,742**	**$ 181,039**	**$ —**	**$ 50,738**	**$ 15,291,214**	**$ 25,673,198**
Conversion of multiple voting shares to subordinated voting shares	781,600	—	(7,816)	—	—	—	—	—	—	**—**
Shares issued for acquisition of RDF and Firebrand	—	—	67,000	1,934,222	—	—	—	—	—	**1,934,222**
Shares based compensation	—	—	—	—	182,125	453,997	—	—	—	**636,122**
Shares issued from warrants exercised	—	—	—	—	—	—	—	—	—	**—**
Other comprehensive income for the period	—	—	—	—	—	—	—	2,706	—	**2,706**
Net Income/(Loss) for the period	—	—	—	—	—	—	—	—	998,352	**998,352**
Balance - September 30, 2020	**22,616,226**	**9,597,446**	**684,471**	**1,934,241**	**$ 734,867**	**$ 635,036**	**$ —**	**$ 53,444**	**$ 16,289,566**	**$ 29,244,600**
Balance at December 31, 2020	**46,706,391**	**15,247,883**	**684,471**	**1,934,241**	**$ 1,182,426**	**$ 815,847**	**$ —**	**$ (283,558)**	**$ 17,416,281**	**$ 36,313,120**
Conversion of multiple voting shares to subordinated voting shares	293,100	—	(2,931)	—	—	—	—	—	—	—
Shares issued upon Prospectus Offering	18,515,000	16,259,725	—	—	—	—	—	—	—	**16,259,725**
Shares issued from non-broker Private Placement	1,395,000	1,225,078	—	—	—	—	—	—	—	1,225,078
Share issuance - Non Cash Warrants	—	(957,786)	—	—	957,786	—	—	—	—	—
Share issuance costs - Cash	—	(1,586,726)	—	—	—	—	—	—	—	(1,586,726)
Shares based compensation	—	—	—	—	103,248	656,474	57,120	—	—	816,842
Shares issued from options exercised	250,000	237,524	—	—	—	(90,843)	—	—	—	146,681
Shares issued from warrants exercised	1,399,133	611,094	—	—	(183,424)	—	—	—	—	427,670
Other comprehensive income for the period	—	—	—	—	—	—	—	238,348	—	238,348
Net Income/(Loss) for the period	—	—	—	—	—	—	—	—	3,901,632	3,901,632
Balance at September 30, 2021	**68,558,624**	**31,036,792**	**681,540**	**1,934,241**	**$ 2,060,036**	**$ 1,381,478**	**$ 57,120**	**$ (45,210)**	**$ 21,317,913**	**$ 57,742,370**

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

VEXT SCIENCE, INC

Consolidated Interim Statements of Cash Flows

(Expressed in U.S. Dollars) (Unaudited)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$ 3,901,632	$ 998,352
Items not affecting cash:		
Amortization	2,349,313	1,519,376
Accretion and interest on leases and debt	1,052,537	181,642
Finance income on subleases	9,122	(64,452)
Share-based compensation	816,842	636,122
Foreign exchange	235,080	9,497
Gain on derecognition of ROU asset	(3,195)	
Loss on asset disposal	—	83,297
(Gain) / Loss on Investments	212,675	(145,521)
Income tax payable	1,370,844	—
Share of loss of Joint Ventures	408,697	393,175
Non-cash working capital item changes:		
Accounts receivable	(4,874,783)	(1,685,020)
Inventory	518,710	(519,558)
Prepaid expenses, deposits and other receivables	788,214	(1,173,428)
Payables and accrued liabilities	141,798	1,490,281
Net cash (used in) provided by operating activities	6,927,486	1,723,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from Acquisition	—	2,744
Cash paid on lawsuit settlement (RDF)	(1,219,618)	—
Notes Receivable	(4,288,371)	—
Cash paid for Acquisition	—	(1,173,962)
Investment in Legacy Hawaii	(97,829)	—
Investment in Joint Ventures	—	(1,710,314)
Advances in Joint Operation		270,992
Investment in Joint Operations	—	(178,013)
Acquisition of property, plant and equipment	(15,841,418)	(2,331,360)
Net cash used in investing activities	(21,447,236)	(5,119,913)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to joint operations	(261,370)	—
Advances to joint ventures	(374,546)	—
Prospectus Offerings	16,259,725	—
Private placement	1,225,078	—
Share issuance Costs Cash	(1,586,726)	—
(Repayment) / Issuance of notes payable	4,769,471	198,230
Interest Payment	—	(275,000)
Notes payable RDF	(370,000)	—
Reduction in Lease Liability	(89,875)	(189,540)
Notes Receivable	—	(1,093,330)
Reduction in Sublease Investment	71,676	—
Exercise of Options	146,681	—
Exercise of Warrants	427,670	—
Subscription received	—	153,540
Net cash provided by financing activities	20,217,784	(1,206,100)
Net change in cash during the period	5,698,034	(4,602,250)
Cash, beginning of the period	1,745,381	7,292,261
Cash, end of the period	$ 7,443,415	$ 2,690,011
Cash paid for		
Interest	$ 167,180	$ 361,292
Taxes	$ —	$ —

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

Non-cash investing and financing activities				
Warrants Issued - share issuance costs	$	957,786	$	—
Exercise of Options		90,843		—
Exercise of Warrants		183,424		—
Shares issued in acquisition of RDF Management, LLC & Firebrand, LLC	$	—	$	1,934,222

1. NATURE OF OPERATIONS AND GOING CONCERN

Vext Science, Inc. (the "Company") provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical and adult use cannabis fields. The head office and principal address of the Company is located at Suite 2250 – 1055 W. Hastings St., Vancouver, BC V6E 2E9 and the U.S. headquarters is at 4152 N. 39th Ave, Phoenix, Arizona 85019.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at September 30, 2021, the Company had working capital of $23,232,181 and retained earnings of $21,317,913. There is uncertainty as the likely effects of the novel coronavirus ("COVID-19") outbreak which may, among other things, impact the Company's operations and ability to raise further financing. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

These condensed interim consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These interim financial statements follow the same accounting policies and methods of applications as the Company's most recent audited annual consolidated financial statements. These interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2020 audited annual consolidated financial statements.

b) Basis of Preparation

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss and are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The financial statements, unless otherwise specified, are presented in United States ("U.S.") dollars.

(Expressed in U.S. Dollars) (Unaudited)

2. BASIS OF PRESENTATION (*CONTINUED…*)

c) Basis of Consolidation

The interim financial statements include consolidated accounts of the Company and its subsidiaries, including its economic interest in joint ventures. Subsidiaries are those entities that the Company controls. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Entities of the Company are listed below.

Name	Jurisdiction	Ownership
Vext Science, Inc.	**BC, Canada**	**100%**
Subsidiaries:		
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen Phoenix (PHX), LLC	Arizona, USA	100%
New Gen Eloy, LLC	Arizona, USA	100%
New Gen Prescott (PV), LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Joint Operations:		
Happy Travels, LLC	California, USA	0%

d) Approval of the Consolidated Financial Statements

These interim financial statements for the nine months ended September 30, 2021 were approved and authorized for issue by the Board of Directors on November 17, 2021.

e) Significant Accounting Judgements and Estimates

The preparation of the Company's condensed interim consolidated financial statements is in conformity with IFRS, which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported revenues and expenses during the reporting period.

2. BASIS OF PRESENTATION (*CONTINUED…*)

e) Significant Accounting Judgements and Estimates (*continued…)*

Critical Judgements

The preparation of these condensed interim financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency, and its classification of joint arrangements. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. Management has determined that the functional currency of the parent is the Canadian dollar, while the functional currency of the subsidiaries has been determined to be the U.S. dollar.

Joint Arrangements

As at September 30, 2021, the Company holds a 50% interest in a Kentucky joint arrangement (Vapen Kentucky) and a 25% interest in a Oklahoma joint arrangement (Vapen Oklahoma). The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangements are structured as limited liability corporations and provide the Company and its partners (parties to the agreements) with rights to the net assets of the limited liability corporations under the arrangements. Therefore, these arrangements are classified as joint ventures.

Furthermore, the Company holds nil interest in a California joint arrangement (Happy Travels), but has equal joint control in a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Neither of the parties involved have unilateral control of a joint operation. The Company accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. This assessment is to be performed on a continuous basis.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of these condensed interim consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting these condensed interim consolidated financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

2. BASIS OF PRESENTATION (*CONTINUED…*)

e) Significant Accounting Judgements and Estimates (*continued…)*

Deferred Tax Assets & 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 the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of cannabis operations. 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.

Useful Life of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Share-Based Payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

COVID-19

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the business of the Company or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge about COVID-19 and additional actions which may be taken to contain it. Such developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, and exposure to credit risk. The Company is evaluating the situation and monitoring any impacts or potential impacts to its business.

(Expressed in U.S. Dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods of application as as the most recent audited annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2020 annual consolidated financial statements.

Standards newly adopted or issued but not effective

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

	September 30, 2021	December 31, 2020
Accounts receivable (Notes 22, 23)	**$ 22,056,764**	$ 17,193,313
GST input tax credits	**42,416**	31,084
	$ 22,099,180	$ 17,224,397

5. INVENTORY

Inventory consists of consumable products utilized in the manufacture of consumer products primarily consisting of vaping cartridges, batteries & accessories, and packaging materials.

The Company's inventory consists of the following:

	September 30, 2021	December 31, 2020
Batteries and accessories	**$ 29,000**	$ 102,580
Cartridges	**3,000**	309,866
Packaging and labels	**20,873**	47,438
Company's portion of Joint Operation Inventory	**285,733**	397,433
	$ 338,606	$ 857,317

(Expressed in U.S. Dollars)

6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

The Company's prepaid deposits and other receivables consist of the following:

		September 30, 2021		December 31, 2020
Vendor deposits	**$**	**378,036**	$	1,288,782
Prepaid expense		**205,011**		196,478
Interest receivable		**20,173**		79,364
Company's portion of Joint Operation other receivable		**170,616**	$	—
Employee advances		**4,095**	$	1,521
	$	**777,931**	$	1,566,145

(Expressed in U.S. Dollars)

7. NOTE RECEIVABLE

As at September 30, 2021, the Company's notes receivables consist of the following:

	Current	Non-current	Total
Due from Herbal Wellness Center Inc. ("HWC"), incurring interest at 10% per annum, due on December 31, 2022 (1)	**$ —**	**$ 1,082,874**	**$ 1,082,874**
Due from Herbal Wellness Center Inc. ("HWC"), incurring interest at 10% per annum, due on December 31, 2022 (2)	**—**	**4,439,835**	**4,439,835**
Due from Organica Patient Group, Inc. ("Organica"), incurring interest as 10% per annum, due on March 20, 2023 (3)	**321,319**	**1,543,416**	**1,864,735**
Due from an arm's length party, accruing interest at 10% per annum	**130,000**	**—**	**130,000**
Due from APP 1803 (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum (4)	**—**	**4,225,463**	**4,225,463**
Due from APP 1803 (new dispensary working capital), an arm's length party, accruing interest at 0% per annum (5)	—	**555,000**	**555,000**
Due from APP 1804 (new dispensary lease commitments), an arm's length party, accruing interest at 0% per annum (6)	—	**15,000**	**15,000**
Due from Appalachian Pharm Processing, LLC, (working capital) an arm's length party, accruing interest at 0% per annum (7)	—	**353,147**	**353,147**
Due from Appalachian Pharm Processing, LLC, (startup loan) an arm's length party, accruing interest at 0% per annum (8)	—	**500,000**	**500,000**
	$ 451,319	**$ 12,714,735**	**$ 13,166,054**

As at December 31, 2020, the Company's notes receivables consist of the following:

	Current	Non-current	Total
Due from Herbal Wellness Center Inc. ("HWC"), incurring interest at 10% per annum, due on December 31, 2022 (1) (2)	$ 1,000,779	$ 2,625,374	$ 3,626,153
Due from Organica Patient Group, Inc. ("Organica"), incurring interest as 10% per annum, due on March 20, 2023 (3)	722,794	1,445,589	2,168,383
Due from an arm's length party, accruing interest at 10% per annum,	130,000	—	130,000
Due from APP 1803, an arm's length party, accruing interest at 10% per annum (4)	—	2,453,147	2,453,147
Due from Appalachian Pharm Processing, LLC, an arm's length party, accruing interest at 10% per annum (4)	—	500,000	500,000
	$ 1,853,573	$ 7,024,110	$ 8,877,683

(1) On December 31, 2019, the Company and HWC entered into a promissory note, whereby $2,933,957 was re-classified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020. As at September 30, 2021, the remaining outstanding balance is $1,082,874 plus accrued interest

(2) As at December 31, 2020, $1,605,970 was drawn by HWC from a line of credit secured promissory note (Note 11). As at September 30, 2021, $4,439,835 was drawn by HWC from a line of credit secured promissory note.

(3) During the year ended December 31, 2020, $2,168,383 was included as part of the Organica line of credit (Note 11). As at September 30, 2021 $1,864,735 was drawn by Organica from a line of credit secured promissory note.

(4) On March 15, 2021, the Company entered into a Letter of Intent (the "LOI") with Appalachian Pharms Processing 1803 LLC (APP1803) to acquire an option for dispensary license in Ohio. Through a Vext subsidiary, the Company will have a 50% economic interest and a 48% ownership for the license. Vext's total contribution for the option would be $4 million plus accrued interest. On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent (the "LOI") with Appalachian Pharms Processing, LLC ("App Pharms") to form a joint venture in Ohio related to the manufacturing, production and sale of medical cannabis (marijuana) products in Ohio, pursuant, and subject to, applicable Ohio state law.

(Expressed in U.S. Dollars)

7. NOTE RECEIVABLE (*CONTINUED...*)

Per the LOI, Vext and APP1803, has executed a convertible loan agreement. The convertible loan agreement will transfer the ownership of the license, per Ohio State regulations in 2022. Through September 30, 2021 Vext has made payments of $4 million with accrued interest of $155,463 plus an additional payment of $70,000 for the license fee for a total of $225,463. Vext has fully funded its obligation per the LOI to acquire 50% economic interest and a 48% ownership in the license.

(5) In addition to the Loan Agreements, the Company loaned a further $555,000 in working capital to APP 1803, LLC pursuant to the LOI.

(6) An additional $15,000 was loaned to APP1804 a second new dispensary in Ohio under the original LOI with APP1803.

(7) Appalachian Pharms Processing was loaned $353,147 as of September 30, 2021 as additional working capital per the LOI.

(8) March 30, 2020, Vapen agreed, and subsequently advanced to Appalachian Pharms Processing, $500,000 in two equal installments of $250,000 on April 1, 2021 and April 6, 2021, for the exclusive purpose for the manufacturing and production of cannabis products as well as associated expenses.

As of the date hereof, the Company has loaned to Appalachian Pharms Processing and APP 1803 an aggregate of $5,648,610.

	September 30, 2021	December 31, 2020	**Total**
APP 1803, LLC			
Contributions	**$ 1,200,000**	$ 2,800,000	**$ 4,000,000**
Working capital	**570,000**	—	**570,000**
Deposit for license	**70,000**	—	**70,000**
Interest	**155,463**	—	**155,463**
	1,995,463	2,800,000	**4,795,463**
APP Pharms, LLC			
Startup loan	—	500,000	**500,000**
Working capital	**353,147**	—	**353,147**
	353,147	500,000	**853,147**
Total	**$ 2,348,610**	$ 3,300,000	**$ 5,648,610**

The members of App Pharms and APP1803 are essentially the same. They are two separate LLCs within the State of Ohio for the purpose of ownership of the separate cannabis licenses.

The Company, through Vapen, funded the Loan Agreements from the Company's internally generated working capital. The Loan Agreements are secured against the processing license held by App Pharms and the assets of APP1803.

On October 18, 2021, the Company announced that has received approval from the State of Ohio and been granted ownership of an operating manufacturing facility in Jackson, Ohio, through its joint venture partner Appalachian Pharm Processing, LLC, an Ohio limited liability company ("APP"). The Company has a 37.5% ownership in APP.

8. INVESTMENT

On August 2, 2019, the Company entered into Restricted Unit Grant Agreement with Legacy Ventures Hawaii LLC ("Legacy"), whereby the Company subscribed for 350,000 Class B units of Legacy for $350,000. As at June 30, 2021, the Company had paid an additional $75,350 (additional working capital) for a total of $425,350. In addition to the 350,000 units subscribed, the Company will be granted an additional 350,000 Class A units for services to be provided by the Company to Legacy. 175,000 of these Class A units were issued on August 2, 2020, with the remaining 175,000 to be issued during the year ending December 31, 2021. As a result of the subscription and the units received for services, as at June 30, 2021, the Company had a 19.62% interest in Legacy.

At September 30, 2021 the Company determined that its investment in Legacy Ventures Hawaii was impaired due to delays created from COVID restrictions on Molokai (Hawaiian Islands) and changes within the regulatory positions of Hawaii in regards to CBD cultivation and processing . As a result, the Company chose to write down 50%, $212,675, of its investment in Legacy Ventures Hawaii while it continues to retain its 19.62% ownership interest. The Company will reevaluate this investment at year end.

(Expressed in U.S. Dollars)

9. JOINT ARRANGEMENTS

a) Joint Ventures

Vapen Kentucky, LLC

On February 1, 2020, an operating agreement of Vapen Kentucky, LLC ("Vapen KY") was signed for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution activities. The Company holds 50% membership ownership of Vapen KY with Emerald Pointe Hemp, LLC ("EPH") owning the other 50%. As at September 30, 2021, the Company loaned Vapen KY $1,300,520 for working capital. The working capital loan is interest free.

Vapen-Oklahoma, LLC

On February 12, 2020, the Company entered into a joint venture term sheet with Texoma Processing and Extraction, LLC ("TPE") regarding Vapen-Oklahoma, LLC ("Vapen OK"). The Company is a minority member of Vapen OK holding 25% membership ownership, whereas TPE is a majority member owning 75% membership ownership of Vapen-OK and both parties have equal voting rights. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. As at September 30, 2021, the Company loaned Vapen OK $877,426 for working capital. The working capital loan is interest free.

As at September 30, 2021 and December 31, 2020 the balance of investments in joint ventures comprised of the following:

	Vapen KY	Vapen OK	Total
Balance as at December 31, 2019	$ —	$ —	$ —
Contributions	925,974	877,426	1,803,400
Share of loss of the joint ventures during the year	(286,719)	(234,083)	(520,802)
Balance as at December 31, 2020	639,255	643,343	1,282,598
Contributions	374,546	—	**374,546**
Share of loss of the joint ventures during the period	(271,842)	(136,855)	**(408,697)**
Balance as at September 30, 2021	**741,959**	**506,488**	**1,248,447**

(Expressed in U.S. Dollars)

9. JOINT ARRANGEMENTS *(CONTINUED…)*

Summarized financial information for equity accounted investees for the nine months ended September 30, 2021, is as follows:

	Vapen KY	Vapen OK
Ownership %	**50%**	**25%**
Current assets	$ 1,528,481	$ 857,232
Non-current assets	11,208	135,851
Total assets	1,539,689	993,083
Total liabilities	(2,659,397)	(2,476,833)
Net assets	(1,119,708)	(1,483,750)
Revenue	310,772	1,022,219
Cost of goods sold	(314,807)	(575,344)
Expenses	(539,649)	(994,294)
Net loss	$ (543,684)	$ (547,419)
Ownership % Loss	**$ (271,842)**	**$ (136,855)**

Summarized financial information for equity accounted investees for the nine months ended September 30, 2020, is as follows:

	Vapen KY	Vapen OK
Ownership %	**50%**	**25%**
Current assets	$ 1,439,685	$ 1,205,545
Non-current assets	14,542	148,833
Total assets	1,454,227	1,354,378
Total liabilities	(1,941,419)	(1,957,864)
Net assets	(487,192)	(603,486)
Revenue	103,872	248,986
Cost of goods sold	(86,299)	(366,652)
Expenses	(502,179)	(485,821)
Net loss	$ (484,606)	$ (603,487)
Ownership % Loss	**$ (242,303)**	**$ (150,872)**

(Expressed in U.S. Dollars)

10. ADVANCES TO JOINT OPERATIONS

Happy Travels, LLC

On June 10, 2020, the Company entered into a joint operation agreement with Green Goblin, Inc. ("GG") to operate Happy Travels, LLC ("Happy Travels"), which GG holds 100% membership interest. The Company and GG have equal voting rights. The terms of the initial joint arrangement will be three years, with automatic successive renewal terms of additional two-year period. As at December 31, 2020, the Company advanced $69,013 in the joint operation. During the year ended December 31, 2020, the Company acquired 50% voting rights to Happy Travels, LLC ("Happy Travels"). As at September 30, 2021 $306,383 was advanced to Happy Travels, and $24,000 is the Company's portion of funds Happy Travels advanced Green Goblin.

The Company advanced the following amounts to the above joint operation:

	September 30, 2021	December 31, 2020
Happy Travels	$ 306,383	$ 69,013
Happy Travels: Green Goblin	24,000	—
	$ 330,383	$ 69,013

11. LINE OF CREDIT

On January 1, 2020, the Company entered into a $5,000,000 line of credit secured promissory note ("Promissory Note") with Herbal Wellness Center, Inc. ("HWC"). Any amounts advanced by the Company to HWC, including all interest accrued, will become due and payable 36 months from the effective date of the Promissory Note with an annual interest rate of 10%. As at September 30, 2021, $4,439,835 (December 31, 2020 - $1,605,970) has been drawn from this line of credit by HWC (Note 7).

Upon closing of the Acquisition (Note 14), the Company entered into a $3,000,000 line of credit secured promissory note ("Promissory Note") with Organica Patient Group, Inc. ("Organica"). Any amounts advanced by the Company to Organica pursuant to the line of credit contains a 36-month term with one-third (1/3) of such advance to be paid each year of the balance at a 10% interest rate. As at September 30, 2021, Organica has drawn down a total of $1,864,735 (December 31, 2020 - $2,168,383) pursuant to the line of credit (Note 7).

(Expressed in U.S. Dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Leasehold improvements	Construction in progress	Automobile	Total
Cost							
Balance at December 31, 2019	$ 340,779	$ 1,323,369	$ 5,836,775	$ 2,746,003	$ 294,446	$ 98,746	$ 10,640,118
Disposals	—	—	(484,513)	—	—	(19,750)	(504,263)
Additions	—	112,700	4,168,725	165,201	1,138,720	11,800	5,597,146
Balance at December 31, 2020	$ 340,779	$ 1,436,069	$ 9,520,987	$ 2,911,204	$ 1,433,166	$ 90,796	$ 15,733,001
Disposals	—	—	—	—	—	—	—
Additions	2,270,000	9,080,000	1,136,899	2,685,190	584,076	85,254	15,841,419
Balance at September 30, 2021	$ 2,610,779	$ 10,516,069	$ 10,657,886	$ 5,596,394	$ 2,017,242	$ 176,050	$ 31,574,420
Accumulated Amortization							
Balance at December 31, 2019	$ —	$ 207,454	$ 770,222	$ 1,103,277	$ —	$ 32,537	$ 2,113,490
Disposals	—	—	(323,994)	—	—	(6,304)	(330,298)
Amortization	—	87,196	967,589	418,946	—	18,513	1,492,244
Balance at December 31, 2020	$ —	$ 294,650	$ 1,413,817	$ 1,522,223	$ —	$ 44,746	$ 3,275,436
Disposals	—	—	—	—	—	—	—
Amortization	—	143,164	1,069,129	467,492	—	20,908	1,700,693
Balance at September 30, 2021	$ —	$ 437,814	$ 2,482,946	$ 1,989,715	$ —	$ 65,654	$ 4,976,129
Net Book Value							
December 31, 2020	$ 340,779	$ 1,141,419	$ 8,107,170	$ 1,388,981	$ 1,433,166	$ 46,050	$ 12,457,565
September 30, 2021	**$ 2,610,779**	**$ 10,078,255**	**$ 8,174,940**	**$ 3,606,679**	**$ 2,017,242**	**$ 110,396**	**$ 26,598,291**

Of the total amortization expense during the nine months ended September 30, 2021 - $1,562,315 (September 30, 2020 - $915,234) was included in the cost of sales and $138,378 (September 30, 2020 - $149,701) was included in operating expense.

Notable additions and the companies formed to hold these new assets are New Gen Phx, closed May 20, 2021 for $3,100,000 allocated to land at $620,000 and building $2,480,000, New Gen PV closed June 2, 2021 for $3,950,000 allocated to land at $790,000 and building $3,160,000, and New Gen Eloy, closed June 22, 2021 for $4,300,000 allocated to land at $860,000 and building $3,440,000 for a total of $11,350,000 allocated to land at $2,270,000 and building of $9,080,000.

(Expressed in U.S. Dollars)

13. INTANGIBLE ASSETS AND GOODWILL

Identifiable intangible assets including Goodwill consist of the following:

	Management Service Agreement	Brand Name	Patent	Goodwill	Total
At December 31, 2019	$ —	$ —	$ —	$ —	$ —
Additions	7,669,000	267,000	225,000	461,752	8,622,752
Amortization	(575,175)	(40,050)	—	—	(615,225)
At December 31, 2020	$ 7,093,825	$ 226,950	$ 225,000	$ 461,752	$ 8,007,527

	Management Service Agreement	Brand Name	Patent	Goodwill	Total
At December 31, 2020	$ 7,093,825	$ 226,950	$ 225,000	$ 461,752	$ 8,007,527
Additions	—	—	—	—	—
Amortization	(575,175)	(40,050)	(11,250)	—	(626,475)
At September 30, 2021	**$ 6,518,650**	**$ 186,900**	**$ 213,750**	**$ 461,752**	**$ 7,381,052**

There was no goodwill impairment as at September 30, 2021.

(Expressed in U.S. Dollars)

14. ACQUISITION

On April 6, 2020, the Company acquired 100% membership interest of RDF Management, LLC ("RDF") and Firebrand, LLC ("Firebrand"). RDF provides management services related to the administration, management and operation of the dispensary, cultivation facility, and kitchen facility on behalf of Organica Patient Group, Inc., an Arizona non-profit corporation ("Organica") pursuant to a management services agreement ("MSA"). Firebrand owns, holds and controls certain intellectual property in relation to Organica's operations.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and the liabilities assumed were recorded at their estimated fair value at the acquisition date.

The closing date for the acquisition was April 6, 2020. Consideration of this acquisition is $9,183,508 in common shares of the Company and cash, payable as follows:

	Face value	Present Value	
Multiple voting shares	$ 1,934,222	$ 1,934,222	(a)
Promissory note	5,154,512	4,473,741	(b)
Cash allocated to legal settlements	3,105,000	2,775,545	(c)
	$ 10,193,734	$ 9,183,508	

(a) Share Consideration: The Company issued 67,000 multiple voting shares.

(b) Promissory note: The Company issued a promissory note of $5,154,512 (the "Promissory Note"). The Promissory note shall bear no interest for the first 18 months following the closing date. Commencing 30 days following the effective date of the Promissory Note, the Company shall pay monthly payments of at least $30,000 towards the principal balance until the expiration of the interest free period. In the event there is any remaining balance on the note after the expiration of the interest free period, such balance will begin accruing interest at a rate of 10% per annum. The present value of the Promissory Note on April 6, 2020 was $4,473,741. The current value of the Promissory Note on September 30, 2021 is $4,458,525.

(c) Cash consideration: An undertaking to assist RDF in settling and resolving certain existing liabilities, allocating a total maximum of $3,105,000 in funds to settle such liabilities. A total of $2,415,545 present value was allocated for these liabilities. The current value of the allocation of funds for resolving legal liabilities as of September 30, 2021 is $141,665.

(d) The Company has incurred $875,233 in accretion expense as of September 30, 2021 updating the present value of the Promissory Note and the legal settlement note for RDF's existing liabilities upon acquisition. Additional accretion expense for the year related to other long term debt was $177,304 for a total of $1,052,537.

(Expressed in U.S. Dollars)

14. ACQUISITION *(CONTINUED…)*

The allocation of the purchase price to the total fair value of net assets acquired is as follows:

Fair value of net assets acquired		
Cash	$	2,744
Accounts receivable		2,500
Property, plant and equipment		1,521,000
	$	1,526,244
Fair value of net liabilities acquired		
Current liabilities		(555,488)
Long-term liabilities		(185,000)
Identifiable net assets acquired		785,756
Management service agreement (Note 13)		7,669,000
Brand name (Note 13)		267,000
Goodwill		461,752
	$	9,183,508

The resulting goodwill represents the sales and growth potential of RDF and Firebrand in the cannabis industry and is not deductible for tax purposes.

Since the acquisition date and up to September 30, 2021, the Company has received gross revenue of $nil from RDF and Firebrand respectively due to the fact the MSA with Organica was transferred to New Gen Holdings, Inc., a wholly owned subsidiary of the Company.

As part of the business combination described above the Company acquired an intangible asset in the form of the MSA, the “Firebrand” brand name, and goodwill. The Company will amortize the MSA on a straight-line basis over the next ten years and amortize the “Firebrand” brand name on a straight-line basis over the next five years. Goodwill will be tested for impairment on an annual basis.

Preliminary Fair Value Estimates

The purchase price allocations for the acquisition, as set forth in the tables above, reflect various preliminary fair value estimates and analyses that are subject to change within the measurement period. The primary areas of the preliminary purchase price allocations relate to the valuation of deferred tax liabilities, intangible assets acquired and residual goodwill.

The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company’s consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

The current value of the promissory note for acquisition and the balance of cash / note payable for legal fees inherited with the acquisition is outlined in Note 16 and is valued at present value less disbursements.

(Expressed in U.S. Dollars)

15. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

		September 30, 2021		December 31, 2020
Trade payables	**$**	**932,797**	$	495,272
Credit card payable		**128,709**		94,461
Interest payable		**23,948**		19,269
Sales tax payable		**14,885**		32,961
Payroll liabilities		**271,582**		738,626
Accrued liabilities		**1,342,852**		1,192,386
	$	**2,714,773**	$	2,572,975

16. NOTES PAYABLE

Current notes payable are made up of the following:

		September 30, 2021		December 31, 2020
Maturing on January 5, 2022 with an interest rate of 15% per annum	**$**	**175,000**	$	175,000
Maturing on February 1, 2022 with an interest rate of 12% per annum		**272,000**		272,000
Maturing on Maturing on March 1, 2022 with an interest rate of 12% per annum		**280,000**		280,000
Maturing on Maturing on October 1, 2021 with an interest rate of 12% per annum		**182,250**		182,250
Maturing on Maturing on June 1, 2026 with an interest rate of 8.5% per annum		**218,691**		—
Current portion of a loan, of which the total amount matures in December 2021 with an interest rate of 3.65% per annum		**2,935**		11,578
	$	**1,130,876**	$	920,828

Current notes payable from the acquisition of RDF are made up of the following:

		September 30, 2021		December 31, 2020
Current portion of promissory note from acquisition (1)	**$**	**360,000**	$	360,000
Current portion of liabilities settlement from acquisition (2)		**141,665**		588,750
	$	**501,665**	$	948,750

Non-current notes payable are made up of the following:

		September 30, 2021		December 31, 2020
Maturing on December 31, 2026, with an interest rate of 13% per annum, from related parties (Note 19)	**$**	**64,763**	$	64,763
Maturing on June 1, 2026 with an interest rate of 12.0% per annum (Interest Only)		**2,700,000**		—
Maturing on June 1, 2026 with an interest rate of 8.5% per annum		**1,859,423**		—
	$	**4,624,186**	$	64,763

(Expressed in U.S. Dollars)

16. NOTES PAYABLE (*CONTINUED…*)

Non-current notes payable from the acquisition of RDF are made up of the following:

		September 30, 2021		December 31, 2020
Promissory note from acquisition [(1)]	$	**4,098,525**	$	3,727,060
Liabilities settlement from acquisition [(2)]		—		627,515
Other notes payable with no maturing date and nil interest		**163,750**		175,000
	$	**4,262,275**	$	4,529,575

[(1)] On April 6, 2020, the Company acquired 100% of membership interest and assets in RDF Management, LLC and Firebrand, LLC from HSD Holdings, LLC ("HSD") (Note 14). In consideration for the acquisition, the Company issued a promissory note of $4,473,741 present value. The promissory note bears no interest for the first 18 months following the closing date (the "Interest Free Period"). The Company shall pay monthly payments of at least $30,000 to HSD, which will be accredited towards the principal balance until the expiration of the Interest Free Period. In the event there is any remaining balance on the promissory note after the expiration of the Interest Free Period, such balance will begin accruing interest at a rate of ten percent (10%) per annum. The value of the note has increased as of September 30, 2021. The note has matured and the note will start accruing interest effective October 1, 2021.

[(2)] Furthermore, as part of the consideration, the Company will be settling and resolving certain existing liabilities of RDF Management, LLC. A total of $2,775,545 present value was allocated to settle such liabilities (Note 14). All liability settlements from acquisition are now classified as current.

17. LEASES

Leases on transition:

On January 1, 2019, the Company adopted IFRS 16, Leases. At this date, the Company had two building leases affected by the transition to IFRS 16, Leases. Of the two building leases held at January 1, 2019, one was being subleased by the Company. The second lease was subsequently subleased after transition, during the year ended December 31, 2019, and derecognized from the ROU assets.

The adjustments to record the cumulative effect of the initial application of the new accounting policy on January 1, 2019 are as follows:

a) Set up of Right of use asset ("ROU") and lease liability:

		December 31, 2020
Right-of-use assets	$	970,458
Accumulated depreciation		(272,145)
Lease liability		(800,031)
Adjustment to retained earnings	$	(101,718)

(Expressed in U.S. Dollars)

17. LEASES (*CONTINUED…*)

b) Adjustment to recognize the cumulative effect of the derecognition of the ROU for the property that was being subleased as of January 1, 2019:

Net Investment in sub-lease	$	619,561
Right-of use asset derecognized		(766,881)
Accumulated depreciation derecognized		223,673
Adjustment to retained earnings	$	76,353

The fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the Company's incremental borrowing rate of 13% and a weighted average lease term of 8.31 years.

The two leases that were recognized as ROU assets on January 1, 2019 were subsequently subleased during the year and derecognized from the ROU assets.

During the year ended December 31, 2020, income of $39,440 from subleasing was included in property leasing.

Right-of-use assets as at September 30, 2021:

As at December 31, 2020, the Company has three lease agreements for its leased premises, consisting of office and warehouse space. Of these three leases, two have terms expiring April 30, 2024, while the third expires September 30, 2029. The two leases ending April 30, 2024 are being subleased by the Company as at December 31, 2020. On May 20, 2021 the Company acquired these two sublease properties which resulted in a derecognition (termination) of a lease liability and net investment in subleases during the period ended September 30, 2021.

		Total ROU
Total ROU for three leases at at January 1, 2019	$	970,458
Less accumulated amortization at January 1, 2019		(272,145)
Derecognition of subleased ROU at January 1, 2019		(766,881)
Derecognition of amortization of subleased ROU at January 1, 2019		223,673
Opening book value of ROU upon adoption of IFRS 16 on January 1, 2019	$	155,105
Additions		295,272
Amortization		(21,922)
Derecognition of ROU for the recognition of net investment in sublease		(140,565)
At December 31, 2019	$	287,890
Amortization		(29,528)
At December 31, 2020	$	258,362
Amortization		(22,144)
Balance at At September 30, 2021	$	236,218

The total amortization expense during the nine months ended September 30, 2021 was included in operating expense.

(Expressed in U.S. Dollars)

17. LEASES (*CONTINUED…*)

Lease liability as at September 30, 2021:

The following table presents the three lease obligations for the Company as at September 30, 2021:

		Total lease liability
Opening balance as at January 1, 2020	$	991,158
Lease payments		(253,944)
Interest expense (included in cost of sales – property and equipment leasing)		93,669
Interest expense (included in bank charges and interest in operating expenses)		27,621
At December 31, 2020		858,504
Lease payments		(117,271)
Interest expense (included in cost of sales – property and equipment leasing)		28,133
Interest expense (included in bank charges and interest in operating expenses)		26,769
Termination of Leases at 4210 N 39th and 4215 N 40th		(526,789)
At September 30, 2021		**269,346**
Less: current portion	**$**	**(13,787)**
Long-term lease liability	**$**	**255,559**

The following table discloses the undiscounted cash flow for the one lease obligation remaining at September 30, 2021:

Less than one year	$	48,000
One to five years		215,743
More than five years		180,758
Total undiscounted lease obligations	**$**	**444,501**

The following table provides a summary of the lease expenses recognized in the statement of operations for the nine months ended September 30, 2021.

Interest expense (included in cost of sales – property and equipment leasing)	$	121,802
Interest expense (included in bank charges and interest in operating expenses)	$	45,207
Amortization (included in operating expenses)	$	51,673

Net investment in subleases as at September 30, 2021:

The Company had two sublease arrangements with its main customer for office and warehouse space. Both subleases expire on the same day the head lease expires, which is on April 30, 2024. The following table presents sublease payments receivable for the Company for the nine months ending September 30, 2021 concluding in their termination due to acquisition of the two subleased properties.

On May 20, 2021 the Company acquired these two sublease properties which resulted in a derecognition (termination) of a lease liability and net investment in subleases during the period ended June 30, 2021.

(Expressed in U.S. Dollars)

17. LEASES (*CONTINUED…*)

Opening balance as at December 31, 2019	$	698,914
Lease payments received		(205,944)
Finance income (included in revenue from property leasing)		83,918
At December 31, 2020	$	576,888
Lease payments received		(81,271)
Finance income (included in revenue from property leasing)		27,977
Lease Termination		(523,594)
September 30, 2021	**$**	**—**
Short-term net investment in sub-lease	**$**	**—**
Long-term term net investment in sub-lease	**$**	**—**

(Expressed in U.S. Dollars)

18. CURRENT LOAN PAYABLE

On December 31, 2019, the Company completed a financing comprising of secured non-convertible debentures (the "Loan") of $5,500,000. The Loan is secured by a security interest in all of the Company's assets. The Loan accrues interest at an annual rate of 10%, payable quarterly beginning July 1, 2020 and matures on December 31, 2021. The lenders also received warrants to purchase 980,210 subordinated voting shares of the Company at an exercise price of CAD$1.00 (the "Loan Warrants") as an incentive. The Loan Warrants can be exercised for two years after closing, subject to the Company's right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than CAD$3.35 for the any five 5 consecutive trading days.

The fair value of the Loan was determined to be $5,496,728 using an annual effective interest rate of 10%. The fair value of the Loan Warrants was determined to be $216,261 using the Black Scholes option pricing model and the following assumptions: Share Price: CAD$0.70; Exercise Price: CAD$1.00; Expected Life: 2 years; Annualized Volatility: 93.50%; Dividend yield: 0%; Discount Rate: 1.69%.

On December 16, 2020, the Loan Warrants' exercise price of CAD$1.00 were amended to CAD$0.64. The fair value of the Loan Warrants increased by $131,902 and was determined by using the Black Scholes option pricing model and the following assumptions: Share Price: CAD$0.95; Exercise Price: CAD$0.64; Expected Life: 1.04 years; Annualized Volatility: 89.07%; Dividend yield: 0%; Discount Rate: 0.24%.

As of September 30, 2021, the loan balance was $4,339,070, an increase of $61,068 from June 30th, 2021 due to IFRS related transaction and a decline in the exchange rate.

Gross proceeds received	$	5,500,000
Less: Transaction costs		(216,261)
Less: Loan discount		(3,272)
December 31, 2019	**$**	**5,280,467**
Less: Transaction costs		(232,265)
Less Loan Discount		(2,971)
Less Partial Conversion to shares		(1,100,000)
Effect of change in exchange rate		219,803
December 31, 2020	**$**	**4,165,034**
Less: Transaction costs		(58,829)
Less Loan Discount		(2,971)
Effect of change in exchange rate		235,836
September 30, 2021	**$**	**4,339,070**

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the three months ended September 30, 2021 and 2020 is summarized as follows:

	Three months ended September 30, 2021	**Three months ended September 30, 2020**
Share-based compensation	**$ 40,984**	$ 16,462
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman	**106,173**	97,404
Eric Offenberger, CEO, COO, and Director	**65,769**	49,327
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman	**5,588**	5,127
Eric Offenberger, CEO, COO, and Director	**3,462**	2,596
Consulting fees included in operating expenses:		
Denise Lok, Former CFO	—	5,637
Brian Cameron, Former Corporate Secretary	—	30,000
Vahan Ajamian, CFO	**21,588**	—
	$ 243,564	$ 206,553

Other related parties

Other related parties include close family members of the Company's Executive Chairman, former CFO, President, Corporate Secretary and Director and a company that is controlled by a Director. Remuneration attributed to other related parties for the three months ended September 30, 2021 and 2020 is summarized as follows:

	September 30, 2021	September 30, 2020
Salaries and wages included cost of sales	**$ —**	$ —
Salaries, wages and commissions included in operating expenses	—	60,000
Consulting fees included in operating expenses	**36,000**	73,523
	$ 36,000	$ 133,523

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Remuneration attributed to key management personnel for the nine months ended September 30, 2021 and 2020 is summarized as follows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Share-based compensation (Note 20)	**$ 112,596**	$ 274,337
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman	**336,216**	306,357
Robert Brilon, Former CFO, Corporate Secretary, President, & Dir.	—	80,595
Eric Offenberger, CEO, COO, and Director	**231,069**	146,611
Jonathan Shelton, Director	—	3,800
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman	**17,696**	16,124
Robert Brilon, Former CFO, Corporate Secretary, President, & Dir.	—	4,242
Eric Offenberger, CEO, COO, and Director	**12,162**	7,716
Jonathan Shelton, Director	—	200
Consulting fees included in operating expenses:		
Vahan Ajamian, CFO	**62,467**	—
Denise Lok, Former CFO	**5,931**	5,637
Brian Cameron, Former Corporate Secretary	**10,000**	70,000
Caroline Williams, Former Director	—	2,000
Former officer and director settlement included in operating	—	500,000
	$ 788,137	$ 1,417,619

Other related parties

Other related parties include close family members of the Company's Executive Chairman, former CFO, President, Corporate Secretary and Director and a company that is controlled by a Director.

Remuneration attributed to other related parties for the nine months ended September 30, 2021 and 2020 is summarized as follows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Salaries and wages included cost of sales	**$ —**	$ 47,299
Salaries, wages and commissions included in operating expenses	—	142,489
Consulting fees included in operating expenses	**118,936**	182,414
	$ 118,936	$ 372,202

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Balances with related parties:

Due from related parties:

The current portion of balances due from related parties is as follows:

	September 30, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2021 from Jason Nguyen, Executive Chairman	**$ 537,151**	$ 537,151
	$ 537,151	$ 537,151

The non-current portion of balances due from related parties is as follows:

	September 30, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2022 from Jason Nguyen, Executive Chairman	**$ 316,251**	$ 316,251
Non-interest bearing, due on December 31, 2023 from Jason Nguyen, Executive Chairman	**1,328,383**	1,328,383
	$ 1,644,634	$ 1,644,634

Due to related parties:

Amounts due to related parties as at September 30, 2021 and December 31, 2020 included the following:

	September 30, 2021	December 31, 2020
Payables and Accrued Liabilities		
Jason Nguyen, Executive Chairman	**$ 562,884**	$ 562,884
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	-	20,833
Vahan Ajamian, CFO	**10,954**	-
Eric Offenberger, CEO, COO, and Director	-	24,000
Long Term Loan Payable		
Jason Nguyen, Executive Chairman	**64,763**	64,763
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	-	250,000
	$ 638,601	$ 922,480

20. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue the following shares:

- Unlimited subordinated voting common shares ("Subordinated Voting Shares" or "Common Shares") without par value; and
- Unlimited super voting shares with multiple voting rights ("Multiple Voting Shares"), each convertible into 100 Subordinated Voting Shares.

Period ended September 30, 2021:

- On February 8, 2021, the Company closed a public offering of 18,515,000 units of the Company (the "Units") at a price of $0.89 (CAD$1.12) per Unit for aggregate gross proceeds of $16,259,725 (CAD$20,736,800) (the "Offering"). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of $1.11(CAD$1.40) until February 8, 2024. As compensation, the Company paid to the Agents a cash fee of $1,121,767 (CAD$1,420,138) and issued to the Agents an aggregate of 1,357,980 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of $0.89 (CAD$1.12) per Subordinated Voting Share until February 8, 2024. The Agents' warrants were valued at $957,786 (CAD$1,212,540) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.24%; dividend yield of 0%; expected volatility of 94.12% and expected life of three years.

  In addition, the Company closed a concurrent non-brokered private placement of 1,395,000 units (the "Units") at a price of $0.89 (CAD$1.12) per Unit for a total of $1,225,078 (CAD$1,562,400) (the "Concurrent Private Placement"). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of $1.11 (CAD$1.40) until February 8, 2024.

  The fair values of the Warrants issued pursuant to the Offering and Concurrent Private Placement have been estimated at the issue date using the residual method valuation. Given the market price of the Company's Subordinated Voting Shares on the date of closing of the Offering and Concurrent Private Placements was in excess of the unit offering price, the residual value assigned to the Warrants is $nil.

  In addition to the amounts above, a further $456,409 was incurred in share issuance costs for the above transactions.

- During the period ended March 31, 2021, 419,200 warrants and 979,933 warrants were exercised at $0.36 (CAD$0.45) and $0.29 (CAD$0.36) respectively for a total of $427,670 (CAD$541,416). In relation to the exercise of the 979,933 warrants, the proportionate fair value of $183,424 (CAD$231,362) was relieved from reserves.

- During the period ended March 31, 2021, 250,000 stock options were exercised at $0.60 (CAD$0.75) for a total of $146,681 (CAD$187,500). The options had a share value of $237,524 of which $90,843 was relieved from the options reserve to net $146,681.

- On May 5, 2021 Multiple Voting Shares were converted into 293,100 Subordinated Voting Shares.

20. SHARE CAPITAL (*CONTINUED…*)

(a) Share Capital (*continued…)*

Fiscal year ended December 31, 2020:

- On March 18, 2020, 4,885 Multiple Voting Shares were converted into 488,500 Subordinated Voting Shares.

- On April 6, 2020, the Company completed the acquisition of RDF Management, LLC and Firebrand, LLC and issued 67,000 Multiple Voting Shares as consideration shares (Note 14).

- On May 26, 2020, 2,931 Multiple Voting Shares were converted to 293,100 Subordinated Voting Shares.

- On November 2, 2020, the Company closed a public offering of 17,777,165 units of the Company (the "Units") at a price of CAD$0.36 per Unit for aggregate gross proceeds of $4,827,354 (CAD$6,399,779) (the "Offering"). Each Unit is comprised of one Subordinated Voting Share and one share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD$0.45 until November 2, 2023. As compensation, the Company paid to the Agents a cash fee of $330,786 (CAD$438,534) and issued to the Agents an aggregate of 1,218,151 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of CAD$0.36 per Subordinated Voting Share until November 2, 2023. The Agents' warrants were valued at $225,885 (CAD$287,606) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.27%; dividend yield of 0%; expected volatility of 96.83% and expected life of three years.

  In addition, the Company closed a non-brokered private placement of units, with economic terms identical to the Units, pursuant to which the Company issued 4,064,500 units for gross proceeds of $1,100,000 (CAD$1,463,220) (the "Concurrent Private Placement"). Two holders of the 10% secured non-convertible debentures of the Company due December 31, 2021 (Note 18) redeemed 20% of the principal amount (an aggregate amount of $1,100,000) and used the proceeds to participate in the Concurrent Private Placement. Accordingly, the proceeds from the Concurrent Private Placement retired $1,100,000 (CAD$1,463,220) of the principal amount of the Loan.

  The fair values of the Warrants issued pursuant to the Offering and Concurrent Private Placement have been estimated at the issue date using the residual method valuation. Given the market price of the Company's Subordinated Voting Shares on the date of closing of the Offering and Concurrent Private Placements was in excess of the unit offering price, the residual value assigned to the Warrants is $nil.

- On December 1, 2020, further to the Offering of Units which closed on November 2, 2020, the agents have further exercised their over-allotment option (the "Over-Allotment Option") in full to purchase an additional 1,389,500 Units at a price of CAD$0.36 per Unit for gross proceeds of $386,220 (CAD$500,220). Each Unit is comprised of one common share (each, a "Subordinated Voting Share") and one share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD$0.45 until November 2, 2023. The Company paid the Agents a cash fee of $32,930 (CAD$35,015) and issued to the Agents an aggregate of 97,265 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of $0.36 per Subordinated Voting Share until November 2, 2023. The Agents' warrants were valued at $32,372 (CAD$41,928) using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.30%; dividend yield of 0%; expected volatility of 95.95% and expected life of 2.92 years.

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

The fair values of the Warrants issued pursuant to the Offering have been estimated at the issue date using the residual method valuation. Given the market price of the Company's Subordinated Voting Shares on the date of closing of the Offering was in excess of the unit offering price, the residual value assigned to the Warrants is $nil.

- During the year ended December 31, 2020, 826,000 warrants and 33,000 warrants were exercised at CAD$0.45 and CAD$0.36 respectively for a total of $301,185 (CAD$383,580). In relation to the exercise of the 33,000 warrants, the proportionate fair value of $6,099 was relieved from reserves.

  In addition to the amounts above, a further $347,686 was incurred in share issuance costs for the above transactions.

(b) Share purchase warrants

The following table reflects the continuity of warrants for the period ending September 30,2021.

	Number of warrants	**Weighted average exercise price**
Outstanding, December 31, 2019	**1,022,910**	**CAD$1.01**
Issued	24,546,581	CAD$0.43
Expired	(42,700)	CAD$1.30
Exercised	(859,000)	CAD$0.45
Outstanding, December 31, 2020	**24,667,791**	**CAD$0.47**
Issued	11,312,980	CAD$1.37
Exercised	(1,399,133)	CAD$0.39
Outstanding, September 30, 2021	**34,581,638**	**CAD$0.75**

As at September 30, 2021 the Company had the following share purchase warrants outstanding:

Outstanding	**Exercise Price**	**Weighted Average Remaining Life (Years)**	**Expiry Date**
980,210	CAD$0.64	0.25	December 31, 2021
21,985,965	CAD$0.45	2.09	November 2, 2023
302,483	CAD$0.36	2.09	November 2, 2023
1,357,980	CAD$1.12	2.36	February 8, 2024
9,955,000	CAD$1.40	2.36	February 8, 2024
34,581,638	CAD$0.76		

On December 16, 2020, the Company repriced 980,210 warrants issued on December 31, 2019 from $0.78 (CAD $1.00) to $0.50 (CAD $0.64).

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

(c) Stock options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding Common Shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the Common Shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the period ending September 30, 2021 is as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2019	**1,043,000**	**CAD$1.00**
Granted	1,458,334	CAD$0.75
Cancelled	(66,000)	CAD$1.00
Outstanding, December 31, 2020	**2,435,334**	**CAD$0.85**
Granted	885,000	CAD $1.31
Exercised	(250,000)	CAD $0.75
Cancelled	(6,000)	CAD $1.00
Outstanding, September 30, 2021	**3,064,334**	**CAD$0.99**

As at September 30, 2021 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
771,000	564,019	CAD$1.00	7.27	January 3, 2029
200,000	133,335	CAD$1.00	7.62	May 13, 2029
833,334	833,334	CAD$0.75	8.62	May 12, 2030
375,000	375,000	CAD$0.75	9.16	November 26, 2030
285,000	260,000	CAD$1.22	9.27	January 31, 2031
500,000	200,000	CAD$1.43	9.39	February 19, 2031
100,000	50,000	CAD$0.96	9.44	March 9, 2031
3,064,334	**2,415,688**	**CAD$0.99**	**8.49**	

During the year ended December 31, 2019, the Company granted 1,109,000 stock options with a weighted average fair value of $0.32 (CAD$0.42) per option. During the period ended September 30, 2021, the Company recorded $36,788 as share-based compensation.

During the year ended December 31, 2020, the Company granted 1,458,334 stock options with a weighted average fair value of $0.38 (CAD$0.48) per option and $528,298 was recorded as a share-based compensation.

During the period ended September 30, 2021, the Company granted 885,000 stock options with a weighted average fair value of $0.92 (CAD$1.14) per option and $619,686 was recorded as a share-based compensation.

Total share-based compensation for the nine months ended September 30, 2021 for options was $656,474. Additionally, the Company recognized $103,248 and $57,120 of share-based compensation related to warrants and restricted shares units respectively, for a total of $816,842 share-based compensation.

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

(c) Stock options *(continued…)*

The fair value of the options granted during the period was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2021	December 31, 2020
Expected volatility	113.45%-114.05%	113.86%-123.09%
Expected option life (years)	10	10
Risk-free interest rate	0.75%-1.45%	0.55%-0.69%
Expected dividend yield	0 %	0 %

(d) Restricted Share Units

The Company approved the implementation of a restricted share units (the "RSU") plan on November 12, 2020, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSUs may be exercised by any holder of RSU to receive an award payout of either: (a) Subordinated Voting Share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the Subordinated Voting Share on the grant date multiplied by the number of RSUs granted and taking into account market conditions. The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the RSU reserve.

As at December 31, 2020, there were no RSUs outstanding.

On January 6, 2021, the Company granted 140,000 RSUs to employees of the Company, in which one-third can be converted into common shares on January 1, 2022, 2023, and 2024. The RSUs will expire on January 6, 2024. As at September 30, 2021, the Company recognized a fair value of $57,120 and during the period ended September 30, 2021, 10,000 RSUs were cancelled. As at September 30, 2021 130,000 RSUs were outstanding.

(e) Special Advisory Warrants

On May 13, 2019, the Company granted 1,000,000 special advisory warrants (the "Advisory Warrants") to consultants of the Company. The Advisory Warrants are exercisable at CAD$1.00 and expire on December 31, 2024. The fair value of the special advisory warrants was calculated to be CAD$0.82 per warrant. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the Advisory Warrants using the following assumptions: risk free interest rate of 1.54%; dividend yield of 0%; expected volatility of 111.51%; and expected life of 5.5 years. The Company recorded a share-based compensation expense of $244,868 during the year ended December 31, 2020 for warrants vested. During the period ended September 30, 2021, the Company recorded $103,248 as share-based compensation for warrants. Additionally, the Company recognized $656,474 and $57,120 of share-based compensation related to stock options and RSUs respectively, for a total of $816,842 share-based compensation.

(f) Escrow Securities

As at September 30, 2021, the Company had 551,660 Subordinated Voting Shares (2020 – 827,491), 187,586 Multiple Voting Shares (2020 – 281,379), and 45,000 stock options (2020 – 67,500) held in escrow.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and adjusts 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, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2021.

22. ECONOMIC DEPENDENCE

The Company had two main customers for the nine months ended September 30, 2021 which accounted for 97% of the Company's revenue, and 89% of the Company's accounts receivable as at September 30, 2021. As the majority of the Company's income is derived from the sale of services and products, its ability to continue operations is dependent upon the relationship with and the sustainability of the customers. Any significant disruption in the customers' businesses could result in a material adverse effect on the operations of the Company. The loss of these significant customers would adversely impact the operations of the Company.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, current notes receivable, advances to joint ventures and operation, deposits and other receivables, payables, and accrued liabilities approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes receivable and amount due from related parties approximate fair value. The fair values of the investment in sublease, right of use asset, and lease liability have been recorded as discussed in Note 17. The long-term loan payable is recorded at fair value as discussed in Note 18. The Company's cash and investment in Legacy are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

<u>Credit risk</u>

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at September 30, 2021, the Company was dependent on two major customers from its consulting business segment (Note 22). The majority ($20,045,711 or 89%) of the Company's accounts receivable are from these two customers.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (*CONTINUED…*)

The Company is of the opinion that it is not exposed to significant credit risk from these customers as at September 30, 2021 as it continues to collect accounts receivable routinely. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management as outlined in Note 21. As at September 30, 2021, the Company had cash, accounts receivable and short-term notes receivable of $29,993,914 to settle its current liabilities of $8,745,804. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

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

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As at September 30, 2021, the Company had $3,765,739 (CAD $4,781,284) net financial assets denominated in Canadian currencies at an exchange rate of 0.78760 as at September 30, 2021. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately $376,574(CAD $478,128) in other comprehensive income.

24. CONTINGENCIES

As part of the acquisition of RDF and Firebrand (Note 14), the Company agreed to assist in settling and fund the following lawsuits that were against RDF:

a) RDF was named as a defendant in a lawsuit in Superior Court of Arizona, County of Pima for certain loan agreement and promissory note. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for $425,000 on behalf of RDF. During the year ended December 31, 2020, the Company paid $200,000 for the settlement and the Company entered a secured promissory note with the defendant for the remainder $225,000 with nil interest rate and due on October 10, 2021. As at September 30, 2021, an additional $112,500 has been paid related to claim settlement. Another $476,250 is scheduled to be paid to settle the remaining claims in the next year.

b) The former principals of RDF were named in a lawsuit in the United States District Court, District of Arizona for certain claims prior to the RDF acquisition. The plaintiff has assigned it rights, title, and interest to the claims to a third party pursuant to a separation agreement. The Company and the third party have agreed to settle this claim for $480,000. During the nine months ended September 30, 2021, this claim was paid in full.

25. SUBSEQUENT EVENTS

- On October 18, 2021, the Company announced that it had received approval to have ownership of a manufacturing operation in Ohio, through a 37.5% ownership interest in Appalachian Pharm Processing, LLC, an Ohio limited liability company ("APP"). In July 2022, the Company expects to apply to the Ohio regulators, through another affiliated joint venture partner (the "Joint Venture"), to transition an operating cannabis dispensary license to the Joint Venture. The combination of these acquisitions, once approved by the Ohio regulators and completed, will move the Company closer to vertical integration in Ohio, which is an attractive limited license state with the potential for a future transition into an adult-use market.

- On November 17, 2021, the Company announced that an affiliated entity (the “Affiliate”) of Appalachian Pharm Processing, LLC, an Ohio limited liability company (“APP”), has received a Level I Cultivator provisional license (the “License”) to be collocated at the APP facility at 16064 Beaver Pike, Jackson, Ohio (the “Facility”). The License, granted by the Ohio Department of Commerce, will enable the Affiliate to build-out an initial cultivation area of up to 25,000 square feet, with the potential to expand up to 50,000 square feet following further application and approval.

- Subsequent to the quarter ended September 30, 2021, there were no changes in stock options exercised, granted, or cancelled, no change in RSUs granted, or cancelled, and no warrants expired, 891,100 warrants were exercised at CAD$0.64 each for a total of CAD$570,304, no change to brokers’ warrants expiring or being exercised.