Vext Science, Inc.

Audited Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in U.S. Dollars)

Vext Science, Inc.

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To the Shareholders of VEXT Science Inc:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of VEXT Science Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. 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 in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters 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.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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

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

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

HARBOURSIDE CPA LLP

Vancouver, British Columbia
April 19, 2022

Harbourside CPA LLP
Chartered Professional Accountants

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

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		$ 6,467,091	$ 1,745,381
Accounts receivable	4	21,890,638	17,224,397
Inventory	5	214,859	857,317
Prepaid expenses, deposits, and other receivables	6	497,012	1,566,145
Notes receivable – current	7	1,082,873	1,853,573
Due from related parties	19	316,251	537,151
Advances to joint operation	10	693,393	69,013
Investment in sublease – current	17	—	144,601
		31,162,117	23,997,578
Non-current assets			
Notes receivable	7	13,272,694	7,024,110
Investment	8	—	350,000
Property, plant and equipment	12	28,817,265	12,457,565
Investment in sublease – non-current	17	—	432,287
Investment in Joint Ventures	9	1,722,587	1,282,598
Right-of-use asset	17	228,835	258,362
Due from related parties	19	1,328,383	1,644,634
Intangible assets	13, 14	6,710,475	7,545,775
Goodwill	13, 14	461,752	461,752
Total Assets		$ 83,704,108	$ 55,454,661
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accrued liabilities	15, 19	$ 3,091,428	$ 2,572,975
Due to Legacy Ventures	8	—	22,479
Due to related party	19	225,000	—
Notes payable – current portion	16,19	769,117	920,828
Notes payable – from RDF acquisition	16	1,235,095	948,750
Lease liability – current portion	17	15,372	156,694
Loan payable	18	4,400,000	4,165,034
Income tax payable		—	45,633
Total current liabilities		9,736,012	8,832,393
Long-term liabilities			
Notes payable – non-current portion	16, 19	4,725,484	64,763
Notes payable – from RDF acquisitions	16	2,706,357	4,529,575
Lease liability – non-current portion	17	250,692	701,810
Deferred tax liabilities	25	6,892,000	5,013,000
Total liabilities		24,310,545	19,141,541
Shareholders' equity			
Subordinated and multiple voting shares	20	33,852,564	17,182,123
Reserves	20	3,276,034	1,998,273
Accumulated other comprehensive income		(138,036)	(283,558)
Retained earnings		22,403,001	17,416,282
Total shareholders' equity		59,393,563	36,313,120
Total liabilities and shareholders' equity		$ 83,704,108	$ 55,454,661

Subsequent Events (Note 26)

Approved on April 19, 2022 on behalf of the Board of Directors:

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

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

VEXT SCIENCE, INC.
Consolidated Statements of Operations and Comprehensive Income
(Expressed in U.S. Dollars)

	Notes	2021	2020
REVENUES			
Management fees		$ 7,500,000	$ 4,100,000
Professional services		11,504,410	8,081,670
Product sales		12,795,794	9,642,535
Equipment leasing		4,831,176	3,197,097
Property leasing	17	612,329	172,656
		37,243,709	25,193,958
COST OF SALES			
Cost of goods sold		8,839,772	7,126,813
Salaries, wages, and contractors	19	9,588,653	6,770,153
Property and equipment leasing, utilities, and property taxes	19	129,787	97,229
Amortization	12	2,253,791	1,295,976
		20,812,003	15,290,171
Gross Profit		16,431,706	9,903,787
OPERATING EXPENSES			
Accretion	14,18	1,223,083	125,619
Advertising and promotion		487,033	443,984
Amortization	12, 17	1,034,992	841,021
Bank charges and interest	17, 18	1,009,446	619,404
Consulting fees	19	608,871	575,686
Insurance		294,941	85,315
Office and general		702,208	368,646
Professional fees		1,152,554	961,217
Rent, property taxes, and utilities	17	316,496	108,271
Repairs and maintenance		265,110	444,827
Research and development		150,064	158,685
Share-based compensation	20	949,664	879,676
Salaries, wages, and commissions	19	1,089,566	1,436,977
Travel, training, and meals and entertainment		169,641	240,429
		9,453,669	7,289,757
Share of profit (loss) of Joint Ventures	9	(539,557)	(520,802)
Other Income		75,000	—
Loss on asset disposal		—	(161,284)
Foreign exchange Gain / (Loss)		(10,726)	328,172
Gain on derecognition of ROU asset		3,195	—
Gain / (Loss) on investment	8	(425,350)	—
Interest income		739,487	378,952
Net income before taxes		6,820,086	2,639,068
Deferred income tax expense	25	(1,833,367)	(514,000)
Net income after taxes		$ 4,986,719	$ 2,125,068
Unrealized gain on foreign exchange translation		145,522	(334,296)
Total comprehensive income		$ 5,132,241	$ 1,790,772
Basic earnings per common shares		$ 0.04	$ 0.02
Diluted earnings per common shares		$ 0.03	$ 0.02
Weighted average number of common share outstanding – basic		136,712,624	92,769,736
Weighted average number of common share outstanding - diluted		146,414,401	93,527,675

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

VEXT SCIENCE, INC

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share Capital									
	Number of Subordinated Voting Shares	**Amount: Subordinated Voting Shares**	**Number of Multiple Voting Shares**	**Amount: Multiple Voting Shares**	**Reserves: Compensatory Warrants**	**Reserves: Stock Options**	**Reserves: RSU**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Shareholder's Equity**
Balance at December 31, 2019	**21,834,626**	**$ 9,597,446**	**625,287**	**$ 19**	**$ 552,742**	**$ 181,039**	**$ —**	**$ 50,738**	**$15,291,214**	**25,673,198**
Conversion of multiple voting shares to subordinated voting shares	781,600	—	(7,816)	—	—	—	—	—	—	—
Shares issued upon prospectus offering	19,166,665	5,213,573	—	—	—	—	—	—	—	5,213,573
Shares issued for settlement of debt	4,064,500	1,100,000	—	—	—	—	—	—	—	1,100,000
Repricing of warrants	—	—	—	—	132,100	—	—	—	—	132,100
Share issuance costs – Non Cash warrants	—	(258,815)	—	—	258,815	—	—	—	—	—
Share issuance costs – Cash	—	(705,507)	—	—	—	—	—	—	—	(705,507)
Shares issued to acquire RDF & Firebrand	—	—	67,000	1,934,222	—	—	—	—	—	1,934,222
Share-based compensation	—	—	—	—	244,868	634,808	—	—	—	879,676
Shares issued from warrant exercised	859,000	301,185	—	—	(6,099)	—	—	—	—	295,086
Other comprehensive income for the year	—	—	—	—	—	—	—	(334,296)	—	(334,296)
Net income for the year	—	—	—	—	—	—	—	—	2,125,068	2,125,068
Balance at December 31, 2020	**46,706,391**	**$ 15,247,882**	**684,471**	**$1,934,241**	**$ 1,182,426**	**$ 815,847**	**$ —**	**$ (283,558)**	**$17,416,282**	**$ 36,313,120**
Conversion of multiple voting shares to subordinated voting shares	586,200	—	(5,862)	—	—	—	—	—	—	—
Shares issued upon prospectus offering	18,515,000	16,259,725	—	—	—	—	—	—	—	16,259,725
Shares issued for settlement of debt	1,395,000	1,225,078	—	—	—	—	—	—	—	1,225,078
Share issuance costs – Non Cash warrants	—	(957,786)	—	—	957,786	—	—	—	—	—
Share issuance costs – Cash	—	(1,578,176)	—	—	—	—	—	—	—	(1,578,176)
Share-based compensation	—	—	—	—	143,598	741,638	64,428	—	—	949,664
Shares issued from options exercised	250,000	237,524	—	—	—	(90,843)	—	—	—	146,681
Shares issued from warrant exercised	2,438,843	1,484,076	—	—	(538,846)	—	—	—	—	945,230
Other comprehensive income for the year	—	—	—	—	—	—	—	145,522	—	145,522
Net income for the year	—	—	—	—	—	—	—	—	4,986,719	4,986,719
Balance at December 31, 2021	**69,891,434**	**$ 31,918,323**	**678,609**	**$1,934,241**	**$ 1,744,964**	**$1,466,642**	**$ 64,428**	**$ (138,036)**	**$22,403,001**	**$ 59,393,562**

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

VEXT SCIENCE, INC
Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)

	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	$ 4,986,719	$ 2,125,068
Items not affecting cash:		
Amortization	3,288,783	2,136,997
Accretion	1,223,083	125,619
Finance income on subleases	(27,978)	(83,917)
Interest expense on lease liability	63,620	121,290
Accrued interest on notes payable	(1,439)	—
Share-based compensation	949,664	879,676
Foreign exchange	145,522	(332,071)
Gain on derecognition of ROU asset	(3,195)	—
Loss on asset disposal	—	161,284
Loss on investment	425,350	—
Deferred income tax expense	1,833,367	514,000
Share of loss of Joint Ventures	539,557	520,802
Non-cash working capital item changes:		
Accounts receivable	(4,666,241)	(1,676,382)
Due from related parties	762,150	
Inventory	642,458	(857,317)
Prepaid expenses, deposits and other receivables	1,069,134	(1,260,243)
Income tax payable	—	(95)
Payables and accrued liabilities	450,757	723,851
Net cash provided by operating activities	11,681,311	3,098,562
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from Acquisition	—	2,744
Cash paid on lawsuit settlement (RDF acquisition)	(1,758,869)	(1,570,457)
Notes receivable	(5,477,885)	(5,726,914)
Investment in Legacy Ventures	(97,830)	(180,521)
Investment Joint Ventures	(979,546)	(1,362,570)
Acquisition of property, plant and equipment	(18,783,656)	(4,063,465)
Net cash used in investing activities	(27,097,786)	(12,901,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to Joint Operations	(624,380)	(69,013)
Reduction in lease liability	(129,271)	(253,944)
Reduction in sublease investment	81,271	205,944
Notes payable	4,576,708	(33,717)
Notes payable - RDF	(764,681)	(396,681)
Prospectus offerings	16,259,725	—
Private placement	1,225,078	5,213,573
Warrants exercised	945,230	295,086
Options exercised	146,681	—
Share issuance Costs Cash	(1,578,176)	(705,507)
Net cash provided by financing activities	20,138,185	4,255,741
Net change in cash during the year	4,721,710	(5,546,880)
Cash, beginning of the year	1,745,381	7,292,261
Cash, end of the year	$ 6,467,091	$ 1,745,381

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

Non-cash investing and financing activities				
Shares issued in acquisition of RDF Management, LLC and Firebrand, LLC	$	—	$	1,934,222
Shares issued for convertible debt	$	—	$	1,100,000
Repricing of warrants	$	—	$	132,100
Acquisition of intangible asset patent included in payables	$	—	$	225,000
Cash paid for				
Interest	$	1,007,573	$	679,500

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 cannabis field. 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 consolidated financial statements have been prepared using International Financial Reporting Standards has been prepared on a going concern basis 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 December 31, 2021, the Company had working capital of $21,426,105 (2020 - $15,165,185) and retained earnings of $22,403,001 (2020 - $17,416,282). 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 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.

(Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

b) Basis of Preparation

These 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 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.

c) Basis of Consolidation

The financial statements include consolidated accounts of the Company and its subsidiaries, including its economic interest in joint operations and 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	50%

d) Approval of the Consolidated Financial Statements

These financial statements for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the Board of Directors on April 19, 2022.

2. BASIS OF PRESENTATION (*CONTINUED…*)

e) Significant Accounting Judgements and Estimates

The preparation of the Company's 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 consolidated financial statements and reported revenues and expenses during the reporting period.

Critical Judgements

The preparation of these 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 December 31, 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 a limited liability corporation 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 50% 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. The arrangement is therefore recognized as a joint operation. Neither of the parties involved have unilateral control of 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.

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.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of 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 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.

2. BASIS OF PRESENTATION (*CONTINUED…*)

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

Significant estimates made by management affecting these 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.

Useful Life of Property, Plant and Equipment and Intangible Assets

Property, plant, equipment and intangible assets are amortized over their 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.

Current and Deferred Income Taxes

Current and deferred income tax provisions and obligations are calculated for each of the jurisdictions in which the Company operates. Actual amounts of income tax expense and obligations are not final until tax returns are filed and assessed by the relevant taxation authorities. This occurs subsequent to the issuance of the financial statements, and the final determination of actual amounts may not be completed for a number of years. Therefore, financial results in subsequent periods will be affected by the amount that estimates differ from the final tax return.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash held at major financial institutions and is subject to insignificant risk of changes in value. As at December 31, 2021 and 2020, the Company's cash balance is comprised of cash on hand and deposits held with banks.

b) Inventory

Inventories are valued at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Inventories include the cost of materials purchased, as well as other costs required to bring the inventories to their present location and condition.

c) Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of the item of property and equipment consists of the purchase price, financing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. An item of property, plant and equipment is no longer recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of operations and comprehensive income. The cost of repairs and maintenance is expensed as incurred. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Amortization	Rate
Land	No amortization	—
Building	Straight line method	39 years
Equipment and machinery	Straight line method	3-7 years
Leasehold improvements	Straight line method	Over the term of the lease
Building improvements	Straight line method	5 years
Automobile	Straight line method	3-5 years

Property, plant, and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

d) Intangible Assets

Intangible assets with finite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis. The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization rates are reviewed annually to ensure they are aligned with estimates of the remaining economic useful lives of the associated intangible assets. The useful life of the intangible assets are as follows:

Asset	Amortization	Rate
Patent	Straight line method	15 years
Management Service Agreement	Straight line method	10 years
Brand Name	Straight line method	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

e) Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement year adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of operations and comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, such as forecasted future net cash flows discounted to present value and the market approach method. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired property, plant and equipment, intangible assets and contingent consideration.

In certain situations, goodwill or a bargain purchase gain may result from a business combination.

Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit (“CGU”), including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

f) Investments

The Company carries its investments at fair value as financial assets at fair value through profit and loss (“FVTPL”). When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to investments are not included as part of the cost of the investment and are recorded as an expense in the statements of operations and comprehensive income.

In the absence of an active market, the fair value is determined by management using the appropriate valuation methodologies. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed.

g) Joint Arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be either joint ventures or joint operations. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company’s share of the post-acquisition profits or losses and movements in other

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

comprehensive income. If the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

h) Financial Instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company follows all of the requirements of IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model.

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of 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, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) 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 FVTP.

Measurement

<u>Financial assets and liabilities at amortized cost:</u>
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.

<u>Financial assets and liabilities at FVTPL:</u>
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

<u>Debt investments at FVOCI:</u>
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

<u>Equity investments at FVOCI:</u>
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

h) Financial Instruments (*continued…*)

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 loss and comprehensive 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.

Financial Liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company determines the fair value of financial instruments according to the following hierarchy based on the number of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Classification
Cash	Fair value
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Advances to joint operation	Amortized cost
Investment in sublease	Amortized cost
Investment	Fair value
Deposits and other receivables	Amortized cost
Due to related party	Amortized cost
Due to shareholders	Amortized cost
Payables	Amortized cost
Due to Legacy Ventures	Amortized cost
Lease liability	Amortized cost
Notes payable	Amortized cost

i) Impairment

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statement of net loss and comprehensive loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

j) Revenue Recognition

The Company recognizes revenue when it has persuasive evidence of a contract, performance obligations have been identified and satisfied, payment terms have been identified, and it is probable that the Company will collect the consideration it is entitled to.

In addition to this general policy, the following are the specific revenue recognition policies for each major category of revenue:

<u>Management fees:</u>
The Company provides monthly management fees at a agreed upon rates to its customers. This revenue is recorded monthly, when billed and services have been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

Professional services:
Revenues derived from professional services consist of fees associated with staff provided by the Company to its customers. The Company bills its customers monthly, based on a markup of paid wages and salaries. This revenue is recorded when billed and services have been rendered.

Product sales:
Revenue from the materials and supplies used in cultivation and dispensary facilities are recognized when invoiced after delivery and control is transferred to the customer, based on the supplies purchased specifically for the cultivation and dispensary locations.

Equipment and property leasing:
Revenues derived from leasing are recognized when equipment, buildings and property are provided and leased to the customers. This revenue consists of amounts charged to the customers for leased equipment, building and property used in the cultivation and dispensary facilities.

k) Cost of Sales

Cost of goods sold consists of the cost of cultivation supplies, merchandising materials, and packaging materials. Other cost of sales include the cost of sales included in the cost of salaries, wages, and contractors used to generate management fees and professional services revenue; utilities, property taxes and lease expenses used to generate revenues from leasing certain equipment and properties; as well as amortization of property used to generate property leasing revenue.

l) Income Taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

m) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar, and the functional currency of its wholly owned subsidiaries is the U.S. dollar. The statements are presented in U.S dollars.

Accordingly, the accounts of the Company are translated into U.S. dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

Transactions in currencies other than the functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and other comprehensive income.

n) Share Capital

Subordinated and multiple voting shares are classified as equity. Transaction costs directly attributable to the issue of subordinated and multiple voting shares and subordinated voting share warrants are recognized as a deduction from equity. Subordinated and multiple voting shares issued for non-monetary consideration are measured based on their market value at the date the subordinated voting shares are issued.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration are valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between subordinated and multiple voting shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the subordinated voting shares at the time the units are priced, and any residual value is allocated to the warrants reserve. Consideration received for the exercise of options or warrants is recorded in share capital and the related residual value is transferred to share capital.

o) Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to shareholders by the weighted average number of shares outstanding during the reporting period. For diluted per share computations, assumptions are made regarding potential subordinated voting shares outstanding during the period. The weighted average number of subordinated voting shares is increased to include the number of additional subordinated voting shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's subordinated voting shares at their average market price during the period, thereby reducing the weighted average number of subordinated voting shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

p) Share-Based Payments

The Company grants stock options and warrants to buy subordinated voting shares of the Company to directors, officers, employees, and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED…*)

q) Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions. These equity financing transactions may involve issuance of subordinated voting shares or units. A unit comprises a certain number of subordinated voting shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional subordinated voting shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the subordinated voting shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share based payments.

r) Standards Issued but not yet 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.

(Expressed in U.S. Dollars)

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

	December 31, 2021	December 31, 2020
Accounts receivable (Notes 22, 23)	**$ 21,790,830**	$ 17,193,313
GST input tax credits	**99,808**	31,084
	$ 21,890,638	$ 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:

	December 31, 2021	December 31, 2020
Batteries and accessories	**$ —**	$ 102,580
Cartridges	**—**	309,866
Packaging and labels	**—**	47,438
Company's portion of Joint Operation Inventory		
Batteries and accessories	**2,320**	89
Cartridges	**66,420**	39,941
Finished goods	**24,602**	95,743
Packaging and labels	**121,517**	261,660
	$ 214,859	$ 857,317

6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

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

	December 31, 2021	December 31, 2020
Vendor deposits	**$ 14,545**	$ 1,288,782
Prepaid expense	**283,556**	196,478
Interest receivable	**198,357**	79,364
Employee advances	**554**	1,521
	$ 497,012	$ 1,566,145

(Expressed in U.S. Dollars)

7. NOTE RECEIVABLE

As at December 31, 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) (2)	**$ 1,082,873**	**$ 4,750,673**	**$ 5,833,546**
Due from Organica Patient Group, Inc. ("Organica"), incurring interest as 10% per annum, due on March 20, 2023 (3)	—	**2,544,266**	**2,544,266**
Due from APP 1803 (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum (4)	—	**4,000,000**	**4,000,000**
Due from APP 1803 (new dispensary license deposit), an arm's length party, accruing interest at 0% per annum (4)	—	**320,000**	**320,000**
Due from APP 1803 (new dispensary working capital), an arm's length party, accruing interest at 0% per annum (5)	—	**570,000**	**570,000**
Due from APP 1804 (new dispensary lease commitments), an arm's length party, accruing interest at 0% per annum (6)	—	**110,000**	**110,000**
Due from Appalachian Pharm Processing, LLC, (working capital) an arm's length party, accruing interest at 0% per annum (7)	—	**477,755**	**477,755**
Due from Appalachian Pharm Processing, LLC, (startup loan) an arm's length party, accruing interest at 0% per annum (8)	—	**500,000**	**500,000**
Total	**$ 1,082,873**	**$ 13,272,694**	**$ 14,355,567**

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, 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 Appalachian Pharm Processing, LLC, an arm's length party, accruing interest at 10% per annum (4)	—	2,953,147	2,953,147
	$ 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 December 31, 2021, the remaining outstanding balance is $1,082,873 with 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 December 31, 2021, $4,750,673 was the balance drawn by HWC from the 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 December 31, 2021 $2,544,266 was the balance drawn by Organica from the line of credit secured promissory note.

(Expressed in U.S. Dollars)

7. NOTE RECEIVABLE *(CONTINUED…)*

(4) 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. 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 subsidiary, the Company will have a 50% economic interest and a 48% ownership for the license. The Company's total contribution for the option would be $4,000,000 plus accrued interest.

Per the LOI, the Company 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 December 31, 2021 the Company has made payments of $4,000,000 with accrued interest of $164,066 plus an additional payment of $320,000 for license fee for a total of $4,484,066. The Company 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 $570,000 in working capital to APP 1803, LLC pursuant to the LOI for a total of $5,054,066 as of December 31, 2021.

(6) An additional $110,000 was loaned to APP1804, a second new dispensary in Ohio, under the original LOI with APP1803 as of December 31, 2021.

(7) Appalachian Pharms Processing was loaned $477,755 as of December 31, 2021 as additional working capital per the LOI.

(8) March 30, 2020, Vapen agreed, and subsequently advanced to Appalachian Pharms Processing, LLC, $500,000 in two equal installments of $250,000 on April 1, 2020 and April 6, 2020, 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 $6,141,821.

As at December 31, 2021, and 2020, the Company's notes receivables related to Ohio consist of the following by location:

APP 1803, LLC	**December 31, 2021**	**December 31, 2020**	**Total**
Contributions	**$ 1,200,000**	$ 2,800,000	$ 4,000,000
Working capital	**570,000**	—	570,000
Interest	**10,919**	153,147	164,066
Deposit for license	**320,000**	—	320,000
	2,100,919	2,953,147	5,054,066
APP 1804, LLC			
Deposit for license	**110,000**	—	110,000
	$ 110,000	$ —	$ 110,000
APP Pharms, LLC			
Startup loan	**500,000**	—	500,000
Working capital	**477,755**	—	477,755
	$ 977,755	$ —	$ 977,755
Total	**$ 3,188,674**	$ 2,953,147	$ 6,141,821

7. NOTE RECEIVABLE *(CONTINUED…)*

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.

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 December 31, 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 December 31, 2021, the Company had a 19.62% interest in Legacy.

At December 31, 2021, the Company determined that its investment in Legacy Ventures Hawaii was 100% 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 has written off the entire investment of $425,350, of its investment in Legacy Ventures Hawaii.

(Expressed in U.S. Dollars)

9. INVESTMENT IN 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 December 31, 2021, the Company loaned Vapen KY $1,305,520 (December 31, 2020 - $925,974) for working capital as a contribution to the joint venture. 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 December 31, 2021, the Company loaned Vapen OK $1,477,426 (December 31, 2020 - $877,426) for working capital as a contribution to the joint venture. The working capital loan is interest free.

As at December 31, 2021 and December 31, 2020 the balance of investments is 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	**379,546**	**600,000**	**979,546**
Share of loss of the joint ventures during the year	**(291,061)**	**(248,496)**	**(539,557)**
Balance as at December 31, 2021	**$ 727,740**	**$ 994,847**	**$ 1,722,587**

Summarized financial information for equity accounted investees for the year ended December 31, 2021, is as follows:

	Vapen KY	Vapen OK
Ownership %	**50%**	**25%**
Current assets	$ 1,443,041	$ 738,552
Non-current assets	10,685	133,007
Total assets	1,453,726	871,559
Total liabilities	(2,611,873)	(2,801,874)
Net assets	(1,158,147)	(1,930,315)
Revenue	408,154	1,443,930
Cost of goods sold	(345,756)	(1,038,104)
Expenses	(644,521)	(1,399,809)
Net loss	$ (582,123)	$ (993,983)
Ownership % Loss	**$ (291,061)**	**$ (248,496)**

(Expressed in U.S. Dollars)

10. ADVANCES TO JOINT OPERATION

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"). The Company acquired 50% of the voting rights to Happy Travels resulting in the Company and GG having equal voting rights. The terms of the initial joint arrangement will be three years, with automatic successive renewal terms of additional two-year periods. As at December 31, 2021 and 2020, the Company had the following advances:

	December 31, 2021	December 31, 2020
Happy Travels	**360,778**	69,013
Happy Travels: Green Goblin	**332,615**	—
	$ 693,393	$ 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 December 31, 2021, $4,750,673 had 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, 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 December 31, 2021, $2,544,266 had been drawn from this line of credit by Organica pursuant to the line of credit (Note 7).

(Expressed in U.S. Dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Building improvements	Leasehold improvements	Construction in progress	Automobile	Total
Cost								
Balance at 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 Balance at December 31, 2020	$ 340,779	$ 1,436,069	$ 9,520,987	$ —	$ 2,911,204	$ 1,433,166	$ 90,796	**$ 15,733,000**
Disposals	—	—	—		(2,911,204)	—	—	**(2,911,204)**
Additions	2,270,000	9,129,765	1,718,584	5,408,759	402,682	2,635,861	129,208	**21,694,859**
Balance at Balance at December 31, 2021	**$ 2,610,779**	**$ 10,565,834**	**$ 11,239,571**	**$ 5,408,759**	**$ 402,681**	**$ 4,069,027**	**$ 220,004**	**$ 34,516,655**
Accumulated Amortization								
Balance at 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 Balance at December 31, 2020	$ —	$ 294,650	$ 1,413,817	$ —	$ 1,522,223	$ —	$ 44,746	**$ 3,275,436**
Disposals	—	—	—	—	(1,522,223)	—	—	**(1,522,223)**
Amortization	—	224,572	1,456,757	2,073,453	161,603	—	29,793	**3,946,178**
Balance at Balance at December 31, 2021	**$ —**	**$ 519,222**	**$ 2,870,574**	**$ 2,073,453**	**$ 161,603**	**$ —**	**$ 74,539**	**$ 5,699,391**
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**
December 31, 2021	**$ 2,610,779**	**$ 10,046,612**	**$ 8,368,997**	**$ 3,335,306**	**$ 241,079**	**$ 4,069,027**	**$ 145,465**	**$ 28,817,265**

Of the total amortization expense during the year ended December 31, 2021 - $2,253,791 (December 31, 2020 - $1,295,976) was included in the cost of sales and $170,164 (December 31, 2020 - $196,268) was included in operating expense.

Notable additions and the companies formed to hold these new assets are New Gen Phoenix (Phx), closed May 20, 2021 for $3,100,000 allocated to land at $620,000 and building $2,480,000, New Gen Prescott Valley (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 consist of the following:

	Management Service Agreement	Brand Name	Patent	Total
At December 31, 2019	—	—	—	—
Additions	7,669,000	267,000	225,000	8,161,000
Amortization	(575,175)	(40,050)	—	(615,225)
At December 31, 2020	7,093,825	226,950	225,000	7,545,775
Additions	—	—	—	—
Amortization	(766,900)	(53,400)	(15,000)	(835,300)
At December 31, 2021	$ 6,326,925	$ 173,550	$ 210,000	$ 6,710,475

Goodwill

On April 6, 2020, the Company completed an acquisition (Note 14) whereby goodwill of $461,752 was generated. As at December 31, 2021 and 2020, there was no impairment on goodwill and no change to the balance.

(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	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 December 31, 2021 is $3,941,452.

(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 December 31, 2021 is $0.00. The Company paid $1,758,869 in legal settlement related expenses in 2021 compared to 1,570,457 in 2020. All future legal liability expenses will directly reduce the Promissory Note in (b).

(d) The Company has incurred $986,678 in accretion expense as of December 31, 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 $236,405 for a total of $1,223,083.

(e) At December 31, 2021 future legal liabilities are estimated at $331,635 which will reduce the Promissory note in (b) as paid down during 2022.

(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
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 December 31, 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, and recorded a loss of approximately $1,435,525, which was mainly from amortization of the intangibles, and $nil from operations from RDF and Firebrand respectively.

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.

15. PAYABLES AND ACCRUED LIABILITIES

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

	December 31, 2021	December 31, 2020
Trade payables	**$ 1,370,043**	$ 495,272
Credit card payable	**39,102**	94,461
Interest payable	**27,182**	19,269
Sales tax payable	**1,029**	32,961
Payroll liabilities	**509,477**	738,626
Accrued liabilities (Note 19)	**1,144,595**	1,192,386
	$ 3,091,428	$ 2,572,975

(Expressed in U.S. Dollars)

16. NOTES PAYABLE

Current notes payable are made up of the following:

	December 31, 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 March 1, 2022 with an interest rate of 12% per annum	**280,000**	280,000
Maturing on October 1, 2021 with an interest rate of 12% per annum	—	182,250
Maturing on June 1, 2026 with an interest rate of 8.5% per annum	**42,117**	—
Current portion of a loan, of which the total amount matures in December 2021 with an interest rate of 3.65% per annum	—	11,578
	$ 769,117	$ 920,828

The notes maturing on January 5, 2022 for $175,000, February 1, 2022 for $272,000 and March 1, 2022 for $280,000 have all been satisfied as paid in full as of March 1, 2022.

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

	December 31, 2021	December 31, 2020
Current portion of promissory note from acquisition (1)	**$ 903,460**	$ 360,000
Current portion of liabilities settlement from acquisition (2)	**331,635**	588,750
	$ 1,235,095	$ 948,750

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

	December 31, 2021	December 31, 2020
Maturing on December 31, 2026, with an interest rate of 13% per annum, from related parties (Note 19)	**$ —**	$ 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	**2,025,484**	—
	$ 4,725,484	$ 64,763

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

	December 31, 2021	December 31, 2020
Promissory note from acquisition (1)	**$ 2,543,835**	$ 3,727,060
Liabilities settlement from acquisition (2)	—	627,515
Other notes payable with no maturing date and nil interest	**162,522**	175,000
	$ 2,706,357	$ 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 is currently accruing interest at a rate of ten percent (10%) per annum.

(2) Furthermore, as part of the consideration, for the acquisition of RDF, 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).

(3) New Gen Prescott Valley, LLC purchased land currently being rented to Organica Patient Group, for a total of $3,950,000 including closing fees and down payment resulting in an interest only loan of $2,700,000.

(4) New Gen Phoenix, LLC purchased land currently being rented to Herbal Wellness Center, for a total of $3,100,000 including closing fees and down payment resulting in an interest only loan of $2,100,000.

(Expressed in U.S. Dollars)

17. LEASES

As at December 31, 2020, the Company had 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 were 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 year ended December 31, 2021.

Right-of-use asset:

		Total ROU
At Opening balance as at January 1, 2020	$	287,890
Amortization		(29,528)
At At December 30, 2020	$	258,362
Amortization	$	(29,527)
Balance at December 31, 2021	**$**	**228,835**

The total amortization expense for the year ended December 31, 2021 and 2020 was included in operating expenses.

Lease liability:

Lease liability for the year ended December 31, 2021 and 2020 were as follows:

		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 Balance at December 31, 2020		858,504
Lease payments		(129,271)
Interest expense (included in cost of sales – property and equipment leasing)		28,133
Interest expense (included in bank charges and interest in operating expenses)		35,487
Termination of Leases at 4210 N 39th and 4215 N 40th		(526,789)
At Balance at December 31, 2021		**266,064**
Less: current portion	**$**	**(15,372)**
Long-term lease liability	**$**	**250,692**

The following table discloses the undiscounted cash flow for the one lease obligation remaining at December 31, 2021:

Less than one year	$	49,120
One to five years		216,471
More than five years		166,910
Total undiscounted lease obligations	**$**	**432,501**

(Expressed in U.S. Dollars)

17. LEASES (*CONTINUED…*)

The following table provides a summary of the lease expenses recognized in the statement of operations for the year ended December 31, 2021.

		2021		**2020**
Interest expense (included in cost of sales – property and equipment leasing)	$	28,133	$	93,669
Interest expense (included in bank charges and interest in operating expenses)	$	35,487	$	27,621
Amortization (included in operating expenses)	$	29,527	$	29,528

Investment in subleases:

As at January 1, 2020, 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.

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 year ended December 31, 2021.

Investment in sublease for the year ended December 31, 2021 and 2021 were as follows:

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)
December 31, 2021	**$**	—
Short-term net investment in sub-lease	**$**	—
Long-term term net investment in sub-lease	**$**	—

(Expressed in U.S. Dollars)

18. 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%.

During the year ended December 31, 2021, the Company received a 1 year extension on the loan resulting in a new maturity date of December 31, 2022. The loan payable balance for the year ended December 31, 2021 and 2020 were as follows:

January 1, 2020	**$**	**5,280,467**
Less: Transaction costs		(232,265)
Less Loan Discount		(2,971)
Less Partial Conversion to shares		(1,100,000)
Effect of change in exchange rate		219,803
December 31, 2020	**$**	**4,165,034**
Effect of change in exchange rate		234,966
December 31, 2021	**$**	**4,400,000**

(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 year ended December 31, 2021 and 2020 is summarized as follows:

	December 31, 2021	December 31, 2020
Share-based compensation	**$ 146,521**	$ 291,322
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman*	**1,218,098**	438,995
Robert Brilon, Former CFO, Corporate Secretary & President	—	580,595
Eric Offenberger, CEO, COO, and Director*	**393,314**	208,269
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman*	**64,111**	23,105
Robert Brilon, Former CFO, Corporate Secretary & President	—	4,242
Eric Offenberger, CEO, COO, and Director*	**20,701**	10,962
Consulting fees included in operating expenses:		
Vahan Ajamian, CFO	**92,225**	—
Jonathan Shelton, Director	**4,000**	4,000
Caroline Williams, Former Director	—	4,000
Denise Lok, Former CFO	**5,931**	11,388
Brian Cameron, Former Corporate Secretary	**10,000**	100,000
David Eaton, Director	**9,862**	—
	$ 1,964,763	**$ 1,676,878**

*Amounts include the accruals below in Due to related parties.

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

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 year ended December 31, 2021 and 2020 is summarized as follows:

	December 31, 2021	December 31, 2020
Salaries and wages included cost of sales	$ —	$ 47,299
Salaries, wages and commissions included in operating expenses	—	2,489
Consulting fees included in operating expenses	**37,936**	363,009
	$ 37,936	$ 412,797

Balances with related parties:

Due from related parties:

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

	December 31, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2022 from Jason Nguyen, Executive Chairman	**$ 316,251**	**$ 537,151**
	$ 316,251	**$ 537,151**

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

	December 31, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2023 from Jason Nguyen, Executive Chairman	**1,328,383**	1,328,383
	$ 1,328,383	$ 1,328,383

Due to related parties:

	December 31, 2021	December 31, 2020
Payables and Accrued Liabilities		
Jason Nguyen, Executive Chairman*	**$ 460,000**	$ 562,884
Denise Lok, Former CFO	**285**	20,833
David Eaton, Director	**9,466**	-
Eric Offenberger, CEO, COO, and Director*	**90,000**	24,000
Long Term Loan Payable		
Jason Nguyen, Executive Chairman	—	64,763
Robert Brilon, Former CFO, Corporate Secretary & President	—	250,000
	$ 559,751	$ 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.

Fiscal year ended December 31, 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 fiscal year ended December 31, 2021, 980,210 warrants, 478,700 warrants and 979,933 warrants were exercised at $0.50 (CAD$0.64), $0.36 (CAD$0.45) and $0.29 (CAD$0.36) respectively for a total of $945,230 (CAD$1,195,525). In relation to the exercise of the 980,210 warrants, and 979,933 warrants, the proportionate fair value of $355,422 (CAD$449,116) and $183,424 (CAD$231,362) respectively was relieved from reserves.

- During the fiscal year ended December 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.

20. SHARE CAPITAL (*CONTINUED…*)

(a) Share Capital (*continued...*)

- On May 5, 2021, 2,931 Multiple Voting Shares were converted into 293,100 Subordinated Voting Shares.
- On July 29, 2021, 2,931 Multiple Voting Shares were converted into 293,100 Subordinated Voting Shares.

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…*)

(a) 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) Warrants

The following table reflects the continuity of warrants for the fiscal year ended December 31, 2021 and 2020..

	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	(2,438,843)	CAD$0.49
Outstanding, December 31, 2021	**33,541,928**	**CAD$0.77**

As at December 31, 2021 the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
21,926,465	CAD$0.45	1.84	November 2, 2023
302,483	CAD$0.36	1.84	November 2, 2023
1,357,980	CAD$1.12	2.11	February 8, 2024
9,955,000	CAD$1.40	2.11	February 8, 2024
33,541,928	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 fiscal year ended December 31, 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	(37,000)	CAD $1.00
Outstanding, December 31, 2021	**3,033,334**	**CAD$0.88**

As at December 31, 2021 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
740,000	543,349	CAD$1.00	7.02	January 3, 2029
200,000	133,335	CAD$1.00	7.37	May 13, 2029
833,334	833,334	CAD$0.75	8.37	May 12, 2030
375,000	375,000	CAD$0.75	8.91	November 26, 2030
285,000	285,000	CAD$1.22	9.02	January 31, 2031
500,000	200,000	CAD$1.43	9.14	February 19, 2031
100,000	50,000	CAD$0.96	9.19	March 9, 2031
3,033,334	**2,420,018**	**CAD$0.99**	**8.26**	

During the fiscal 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 fiscal year ended December 31, 2021, the Company recorded $48,928 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 fiscal year ended December 31, 2021, the Company granted 885,000 stock options with a weighted average fair value of $0.92 (CAD$1.14) per option and $692,092 was recorded as a share-based compensation.

Total share-based compensation for the fiscal year ended December 31, 2021 for options was $741,638. Additionally, the Company recognized $143,598 and $64,428 of share-based compensation related to warrants and restricted shares units respectively, for a total of $949,664 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 year was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 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 December 31, 2021, the Company recognized $64,428 as share based compensation and during the fiscal year ended December 31, 2021, 30,000 RSUs were cancelled. As at December 31, 2021 110,000 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 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 fiscal year ended December 31, 2020 for the Advisory Warrants vested.

During the fiscal year ended December 31, 2021, 465,000 Advisory Warrants were changed from vesting to fully vested and all terms remained the same. The Company recorded $143,598 as share-based compensation during the fiscal year ended December 31, 2021 for the Advisory Warrants vested. Additionally, the Company recognized $741,638 and $64,428 of share-based compensation related to stock options and RSUs respectively, for a total of $949,664 share-based compensation.

(f) Escrow Securities

As at December 31, 2021, the Company had 275,831 Subordinated Voting Shares (2020 – 827,491), 93,794 Multiple Voting Shares (2020 – 281,379), and 22,500 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 year.

22. ECONOMIC DEPENDENCE

The Company had two main customers for the year ended December 31, 2021 which accounted for 98% of the Company's revenues, and 96% of the Company's accounts receivable as at December 31, 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 operation, deposits and other receivables, payables, accrued liabilities, approximate their carrying value , due to their short-term nature. The fair value of other financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Company's cash and investment are measured at fair value under the fair value hierarchy based on level 1 quoted prices in active markets for identical assets and 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 December 31, 2021, the Company was dependent on two major customers from its consulting business segment (Note 22). The majority $20,451,092 of the Company's accounts receivable of $21,890,638 are from these two customers.

The Company is of the opinion that it is not exposed to significant credit risk from these customers as at December 31, 2021 as it continues to collect accounts receivable routinely. The Company has no investments in asset-backed commercial paper.

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

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 customer, 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 December 31, 2021, the Company had cash, accounts receivable and short-term notes receivable of $29,440,602 to settle its current liabilities of $9,736,012. 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 December 31, 2021, the Company had $197,137 in net financial liabilities denominated in Canadian currencies. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately $19,714 CAD or $15,527 US 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 the Yavapai County Superior Court. The plaintiff alleged that he is an owner of RDF, and other entities. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit. During the year, the Company settled the claim for $340,000 on behalf of RDF and the case was dismissed.

b) 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

(Expressed in U.S. Dollars)

24. CONTINGENCIES (*CONTINUED…*)

and causes of action related to the lawsuit and settled the claim for $425,000 on behalf of RDF. During the year, 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 December 31, 2021 this obligation has been settled and paid in full for a total of $425,000.

c) As at December 31, 2021 RDF was named as a defendant in a lawsuit in Yavapai County Superior Court, for certain loan agreement and promissory note with a total due of $340,000. At December 31,2021 the Company has paid on behalf of RDF from the legal settlement allowance a total of $200,000. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for a balance $69,786 as of April 1, 2022 to be paid May 1, 2022.

d) As at December 31, 2021 RDF was named as a defendant in a lawsuit in Maricopa County Superior Court, 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 the balance of $250,000 which was paid on March 1, 2022.

25. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

		December 31, 2021		December 31, 2020
Net income for the year before taxes		**6,820,086**		2,639,068
Federal statutory tax rate - Canada		**27%**		27%
Federal statutory tax rate - US		**21%**		21%
State statutory tax rate		**4.9%**		4.9%
Expected income tax expense at Federal US rate	**$**	**1,432,218**	$	622,000
Change in other items		**401,149**		(108,000)
Income tax expense	**$**	**1,833,367**	$	514,000
Income tax expense consists of:				
Deferred tax expense	$	1,833,367	$	514,000
	$	**1,833,367**	$	514,000

Significant components of the Company's future tax liabilities, after applying enacted corporate income tax rates, are as follows: The majority of the deferred tax liability is related to cash accounting method for tax purposes.

		December 31, 2021		December 31, 2020
Deferred tax liabilities	**$**	**6,892,000**	$	5,013,000

Tax attributes are subject to review and potential adjustment by taxation authorities.

26. SUBSEQUENT EVENTS

- On February 10, 2022, the Company announced the appointment of Mark W. Opzoomer to its Board of Directors effective immediately. Mr. Opzoomer is an experienced public company director and committee chair.

- Subsequent to the year ended December 31, 2021, 10,000 options were cancelled, 16,667 RSUs were cancelled, and 8,333 RSUs were converted into common shares, 331,025 RSUs were granted, 369,500 warrants were exercised at CAD$0.45 each for a total of $166,275, and 2,931 multiple voting shares were converted into 293,100 common shares.

- As at December 31. 2021 RDF was named as a defendant in a lawsuit in Yavapai County Superior Court, for certain loan agreement and promissory note with a total due of $340,000. At December 31,2021 the company has paid on behalf of RDF from the legal settlement allowance a total of $200,000. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for a balance $69,786 as of April 1, 2022 to be paid May 1, 2022.

- As at December 31. 2021 RDF was named as a defendant in a lawsuit in Maricopa County Superior Court, 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 the balance of $247,236 which was paid on March 1, 2022.

- Two Arizona dispensary operations managed by subsidiaries of the Company —Herbal Wellness Center, Inc., an Arizona nonprofit corporation (“HWC”), and Organica Patient Group, Inc., an Arizona nonprofit corporation (“OPG”)—recently restructured from nonprofit corporations to for-profit-corporations for purposes consolidating under the Vext corporate umbrella. Until the launch of Arizona’s adult-use of marijuana program, Arizona law required all marijuana license holders to operate as nonprofit entities under the state’s medical-marijuana program. Following the passage of Arizona voter initiative 207 in November 2020, codified as A.R.S. §§ 2850, et seq., a dual-licensee holding both a medical-marijuana registration certificate and adult-use marijuana establishment license may operate on a for-profit basis if the licensee promptly notifies the Arizona Department of Health Services (“AZDHS”), Department of Revenue, and takes all actions necessary to enable its for-profit operation, including converting its corporate form under the Arizona Restructuring Act. See A.R.S. § 36-2858(D)(2).

- On December 28, 2021, the Board of Directors of HWC and OPG entered into resolutions to convert the two dual-licensees from nonprofit to for-profit corporations, pursuant to which these corporations approved New Gen Holdings, Inc., a Wyoming corporation (“New Gen”), and a wholly-owned subsidiary of Vext, as the sole shareholder of these corporations, holding 100,000 of the outstanding shares in each of the respective entities. Both HWC and OPG submitted and have received approvals of the necessary filings to AZDHS and other governmental agencies with an effective conversion date of December 31, 2021, resulting in New Gen’s ownership of outstanding shares as at January 1, 2022.

- On January 14, 2022, the Board of Directors of HWC and OPG entered into another round of resolutions to nominate and elect Eric Offenberger, the CEO of Vext, as a Board Member and Principal Officer of these corporations. By taking these actions, Vext consolidated its holdings in Arizona, and HWC and OPG became wholly-owned entities under the Vext corporate umbrella through Vext’s U.S. subsidiaries.

(Expressed in U.S. Dollars)

- Subsequent to the year end, the Company repaid $727,000 of notes payable which had come due. The following notes were paid in as at March 1, 2022 outlined below:

Note 16: Notes Payable	**Paid**	**December 31, 2021**	December 31, 2020
Maturing on January 5, 2022 with an interest rate of 15% per annum	**1/5/2021**	**175,000**	175,000
Maturing on February 1, 2022 with an interest rate of 12% per annum	**2/1/2021**	**272,000**	272,000
Maturing on March 1, 2022 with an interest rate of 12% per annum	**3/1/2021**	**280,000**	280,000
		$ 727,000	$ 727,000