THE GREEN ORGANIC DUTCHMAN HOLDINGS LTD.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1 - Identity of Company

1.1 Name and Address of Company

The Green Organic Dutchman Holdings Ltd. ("**TGOD**" or the "**Company**")
6205 Airport Rd., Building A – Suite 200
Mississauga, Ontario
L4V 1E3

1.2 Executive Officer

For further information, please contact Sean Bovingdon, Chief Financial Officer of the Company at (905) 304-4201.

Item 2 - Details of Acquisition

2.1 Nature of Business Acquired

The acquisition (the "**Acquisition**") of all of the issued and outstanding shares of BZAM Holdings Inc., a corporation incorporated under the laws of the Province of British Columbia ("**BZAM**") from its sole shareholder, BZAM International Ltd., a corporation incorporated under the laws of the United Kingdom (the "**BZAM Shareholder**"). BZAM is a multi-licensed Canadian cannabis producer focused on branded consumer goods, cultivation, processing and people. The BZAM Cannabis family includes core recreational cannabis brands BZAM™, -ness™ and TABLE TOP™, and partner brands Dunn Cannabis, FRESH, SuperFlower and Snackbar. BZAM operates facilities in the Lower Mainland, West Kootenay and Vancouver Island in British Columbia. Its sister companies operate facilities in Edmonton, Alberta, as well as a retail BZAM store in Winnipeg, Manitoba and Regina, Saskatchewan.

2.2 Date of Acquisition

November 3, 2022

2.3 Consideration

On October 18, 2022, the Company entered into a share exchange agreement (the "**Agreement**") with BZAM and the BZAM Shareholder to purchase and acquire all of the issued and outstanding common shares of BZAM (the "**BZAM Shares**") from the BZAM Shareholder (the "**Transaction**") in exchange for 49.5% of the issued and outstanding shares (the "**Combined Entity Shares**") of the combined entity formed upon closing of the Transaction (the "**Combined Entity**"), at a deemed price per Combined Entity Share of $0.0596 (the "**Issue Price**"). The BZAM Shareholder also has the ability to earn additional Combined Entity Shares valued up to $33,000,000, subject to achievement of certain milestones tied to annual net revenue targets and positive adjusted EBITDA targets for the 2023 calendar year as set out in the Agreement.

On closing of the Transaction on November 3, 2022 (“**Closing**”), the Company paid a purchase price (the “**Purchase Price**”) as follows:

a. A cash payment on Closing in the amount of $100.00; and

b. The issuance on Closing of an aggregate of 655,227,815 Combined Entity Shares, which constitutes, on a pro forma basis immediately following Closing, 49.5% of the aggregate number of Combined Entity Shares issued and outstanding as of immediately following the Closing (the “**Closing Shares**”). For purposes of calculating the Closing Shares, the determination of the issued and outstanding Combined Entity Shares as of immediately following the Closing did not take into account (i) any securities issued by the Company that are convertible into, or exercisable for, Combined Entity Shares; or (ii) the 85,714,286 Combined Entity Shares (the “**Milestone Escrow Shares**”) held in escrow pursuant to a certain indemnity escrow agreement dated November 17, 2021, between the Company, Computershare Trust Company of Canada, and certain securityholders of the Issuer.

Following the release from escrow on December 31, 2022, of certain Milestone Escrow Shares, the Company shall issue such additional number of Combined Entity Shares (collectively with the Closing Shares, the “**Consideration Shares**”) at the Issue Price to the BZAM Shareholder, entitling the BZAM Shareholder to 49.5% of the Combined Entity after taking account the release of the Milestone Escrow Shares.

In accordance with the terms of the Agreement, the BZAM Shareholder has entered into a contractual lock-up agreement, whereby the Consideration Shares shall be subject to escrow with 1/3 of such Consideration Shares being released on the 4-month, 8-month, and 12-month anniversaries of the date such Consideration Shares are issued.

The numbers of Combined Entity Shares set forth in this Section 2.3 do not reflect the 10:1 consolidation of the Combined Entity Shares, which was made effective on November 8, 2022.

2.4 Effect on Financial Position

The acquisition of BZAM is in keeping with the Company’s strategy to expand its geographical and market presence, through acquiring market leading brands and products in the cannabis industry that are expected to provide strategic and financial benefits to the Company. The Combined Entity is expected to recognize a number of cost synergies in the key areas of cultivation and production, cannabis and product purchasing, sales, marketing and corporate expense, improving the overall profitability of the Combined Entity.

Other than in respect of the changes which occurred as a result of the Transaction, the Company does not have any plans or proposals for material changes in its business affairs which may have a significant effect on its results of operations and financial position.

For further information on the business affairs, financial performance and financial position of the Company generally, refer to the Company's Management's Discussion & Analysis dated August 29, 2022 for the three and six month period ended June 30, 2022.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The Transaction was not with an informed person, associate or affiliate (as each term is defined in applicable securities legislation) of the Company.

2.7 Date of Report

This report is dated November 17, 2022.

Item 3 - Financial Statements and Other Information

3.1 Financial Statements

For the purposes of this business acquisition report, in accordance with Section 8.4 of National Instrument 51-102 – *Continuous Disclosure Obligations*, the following financial statements are included herein:

a) the audited financial statements of BZAM as at, and for the financial years ended December 31, 2021 and December 31, 2020, together with the notes thereto and the auditor's report thereon are attached as Schedule "A"; and

b) the unaudited interim consolidated financial statements of BZAM for the three and six months ended June 30, 2022 and June 30, 2021, attached as Schedule "B".

No auditor has provided consent for the disclosure of their audit reports in this report.

FORWARD-LOOKING STATEMENTS

This business acquisition report includes statements containing certain "forward-looking information" within the meaning of applicable securities law ("**forward-looking statements**"). Forward looking statements in this report include, but are not limited to, statements regarding the future performance of the Combined Entity, statements made concerning the Company's objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "should", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this report. Forward- looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties (including market conditions) and other factors that could cause actual events or results to differ materially from those projected in the forward- looking statements, including those risk factors described in the Company's most recent Annual Information Form filed with Canadian securities regulators and available on the Company's issuer profile on SEDAR at www.sedar.com. Although the Company believes that the assumptions and factors used in preparing the forward-looking information or forward-looking statements in this news release are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information and forward-looking statements included in this report are made as of the date of this report. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

SCHEDULE "A"
AUDITED ANNUAL FINANCIAL STATEMENTS OF BZAM

See attached.

Consolidated Financial Statements
(Expressed in Canadian dollars)

BZAM HOLDINGS INC.

And Independent Auditors' Report thereon

Years ended December 31, 2021, and 2020

Independent Auditor's Report

To Shareholders of BZAM Holdings Inc.:

Opinion

We have audited the consolidated financial statements of BZAM Holdings Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ("consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the period 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

Restated Comparative Information

We draw attention to Note 17 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2020, excluding the adjustments that were applied to restate certain comparative information as described in Note 17 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 25, 2022.

As part of our audit of the consolidated financial statements for the year ended December 31, 2021, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

PKF Antares
Professional Corporation

Calgary, Alberta
September 30, 2022

Chartered Professional Accountants
Licensed Public Accountants

BZAM HOLDINGS INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

December 31, 2021, with comparative information for 2020

		2021		2020 (Restated Note 17)
Assets				
Current assets:				
Cash and cash equivalents	$	4,545,886	$	2,057,405
Accounts receivable		7,493,396		3,682,068
Short-term investments (Note 10)		3,395,047		7,172,926
Inventory and supplies (Note 5)		15,553,047		7,929,498
Biological assets (Note 5)		754,763		577,829
Prepaid expenses and deposits		1,715,624		557,594
		33,457,763		21,977,320
Property, plant and equipment (Note 6)		66,506,980		97,238,741
Right of use assets (Note 7)		4,576,988		5,186,635
Other receivables		2,146,182		2,245,592
Other assets		1,279,733		788,746
	$	**107,967,646**	**$**	**127,437,034**
Liabilities and Shareholder's Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 9)	$	11,590,114	$	6,857,411
Current borrowings (Note 8)		3,267,210		4,968,806
Current lease obligations (Note 7)		525,405		571,107
		15,382,729		12,397,324
Lease obligations (Note 7)		4,446,272		4,810,727
Mortgages and borrowings (Note 8)		5,000,000		3,608,847
Provision for restoration		246,004		240,926
		25,075,005		21,057,824
Shareholder's equity:				
Share capital		100		100
Contributed surplus (Note 11)		219,466,835		186,858,571
Deficit		(128,153,049)		(73,832,595)
		91,313,886		113,026,076
Non-controlling interest (Note 12)		(8,421,245)		(6,646,866)
		82,892,641		106,379,210
	$	**107,967,646**	**$**	**127,437,034**

Commitments (Note 19)
Subsequent events (Note 1 & 20)

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

BZAM HOLDINGS INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended December 31, 2021, and 2020

		2021		2020 (Restated Note 17)
Revenue:				
Revenue from sale of goods (Note 13)	$	48,955,828	$	3,518,170
Excise taxes		(15,927,009)		(756,132)
Distribution and provincial fees (Note 13)		(1,388,862)		(221,948)
		31,639,957		2,540,090
Cost of sales:				
Cost of goods sold		(25,271,306)		(1,933,448)
Production and product development costs		(18,342,956)		(13,224,090)
Depreciation and amortization (Notes 6 and 7)		(5,731,881)		(4,683,836)
		(49,346,143)		(19,841,374)
Gross loss profit before fair value adjustments		(17,706,186)		(17,301,284)
Operating expenses:				
General and administrative (Note 14)		(12,768,612)		(10,952,910)
Sales and marketing		(4,088,569)		(766,615)
		(16,857,181)		(11,719,525)
Loss from operations		(34,563,367)		(29,020,809)
Other income (expenses):				
Finance and other costs		(668,365)		(490,668)
Foreign exchange gain (loss)		(168,859)		--
Gain (loss) on investments (Note 10)		1,528,556		1,769,063
Impairment of property, plant, and equipment (Note 6)		(8,285,011)		--
Lease liability accretion (Note 7)		(521,259)		(509,116)
Loss on disposal of facilities (Note 6)		(14,263,355)		--
Recovery of payables		846,827		8,377
		(21,531,466)		777,656
Loss for the year		(56,094,833)		(28,243,153)
Net loss and comprehensive loss for the year	**$**	**(56,094,833)**	**$**	**(28,243,153)**
Net loss for the year attributable to:				
BZAM International Ltd.	$	(54,320,454)	$	(22,926,140)
Non-controlling interest		(1,774,379)		(5,317,013)
Net loss and comprehensive loss for the year	**$**	**(56,094,833)**	**$**	**(28,243,153)**

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

BZAM HOLDINGS INC.

Consolidated Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars)

Year ended December 31, 2021

	Shares	Share Capital	Contributed surplus	Deficit	Total shareholder's equity	Non-controlling interest (Restated Note 17)	Total Equity
Balance, December 31, 2019	100	$ 100	$ 125,007,849	$ (50,906,455)	$ 74,101,494	$ (1,329,853)	$ 72,771,641
Shareholder contribution (Note 11)	--	--	61,850,722	--	61,850,722	--	61,850,722
Net loss for the year	--	--	--	(22,926,140)	(22,926,140)	(5,317,013)	(28,243,153)
Balance, December 31, 2020	100	100	186,858,571	(73,832,595)	113,026,076	(6,646,866)	106,379,210
Shareholder contribution (Note 11)	--	--	32,608,264	--	32,608,264	--	32,608,264
Net loss for the year (Note 17)	--	--	--	(54,320,454)	(54,320,454)	(1,774,379)	(56,094,833)
Balance, December 31, 2021	**100**	**$ 100**	**$ 219,466,835**	**$ (128,153,049)**	**$ 91,313,886**	**$ (8,421,245)**	**$ 82,892,641**

BZAM HOLDINGS INC.

Consolidated Statements of Cash Flow
(Expressed in Canadian dollars)

For the years ended December 31, 2021, and 2020

	2021	2020 (Restated Note 17)
Cash provided by (used in):		
Operating activities:		
Net loss for the year	$ (56,094,833)	$ (28,243,153)
Items not involving cash:		
Amortization of ROU asset (Note 7)	760,234	670,819
Depreciation of property, plant and equipment (Note 6)	4,971,647	4,013,017
Interest expense (Note 8)	546,884	483,601
Lease liability accretion (Note 7)	521,259	509,116
Loss on disposal of facilities (Note 6)	14,263,355	--
Unrealized (gain) loss on investments (Note 10)	(1,528,556)	(1,769,063)
Impairment of property, plant and equipment (Note 6)	8,285,011	--
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	5,339,765	(759,983)
Accounts receivable and other receivables	(3,711,918)	(4,678,498)
Biological assets, inventory and supplies (Note 5)	(7,800,483)	(8,386,641)
Prepaid expenses and deposits	(1,633,032)	124,904
Net cash flows from operating activities	(36,080,667)	(38,035,881)
Investing activities:		
Purchase of property, plant and equipment (Note 6)	(5,972,827)	(25,953,578)
Net proceeds - sale of facilities (Note 6)	8,566,605	--
Sale of short-term investments (Note 10)	5,656,435	--
Purchase of share subscriptions (Note 10)	(350,000)	--
Net cash flows from investing activities	7,900,213	(25,953,578)
Financing activities:		
Proceeds from shareholder contributions (Note 11)	32,608,264	61,850,722
Lease interest payments (Note 7)	(521,259)	(509,116)
Lease principal payments (Note 7)	(560,743)	(442,036)
Mortgages received (Note 8)	5,000,000	--
Mortgage and borrowings interest payments (Note 8)	(397,565)	--
Mortgage and borrowings principal payments (Note 8)	(5,459,762)	--
Net cash flows from financing activities	30,668,935	60,899,570
Increase (decrease) in cash and cash equivalents	2,488,481	(3,089,889)
Cash and cash equivalents, beginning of year	2,057,405	5,147,294
Cash and cash equivalents, end of year	**$ 4,545,886**	**$ 2,057,405**

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

1. Nature of operations:

BZAM Holdings Inc. (“BZAM” or the “Company”) was incorporated on January 17, 2019, under the British Columbia Business Corporations Act. The address of the Company’s corporate office and the principal place of business is 200 Burrard Street, Suite 1570, Vancouver, British Columbia, Canada V6C 3L6. The Company is a wholly-owned subsidiary of BZAM International Ltd., its ultimate parent.

The Company operates in the production, distribution, and sale of adult-use recreational cannabis products in Canada pursuant to the Cannabis Act. During 2019, BZAM began the process of preparing for production and obtaining all required licensing from the municipal, provincial, and federal levels. As at December 31, 2021, the Company holds licenses for two cultivation sites in Alberta and British Columbia; and one processing site in British Columbia.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations as they arise. Management has a reasonable expectation that the Company has adequate resources to continue operations as a going concern. The ability of the Company to operate as a going concern and realize its assets and discharge its liabilities in the normal course of operations is based on its ability to generate revenues from its cannabis operations. As the Company continues to invest into the development of its cannabis facilities, ultimately the ability of the Company to continue operations is dependent upon the continued support from its ultimate parent and its ability to secure financing arrangements (refer to Note 20).

2. Statement of compliance and basis of preparation:

These consolidated financial statements of the Company 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. The Director approved the consolidated financial statements on September 30, 2022. These consolidated financial statements have been prepared on the accrual basis and on a historical cost basis, except for financial instruments measured at fair value. The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. These consolidated financial statements are prepared in Canadian dollars which is the Company’s functional currency, with all amounts rounded to the nearest dollar, unless otherwise stated.

During the year ended December 31, 2021, the Company discovered errors related to property, plant and equipment and accruals. The restatement impacted Consolidated statements of position, comprehensive loss, changes in shareholder equity and cash flow. The Company adjusted property, plant and equipment, accruals, and non-controlling interest notes. See further details regarding such restatements at Note 17 - Restatement. The Company updated the consolidated statement of cash flow for reclassification between principal and interest payments, and the notes for General & Administration (refer to Note 14) and Key Management Compensation (refer to Note 11) as presented in 2020 to align with the current year presentation. The Company considered the materiality of the reclassifications and concluded it is sufficient to present such information only in those notes impacted by a reclassification.

3. Significant accounting policies

(a) Consolidation:

These consolidated financial statements comprise the accounts of the Company and its subsidiaries, with intercompany balances and transactions eliminated upon consolidation.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over investee (i.e., existing rights to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Company re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interest. As at December 31, 2021, the subsidiaries of the Company are as follows:

Name of subsidiary	Principal activity	Location	Proportion of ownership interest and/or voting power held
BZAM Management Inc.	Operating Company	Canada	100%
Folium Life Science Inc.	Operating Company	Canada	80%
BZAM Cannabis Corp.	Operating Company	Canada	58%
10050999 Manitoba Ltd.	Operating Company	Canada	100%

(b) Cash and cash equivalents:

Cash and cash equivalents are financial assets that are measured at amortized cost, which approximate fair value. Cash and cash equivalents, cash deposits in financial institutions and other deposits that are highly liquid and readily convertible into cash, with original term to maturity of three months or less.

(c) Accounts receivable:

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period. Impairment provisions are estimated using the expected credit loss impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date.

(d) Property, plant and equipment (“fixed assets”):

Fixed assets are measured at cost, net of accumulated depreciation and any impairment losses.

Cost includes expenditures that are directly attributable to the asset acquisition. The cost of self-constructed assets includes the cost of materials, direct labor, other costs directly attributable to make the asset available for its intended use, as well as relevant borrowing costs on qualifying assets (see below for more information). During their construction, fixed assets are classified as construction in progress ("CIP") and are not subject to depreciation. When the asset is available for use, it is transferred from CIP to the relevant category of fixed assets and depreciation commences.

Where particular parts of an asset are significant, discrete and have distinct useful lives, the Company may allocate the associated costs between the various components, which are then separately depreciated over the estimated useful lives of each respective component. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Asset	Rate
Buildings	25-30 years
Facilities and capital improvements	25-30 years
Cultivation, production, and plant equipment	5 years
Furniture and fixtures	5 years
Outdoor machinery and equipment	3 years
Leasehold improvements	over the term of the lease
IT and security infrastructure	5 years
Vehicles and mobile equipment	5 years

Residual values, useful lives and depreciation methods are reviewed annually, and changes are accounted for prospectively.

Gains and losses on asset disposals are determined by deducting the carrying value from the sale proceeds and are recognized in profit or loss.

The Company capitalizes borrowing costs on qualifying capital construction projects. Upon the asset becoming available for use, capitalization of borrowing costs ceases, and depreciation commences on a straight-line basis over the estimated useful life of the related asset.

(e) Impairment of fixed assets:

The Company assesses impairment of fixed assets when an impairment indicator arises (e.g., change in use or discontinued use, obsolescence, or physical damage). When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the cash generating unit ("CGU") level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use.

Value-in-use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in profit or loss.

Reversal of impairment:

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Inventory:

The Company defines inventory as all cannabis products after the point of harvest ("cannabis inventory"), purchased finished goods for resale, consumable supplies, and accessories. Cannabis inventory includes harvested cannabis, supplies and consumables and cannabis oils.

Cannabis inventory is transferred from biological assets at fair value less costs to sell at the point of harvest, which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to cannabis inventory to the extent that the cost is less than net realizable value ("NRV"). Post-harvest costs include any direct labour related costs, supplies and consumables, utilities, facility costs, quality and testing costs and related depreciation.

NRV is determined by deducting estimated remaining conversion/completion costs and selling costs from the estimated sale price achievable in the ordinary course of business. Cost is determined using the weighted average method and includes all costs of purchases and all other costs incurred in bringing inventories to their present location and condition. In the period that cannabis inventory is sold, the fair value portion of the deemed cost transferred from biological assets, is recorded as realized changes in fair value of inventory sold, and the remaining carrying cost of such cannabis inventory, including direct and indirect costs, are recorded within the cost of sales line within profit or loss.

Products for resale, consumable supplies and accessories are initially recognized at cost and subsequently measured at the lower of cost and NRV. The Company reviews these types of inventories for obsolescence, redundancy, and slow turnover to ensure that they are measured at NRV.

(g) Biological assets:

The Company's biological assets consist of cannabis plants in various stages through the growth cycle, from propagation to vegetative and flowering stages up to the point of harvest. The biological asset group also contains seeds the Company holds to preserve certain strains that may be introduced to the market in the future. Biological assets are measured at their fair value less cost to sell up to the point of harvest in accordance with IAS 41 – Agriculture. Fair value at the point of harvest becomes the base cost for inventories. Fair value less cost to sell is determined using a valuation model. Unrealized gains or losses, if any, arising from the changes in the fair value of biological assets are included in profit or loss in the related year. Seeds are measured at cost which approximates fair value.

(h) Leases:

The Company accounts for its leases in accordance with IFRS 16 Leases which provides for a single accounting model for lessees. As a lessee, the Company recognizes a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lease is defined as a contract, or part of a contract, which conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Right-of-use assets ("ROU") and lease liabilities:

Upon commencement of a lease, the Company records a right-of-use asset and a lease liability. The lease liability has been initially measured at the present value of all fixed lease payments that remain to be paid at the commencement date. The associated right-of-use asset will initially be measured at cost, consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; plus
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

The Company records amortization expense over the term associated with its respective lease agreements for which it has accounted for right of use assets. The Company applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases (less than one year) are recognized as expenses in the period incurred.

(i) Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued liabilities, and mortgages and borrowings.

Financial assets:

The Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through OCI ("FVOCI"), or financial assets at amortized cost. Management determines the appropriate classification upon initial recognition, based on the characteristics and terms of the instruments, as well as the business model under which the instruments are held. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or losses, directly attributable transaction costs.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as fair value through the profit or loss:

- It is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have financial assets at FVOCI, and financial assets that do not meet the above conditions are measured at FVTPL.

Financial liabilities:

The Company's financial liabilities are comprised of accounts payable and accrued liabilities, mortgages, and borrowings. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. Accounts payable and accrued liabilities, mortgages and borrowings are classified as amortized cost financial liabilities, measured at fair value on initial recognition and subsequently measured at amortized cost.

Derecognition:

The Company derecognizes a financial asset or liability when its contractual rights or obligations are discharged or cancelled or expire.

Offsetting of financial instruments:

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets.

(j) Related party transactions:

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company considers a person or entity as a related party if they are a member of key management personnel including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are under common control or controlled by related parties. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Non-controlling interests ("NCI"):

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(l) Income tax:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax comprises of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recorded using the asset-liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect differences relating to investments in a subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

(m) Revenue:

Revenue is recognized at the amount of consideration that the Company expects to be entitled to in exchange for transferring promised goods to a customer. Revenue from the sale of goods is recognized when control of the goods has transferred, as this is when the Company has satisfied its performance obligation under the contract. The Company does not have performance obligations after the delivery of goods to customers. Revenue is presented net of a variable sales allowance for the potential return of goods.

(n) Cost of goods sold:

Cost of goods sold contains biomass input cost, and finish goods' manufacture cost such as consumables, labor, and overhead. The Company creates bill of material for each stock keeping unit.

(o) Production cost:

The Company expenses the direct and indirect costs related to production of biological assets and inventory, for amounts that are not capitalized. Production cost includes unutilized production capacity, utilities, facilities costs, other overhead, trial production runs, spoilage, and wastage.

(p) New accounting pronouncements:

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable to the Company, or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendment clarifies the requirement relating to determining if a liability should be presented as current or non-current in the consolidated financial statements. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of the amendments on the Company's consolidated financial statements. The Company is currently evaluating the potential impact of this amendment change on the Company's consolidated financial statements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("Amendments to IAS 12"). The Amendments to IAS 12 clarify how companies account for deferred tax on transactions such as leases and de-commissioning obligations. The main change in this amendment is that the initial recognition exemption in IAS 12.15(b) and IAS 12.24 is clarified to not be applicable to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The Amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the potential impact of this amendment change on the Company's consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently evaluating the potential impact of this amendment change on the Company's consolidated financial statements.

4. Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingencies.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the notes to these consolidated financial statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

(a) Biological assets:

Biological assets are measured at their fair value less cost to sell up to the point of harvest. Determining the fair value of biological assets requires the Company to estimate selling prices, selling costs, stage of growth of cannabis plants, harvest yields and post-harvest costs. Refer to 5 for sensitivity analysis.

(b) COVID-19 estimation uncertainty:

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The duration of the business disruptions and related financial impact cannot reasonably be estimated at this time. In addition, it is possible that estimates in the Financial Statements will change in the near term as a result of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets, intangibles assets, and goodwill. Most specifically, the sudden emergence of the Omicron variant BA.4 and BA.5 in April 2022 resulted in continued travel and economic uncertainty. Future developments on COVID-19 are highly uncertain and out of the Company's control. Prolonged disruptions due to the pandemic, including the emergence of new COVID-19 variants or mutations, travel restrictions, delays in the global vaccination rollout and potential declines in vaccine efficacy, may negatively impact our operations and result in temporary closures of our retail stores, lower retail store traffic, and staff shortages.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

(c) Impairment of Non-Financial Assets - Property, Plant and Equipment:

Non-financial asset impairment tests require the allocation of assets to CGUs or CGU groups, which requires significant judgement and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations. The Company has concluded is has one CGU. Non-financial asset impairment tests require the determination of whether there is an indication of impairment. The assessment of whether there is any indication of impairment is performed at the end of each reporting period, and requires the application of judgement, historical experience, and use of external and internal sources of information.

Non-financial asset impairment tests require the estimation of the recoverable amount of the asset or CGU, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, based on the Company's forecast for the next 15 years. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Refer to Note 6 for sensitivity analysis of key assumptions.

5. Inventory and biological assets

(a) Biological assets: The changes in the carrying value of biological assets are as follows:

		2021		2020
Biological assets, opening balance	$	577,829	$	--
Bio-asset externally purchased		200,875		287,307
Bio-asset transfer to inventory upon harvest		(7,076,289)		(2,868,861)
Plants destroyed		(1,964,854)		(198,916)
Production cost capitalization		9,017,202		3,358,299
As at December 31,	$	754,763	$	577,829

As of December 31, 2021, the weighted average fair value less cost to complete and cost to sell a gram of dried cannabis was $1.75 per gram (December 31, 2020 – $2.22 per gram). For the year end December 31, 2021, the total cash cost (includes direct labor, direct consumable materials, overhead such as rent and utilities) has exceeded the fair value. Therefore, the bio-asset contains no unrealized gain of fair value adjustment due from transformation of plants. The Company commenced cultivation of biological assets in year ended December 31, 2020.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

The valuation of biological assets is based on Level 3, under which the fair value of various stages of plants is estimated based of fair market value of bulk cannabis in the same condition and quality less cost to sell and cost to complete. Cost to complete is estimated based on the grow cycle and the completion percentage of growth cycles. Harvested cannabis is transferred from bio asset at its fair value to inventory category. The following key inputs and assumptions have been used to determine the fair value of cannabis plants.

- Yield per plant
- Stage of completion in the production process: measured days spent in phase as a percentage of typical duration of such a phase which is generally 90 days from clipping of clones to date of harvest
- bench marked to other licensed producers' bulk sales price of cannabis flower in similar condition, quality and extraction effectiveness under the same growing condition which is controlled environment.
- Post-harvest cost

The table below is a sensitivity analysis summarized the impact from significant inputs using the same fair value model. Based on 55% (2020 – 64%) of weighted average of completion, with 5% change of key assumptions):

Significant inputs and assumptions	December 31, 2021	Sensitivity (+/-)		Impact on biological assets
Average selling price	$1.75 per dried gram	5%	$	36,870
Yield per plant	62-81 grams per plant	5%		37,738
Post harvest cost	$0.23 capitalized cost per gram	5%		3,517

Significant inputs and assumptions	December 31, 2020	Sensitivity (+/-)		Impact on biological assets
Average selling price	$2.22 per dried gram	5%	$	24,192
Yield per plant	61- 72 grams per plant	5%		24,266
Post harvest cost	$0.30 per gram	5%		3,839

(b) Inventory:

The Company categorized inventory as shown in table below. The Company's accounting policy carries inventory purchased from external licensed producers at lower of historical cost and net realizable value (NRV). The Company capitalize production cost such as direct labor, direct consumable of "bill of material" components and overhead as bulk raw cannabis get processed into work-in-process, semi-finished goods, and finished goods.

The carrying value is tested to be stated at lower of cash cost to produce or net realizable value. Any unutilized capacity has been expensed as production cost and not capitalized as part of inventory carrying value in accordance with IFRS.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

During the year ended December 31, 2021, the Company reduced inventory by $144,489 to NRV. The following is a breakdown of inventory as at December 31, 2021, and 2020:

		2021		2020
Work in progress:				
Dried Cannabis	$	8,827,696	$	1,810,729
Extracts		3,229,185		2,873,224
Finished goods				
Dried Cannabis		1,348,347		82,775
Extracts		771,206		961,456
Supplies and consumables		1,279,437		1,953,386
Merchandise and accessories		97,176		247,928
	$	15,553,047	$	7,929,498

6. Property, plant, and equipment

In October 2021, the Company sold a facilities and equipment for net proceeds of $8,566,605 and the Company recorded a loss on disposal of $14,263,355.

The Company reviews the carrying value of its property, plant, and equipment at each reporting period for indicators of impairment. During the year ended December 31, 2021, an indicator of impairment was identified for the BZAM, and the test for impairment was performed.

The Company's CGU represents its operations dedicated to the cultivation and production of Cannabis within Canada. The $66,506,980 recoverable amount was determined using a value in use method by discounting the most recent expected future net cash flows attributable to the CGU. As a result, management recorded impairment losses of $8,285,011 for the year ended December 31, 2021.

Management allocated the impairment loss based on the relative carrying amounts of the Company Facilities and Leasehold improvements. Management allocated $7,283,643 of impairment losses to Facilities and capital improvements and $1,001,368 of impairment losses to leasehold improvements.

The recoverable amount of the CGU was determined based on value in use using a market-based approach (Level 3) based on an income based discounted cash flow analysis ("DCF"). It is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount of the Company's assets. The Company will continue to evaluate the recoverability of its assets on a yearly basis.

The significant assumptions in the DCF analysis were as follows:

(a) Short-term growth rate: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. The cash flows are derived from the Company's 15-year projections. The short-term revenue growth ranges from 23% to 12% for the first nine years and a long-term growth rate of 3% from year 10 and onwards. If all other assumption were held constant and the short-term growth rate in the first nine years was decreased by 1%, the recoverable amount would decrease by approximately $8,216,000;

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

(b) Long-term growth rate: The Company used a 6% long-term rate which is based on historical and projected consumer inflation, historical and projected economic indicators, and projected industry growth. If all other assumption were held constant and the terminal growth rate was decreased by 1%, the recoverable amount would decrease by approximately $2,297,000;

(c) Gross margin: Forecasted gross margin are based on internal projections, developed with reference to historical experience and external market information. If all other assumptions were held constant and resulting gross margin declined by 1%, the recoverable amount would decrease by approximately $5,787,000; and

(d) Discount rate: Management used a 12.7% post-tax discount rate which is reflective of an industry Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium based on a direct comparison approach, a size premium and company specific risk, and after-tax cost of debt based on corporate bond yields. If all other assumption were held constant and the discount rate was in increased by 1%, the recoverable amount would decrease by approximately $6,639,000.

Details of the Company's property, plant, and equipment are as follows:

	As at December 31,			
Net Book value		**2021**		**2020 Restated (Note 17)**
Land	$	6,624,118	$	17,848,740
Facilities and capital improvements		41,572,117		42,566,944
Outdoor machinery and equipment		179,776		10,032
Cultivation, production, and plant equipment		5,030,163		3,217,221
Furniture and fixtures		148,380		211,514
IT and security infrastructure		4,217,231		5,208,106
Leasehold improvements		4,172,671		5,887,603
Vehicles and mobile equipment		244,676		254,904
Construction-in-progress		4,317,848		22,033,677
	$	66,506,980	$	97,238,741

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Cost		As at December 31, 2020 Restated (Note 17)		Additions		Disposals, and reclasses		As at December 31, 2021
Land	$	17,848,740	$	--	$	(11,224,622)	$	6,624,118
Facilities and capital improvements		44,465,189		2,744,422		4,346,235		51,555,846
Outdoor machinery and equipment		12,038		208,508		--		220,546
Cultivation, production and plant equipment		3,952,049		2,976,064		(153,175)		6,774,938
Furniture and fixtures		315,668		--		--		315,668
IT and security infrastructure		6,887,763		429,641		--		7,317,404
Leasehold improvements		7,087,985		--		--		7,087,985
Vehicles and mobile equipment		368,642		70,556		--		439,198
Construction-in-progress		22,033,677		1,288,309		(19,004,138)		4,317,848
	$	102,971,751	$	8,437,500	$	(26,035,700)	$	84,653,551

Accumulated depreciation		As at December 31, 2020		Depreciation		Disposals and impairment		As at December 31, 2021
Facilities and capital improvements	$	(1,898,245)	$	(1,582,186)	$	(6,503,298)	$	(9,983,729)
Outdoor machinery and equipment		(2,006)		(38,764)		--		(40,770)
Cultivation, production and plant equipment		(734,828)		(1,072,699)		62,752		(1,744,775)
Furniture and fixtures		(104,154)		(63,134)		--		(167,288)
IT and security infrastructure		(1,679,657)		(1,420,516)		--		(3,100,173)
Leasehold improvements		(1,200,382)		(713,564)		(1,001,368)		(2,915,314)
Vehicles and mobile equipment		(113,738)		(80,784)		--		(194,522)
	$	(5,733,010)	$	(4,971,647)	$	(7,441,914)	$	(18,146,571)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Cost		As at December 31, 2019		Additions		Disposals and reclasses		As at December 31, 2020 Restated (Note 17)
Land	$	17,653,006	$	195,734	$	--	$	17,848,740
Facilities and capital improvements		37,871,956		533,884		6,059,349		44,465,189
Outdoor machinery and equipment		--		12,038		--		12,038
Cultivation, production and plant equipment		1,745,417		2,206,632		--		3,952,049
Furniture and fixtures		241,590		74,078		--		315,668
IT and security infrastructure		4,641,410		2,246,353		--		6,887,763
Leasehold improvements		6,659,135		428,850		--		7,087,985
Vehicles and mobile equipment		350,779		17,863		--		368,642
Construction-in-progress		7,854,880		20,238,146		(6,059,349)		22,033,677
	$	77,018,173	$	25,953,578	$	--	$	102,971,751

Accumulated depreciation		As at December 31, 2019		Depreciation		Disposals		As at December 31, 2020
Facilities and capital improvements	$	(594,417)	$	(1,303,828)	$	--	$	(1,898,245)
Outdoor machinery and equipment		--		(2,006)		--		(2,006)
Cultivation, production and plant equipment		(174,981)		(559,847)		--		(734,828)
Furniture and fixtures		(24,159)		(79,995)		--		(104,154)
IT and security infrastructure		(462,787)		(1,216,870)		--		(1,679,657)
Leasehold improvements		(428,571)		(771,811)		--		(1,200,382)
Vehicles and mobile equipment		(35,078)		(78,660)		--		(113,738)
	$	(1,719,993)	$	(4,013,017)	$	--	$	(5,733,010)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

7. Right-of-use asset and lease obligations

As at December 31, 2021, and December 31, 2020, the Company's rights of use assets and lease are follows:

Right-of-use assets		**2021**		**2020**
Opening balance	$	5,186,635	$	5,258,641
Additions		150,587		598,813
Depreciation		(760,234)		(670,819)
	$	4,576,988	$	5,186,635
Lease obligations		**2021**		**2020**
Opening balance	$	5,381,834	$	5,209,843
Additions		150,586		614,027
Imputed Interest		521,259		509,116
Payments		(1,082,002)		(951,152)
As at December 31,		4,971,677		5,381,834
Less: current portion		(525,405)		(571,107)
	$	4,446,272	$	4,810,727

Real estate leases typically extend for a period of 1–10 years. The Company leases building facilities and equipment for the cultivation, production, and processing of cannabis ("Leased Facilities"); Corporate office lease and retail sales leases. The building facilities leases run for a period of 7 to 13 years, the office lease runs for 4 years, and the retail lease runs for 2 years. The Company leases certain machinery and equipment related to its Lease Facilities run for a period of 2 years.

The Companies Leased Facilities periods, include options to renew the lease the initial contract term for an additional period and is at the option of the Company as the lessee. The Company lease renewals incorporated in the lease periods includes Leased Facilities ranging from 2 to 10 years, the corporate office lease of 2 years and retail sales lease of 5-years.

The Company recognized its right-of-use asset and lease liability for these leases based on the present value of future minimum lease payments. The Company used an incremental borrowing rate of 10% to discount its lease obligations.

		Within 1-year		**1-5 years**		**5-10 years**		**Total**
Lease payments	$	990,886	$	4,196,647	$	2,157,357	$	7,344,890
Finance charges		(465,481)		(1,450,937)		(456,795)		(2,373,213)
Net present value	$	525,405	$	2,745,710	$	1,700,562	$	4,971,677

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

8. Mortgages and borrowings

As at December 31, 2021, and 2020 the Company's loans and borrowings consisted of the following:

		Mortgages		Borrowings		Preferred shares		Total
As at December 31, 2019	$	2,195,320	$	4,618,732	$	1,280,000	$	8,094,052
Accrued interest		133,527		350,074		--		483,601
As at December 31, 2020		2,328,847		4,968,806		1,280,000		8,577,653
Additions		5,000,000		--		--		5,000,000
Loan and interest payments		(2,630,341)		(1,946,986)		(1,280,000)		(5,857,327)
Interest expense		301,494		245,390		--		546,884
As at December 31, 2021	$	5,000,000	$	3,267,210	$	--	$	8,267,210

On May 31, 2021, BZAM Cannabis Corp. (the "Borrower") entered into a mortgage loan agreement (the "2021 Borrowings") where the Company restructured its debt with a new lender (the "Lender"), decreasing the total debt from $5,857,327 to $5,000,000 for mortgages and borrowings. The mortgage bears interest at 10.00% per annum and matures on May 31, 2026. Interest is calculated and compounded monthly and payable monthly on the last day of each month.

The loan may be prepaid on 30 days' notice and will include a Prepayment Fee. The Prepayment fee is equal to the greater of:

1) Three months interest and

2) The aggregate amount of the Agent's and the Lenders' cost of funds incurred as a result of the Prepayment.

The loan may be renewed beyond the maturity date for a fee of 2% of the outstanding principal amount owing should the lender agree.

Security:

i. First mortgage over the BZAM Cannabis Corp. facility (the "Property"):

ii. General assignment of rents and leases in respect of the Property:

iii. General security agreement over all Borrower's present and after acquired personal property,

iv. Corporate guarantee of BZAM Management Inc.

Mortgages:

For the year ended December 31, 2021, BZAM paid principal and interest of $2,630,341 from the 2021 Borrowings. The 2021 new Borrowings of $5,000,000 was recorded as mortgages. As at December 31, 2021, the Company's mortgage balance amounted to $5,000,000 (2020 - $2,328,847). During the year ended December 31, 2021, the Company repaid and recorded interest expense of $301,494 (2020 – $133,527) to the lender. For the year ended December 31, 2020, no interest was repaid and was included in the carrying value of the mortgage balance. The interest expense in the year was recorded in finance and other costs.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Preferred shares:

Pursuant to the acquisition of 52.8% of the issued and outstanding shares of Sweetgrass, the Company has issued preferred shares of $1,280,000 at the acquisition date. On May 31, 2021, the Company paid the mortgage holder $1,280,000 for the repurchase the 80,000 Class "A" shares of BZAM Cannabis Corp which were cancelled. Preferred shares were included in non-current liabilities, Mortgages and Borrowings.

Borrowings:

For the year ended December 31, 2021, BZAM paid principal and interest of $1,946,986 from the 2021 Borrowings. The remaining borrowings bear an interest rate of 6% and are due on demand in 2022. As at December 31, 2021, the Company's borrowings amounted to $3,267,210 (2020 - $4,968,806) and were classified as current liabilities. During the year end December 31, 2021, the Company recorded interest expense of $245,390 (2020 - $350,074) which was included in the carrying value of the borrowings. The interest expense in the year was recorded in finance and other costs.

9. Trade payables and accrued liabilities

As at December 31, 2021, and 2020, the Company's trade payables and accrual liabilities consisted of the following:

		As at December 31, 2021		As at December 31, 2020 Restated (Note 17)
Trade payables	$	9,973,738	$	2,697,442
Accruals		1,616,376		4,159,969
	$	11,590,114	$	6,857,411

10. Short-term investments

		Marketable securities (FVTPL)		Subscribed (FVTPL)		Warrants (FVTPL)		Total
As at December 31, 2019	$	5,070,859	$	--	$	333,004	$	5,403,863
Gain (loss) recorded in net loss		2,056,256		--		(287,193)		1,769,063
As at December 31, 2020		7,127,115		--		45,811		7,172,926
Additions		--		350,000		--		350,000
Disposal		(5,656,435)		--		--		(5,656,435)
Gain (loss) recorded in net loss		1,574,367		--		(45,811)		1,528,556
As at December 31, 2021	$	3,045,047	$	350,000	$	--	$	3,395,047

As at December 31, 2021, the Company held 6,343,847 marketable securities shares (December 31, 2020 - 15,573,847) and nil warrants (December 31, 2020 - 11,003,847) in Canadian listed cannabis companies for a total fair value of $3,045,047 (December 31, 2020 - $7,127,115).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

During the year ended December 31, 2021, the Company acquired subscription receipts ("Subscribed"), which entitled the Company to receive, upon satisfaction of certain conditions, shares and warrants of a private company for a cost of $350,000 (2020 – $Nil).

During the year ended December 31, 2021, the Company sold marketable securities shares 9,493,500 (2020 - $Nil) for gross proceeds of $5,656,435 (2020- $Nil). For the year ended December 31, 2021, the Company revalued the marketable securities shares recorded gain of disposals of $1,528,556 (2020 - $1,769,063). The Warrants expired in year ended December 31, 2021.

11. Related party transactions:

During the year ended December 31, 2021, BZAM International Ltd. funded BZAM in form of contributed surplus, bearing 0% interest. Additions to Contributed surplus for the year totaled $32,608,264 (2020 - $61,850,722).

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and consists of the Company's executive management team. Key management personnel compensation and other related party expenses for the years ended December 31, 2021, and 2020 are as follows:

		2021		2020
Salary and short-term benefits	$	728,654	$	720,000
Long-term benefits		239,389		24,633
Termination Benefits		223,516		--
	$	1,191,559	$	744,633

12. Non-controlling interest

During the year ended December 31, 2020, BZAM acquired additional shares of Folium increasing its ownership to 80% with the remaining 20% held with existing Folium shareholders. The non-controlling interest is carried at 20%. The Company is responsible for all construction and operating costs.

During the year ended December 31, 2020, BZAM acquired additional shares of BZAM Cannabis Corp. (BCC) increasing its ownership to 58% with the remaining 42% held with existing BCC shareholders. The non-controlling interest is carried at 42%. The Company is responsible for all construction and operating costs.

The below summarized financial information of non-controlling interest is before inter-company eliminations:

December 31, 2021		**BCC**		**Folium**
Balance sheet:				
Current assets	$	3,815,139	$	1,108,548
Non-current assets		40,811,489		11,152,531
Current liabilities		4,101,581		37,034
Non-current liabilities		45,092,948		17,044,167
Statement of operations:				
Net loss and Comprehensive loss for the year		(3,365,174)		(1,805,031)
Statement of cash flows:				
Cash, beginning of the year		889,711		269,966
Net cash provided by (used in) operating activities		(3,977,525)		(2,352,925)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Net cash provided by (used in) investing activities		(1,013,504)		(1,033,056)
Net cash provided by (used in) financing activities		4,132,399		3,881,301
Cash and cash equivalents, end of year	$	31,081	$	765,286

December 31, 2020		BCC		Folium (Note 17)
Balance sheet:				
Current assets	$	1,770,248	$	318,861
Non-current assets		42,755,809		10,830,185
Current liabilities		2,048,509		607,555
Non-current liabilities		42,949,373		8,736,424
Statement of operations:				
Net loss and comprehensive loss for the year		(9,911,458)		(1,646,068)
Statement of cash flows:				
Cash, beginning of the year		1,496,380		--
Net cash provided by (used in) operating activities		(8,871,948)		(1,580,327)
Net cash provided by (used in) investing activities		(12,503,620)		(5,743,713)
Prepaid expenses and deposits		20,768,899		7,594,006
Cash and cash equivalents, end of year	$	889,711	$	269,966

13. Revenue:

		2021		2020
Revenue from sale of goods	$	48,955,828	$	3,518,170
Excise taxes		(15,927,009)		(756,132)
Distribution fees		(784,196)		(221,948)
Provincial fees		(604,666)		--
	$	31,639,957	$	2,540,090

For the year ended December 31, 2021, 8% (2020 – 98%) of revenue arises from the sale of recreational cannabis sold to customers through The Green Organic Dutchman ("TGOD") sales license. The remaining 92% (2020 – 2%) arises from BZAM's direct sales to 3rd parties and the Company's licensed retail store in Manitoba, which commenced operations in late November 2020.

In May 2020, the Company entered into an agreement with TGOD to sell cannabis products under TGOD's sales license. The Company is fully responsible for ensuring the quality and assurance of the product sold. TGOD earns distribution fees on the sales amounting to, $0.30/g of flower and $1.88/vape, which is deducted by TGOD before payments received are remitted to the Company. The Company acts as the principal in its agreement with TGOD, as the Company is responsible for bearing all risks and rewards related to the sale and has full control of goods prior to transfer to customer. The products are shipped directly from BZAM's facilities to the customers.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

14. General and administrative expenses:

	2021	2020 (Note 17)
Consultants and services	$ 1,211,990	$ 810,785
Insurance and licenses	691,295	107,996
Office & IT services and supplies	1,156,127	2,015,289
Professional costs	267,493	759,161
Rent and premises costs	257,995	376,060
Salaries	8,654,378	6,656,938
Travel	529,334	226,681
	$ 12,768,612	$ 10,952,910

15. Financial instruments:

Fair value of financial instruments:

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements.

The below table shows the carrying amount and fair values of financial assets and financial liabilities, including their accounting classification:

December 31, 2021	Amortized cost	FVTPL	Total carrying value
Cash and equivalents	$ 4,545,886	$ --	$ 4,545,886
Accounts receivable	7,493,396	--	7,493,396
Short-term investments	--	3,395,047	3,395,047
Accounts payable and accrued liabilities	(11,590,114)	--	(11,590,114)
Mortgages and borrowings	(8,267,210)	--	(8,267,210)
Lease liabilities	(4,971,677)	--	(4,971,677)

December 31, 2020	Amortized cost	FVTPL	Total carrying value
Cash and equivalents	$ 2,057,405	$ --	$ 2,057,405
Accounts receivable	3,682,068	--	3,682,068
Short-term investments	--	7,172,926	7,172,926
Accounts payable and accrued liabilities	(6,857,411)	--	(6,857,411)
Mortgages and borrowings	(8,577,653)	--	(8,577,653)
Lease liabilities	(5,381,834)	--	(5,381,834)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The following is a summary of financial instruments measured at fair value segregated based on the various levels of inputs:

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

There has not been any transfer between fair value hierarchy levels during the years ended December 31, 2021, and 2020.

December 31, 2021	**Level 1**	**Level 2**	**Level 3**
Short-term investments - Marketable securities	$ 3,045,047	$ --	$ --
Subscriptions	--	350,000	--
Biological assets	--	--	754,763

December 31, 2020	**Level 1**	**Level 2**	**Level 3**
Short-term investments - Marketable securities	$ 7,127,115	$ --	$ --
Short-term investments - Warrants	--	45,811	--
Biological assets	--	--	577,829

The Company's financial assets and liabilities carried at amortized cost. The investment in listed cannabis companies' warrants and private company subscriptions are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. The Company's investment in listed cannabis companies shares carried at fair value are considered Level 1 instruments because the prices are quoted in an active market.

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants that are actively growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing. The estimates used in determining the fair value of biological assets are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The significant assumptions used in determining the fair value of biological assets refer to Note 5 (a).

Management of financial risk:

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

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's mortgages and borrowings have fixed rates of interest which are carried at amortized cost and not exposed to significant rate risk.

Credit risk:

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company does not have significant exposure to credit risk from its cash, other receivables, and accounts receivable balances. The maximum exposure to credit risk consists of cash, other receivables and accounts receivables is $14,185,464 (2020 - $7,985,065).

The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash with highly rated Canadian financial institutions. Other receivables primarily consist recoverable sales taxes which have low risk of default.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance credit losses when management determines that the account may not be fully collectible. Credit risk is generally limited for receivables from government bodies, which generally have low default risk.

Credit risk for non-government wholesale customers is assessed on a case-by-case basis and a provision is recorded where required. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company has not adopted standardized credit policies, but rather assesses credit on a customer-by-customer basis in an effort to minimize those risks.

As at December 31, 2021, the Company's aging of trade receivables is as follows:

	Year ended December 31, 2021	2020
0 to 90 days	$ 7,076,633	$ 3,643,392
91 to 180 days	334,922	--
181 days +	81,841	38,676
	$ 7,493,396	$ 3,682,068

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company's ability to continue as a going concern is dependent on the Company's ability to raise required funding through its sole shareholder. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Management is actively involved in the review, planning, and approval of significant expenditures and commitments. As at December 31, 2021, and 2020, the Company has the following gross remaining contractual obligations:

December 31, 2021		**< 1 year**		**> 1 year**		**Total**
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$	11,590,114	$	--	$	11,590,114
Lease obligation		990,886		6,354,004		7,344,890
Current borrowings		3,267,210		--		3,267,210
Mortgages and borrowings		--		5,000,000		5,000,000
Provision for restoration		--		274,000		274,000
	$	15,848,210	$	11,628,004	$	27,476,214

December 31, 2020		**< 1 year**		**> 1 year**		**Total**
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$	6,857,411	$	--	$	6,857,411
Lease obligation		571,107		4,810,727		5,381,834
Current borrowings		4,968,806		--		4,968,806
Mortgages and borrowings		--		3,608,847		3,608,847
Provision for restoration		--		274,000		274,000
	$	12,397,324	$	8,693,574	$	21,090,898

Price risk:

The Company's investments are susceptible to price risk arising from uncertainties about their future values. The fair value of marketable securities is based on quoted market prices which the shares of the investments can be exchanged for. If the fair value of these financial assets were to increase or decrease by 10%, the Company would incur an associated increase or decrease in net loss of approximately $304,505 (2020 - $712,712). See Note 10 for additional details regarding the fair value of the Company's investment in marketable securities.

16. Income tax

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates as at December 31, 2021, and 2020, of 27% as follows:

		2021		**2020**
Expected tax recovery	$	(15,145,605)	$	(7,860,551)
Permanent differences		3,684,228		(237,269)
Change in unrecognized deductible temporary differences		11,461,377		8,116,209
Other		--		(18,389)
Income tax expense	$	--	$	--

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) are comprised of the following:

		2021		2020
Deferred tax assets:				
Lease liability	$	116,344	$	31,416
Property, plant, and equipment		110,985		--
Non-capital losses		--		1,400,713
Deferred tax liabilities:				
Property, plant, and equipment		--		(1,360,758)
Right-of- use asset		--		--
Investments		(227,329)		--
Biological asset		--		(71,371)
	$	--	$	--

As at December 31, 2021, the Company has the following approximate accumulated non-capital losses which may be carried forward to apply against future year's income subject to final determination by taxation authority, expiring as follows:

Year		Canada
2036	$	35
2037		10,364
2038		1,549,006
2039		18,715,420
2040		33,593,695
2041		34,820,283
Total	$	88,688,803

17. Restatement

During the year ended December 31, 2021, management discovered an error related to the year ended December 31, 2020, for accruals and reclassifications between Cost of Sales and Operating expenses. The restatement resulted in:

- decreases in the accounts payables and deficit and increase in property, plant, and equipment in the Statement of Financial Position;

- decreases in general & administration in Statement of Comprehensive Loss; and

- the consequent impact of the above changes impacted the Statements of Changes in Shareholders Equity and Cash flows.

The Company considered these changes as an error and retrospectively updated the financial statements to correct the errors.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

The effects of the material restatement on the consolidated financial statements as of and for the year ended December 31, 2020, are summarized below:

Statement of financial position		**2020**		**Increase/ (decrease)**		**2020 restated**
Property, plant, and equipment	$	96,518,741	$	720,000	$	97,238,741
Accounts payable and accruals		7,007,411		(150,000)		6,857,411
Accumulated deficit		(74,630,595)		(798,000)		(73,832,595)
Non-controlling interest		(6,718,866)		(72,000)		(6,646,866)

Statement of loss & comprehensive loss		**2020**		**Increase/ (decrease)**		**2020 restated**
General and Administration	$	(11,822,910)	$	(870,000)	$	(10,952,910)
Total operating expenses & Net Loss		(29,113,153)		(870,000)		(28,243,153)
Comprehensive Loss - BZAM		(23,724,140)		(798,000)		(22,926,140)
Comprehensive Loss - NCI		(5,389,013)		(72,000)		(5,317,013)

Statement of cash flows		**2020**		**Increase/ (decrease)**		**2020 restated**
Net loss for the year	$	(29,113,153)	$	(870,000)	$	(28,243,153)
Changes in working capital: accounts payable & accrued liabilities		(38,755,881)		(720,000)		(38,035,881)
Net cash flows used in investing activities		(25,233,578)		720,000		(25,953,578)

Statement of changes in equity		**2020**		**Increase/ (decrease)**		**2020 restated**
Deficit	$	(74,630,595)	$	(798,000)	$	(73,832,595)
Total Equity		105,509,210		870,000		106,379,210
Non-controlling interest		(6,718,866)		(72,000)		(6,646,866)

18. Capital management:

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operational budgets and capital expenditures such that it can continue to provide returns to the shareholder and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

The Company plans to use existing funds, as well as funds from the future sale of products, advances from its sole shareholder (refer to Notes 12 and 20) and capital raises to fund operations and expansion activities. As at December 31, 2021, the Company is not subject to externally imposed capital requirements.

19. Commitments and contingencies

The Company maybe be subject to claims and matters that arise in the ordinary course of business. Although management currently believes that resolving claims and matters against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows, there matters are subject to inherent uncertainties on the eventual resolution of these claims and matters.

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent. Refer to Note 7 for future minimum payments under non-cancellable operating leases for it Lease Facilities.

20. Subsequent events

Subsequent to the year ended December 31, 2021:

(a) Capital contributions:

BZAM International Ltd. has injected $38,300,000 to the Company for continuing operations and capital expenditures.

(b) Speakeasy Cannabis Club:

The Company sold 261,500 shares in various tranches for total proceeds of $38,833.

The Company recognized $2.2 million loss on the decrease in fair value of the shares.

SCHEDULE "B"
UNAUDITED INTERIM FINANCIAL STATEMENTS OF BZAM

See attached.

Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

BZAM HOLDINGS INC.

For the three and six months ended June 30, 2022 and 2021

Independent Auditor's Interim Review Report

To the Shareholder of BZAM Holdings Inc.

In accordance with our engagement letter dated October 25, 2022, we have performed an interim review of the:

- condensed interim consolidated statement of financial position of BZAM Holdings Inc and its subsidiaries (the "Company"), as of June 30, 2022;
- condensed interim consolidated statements of loss and comprehensive loss for the three-month and the six-month periods ended June 30, 2022 and June 30, 2021;
- condensed interim consolidated statements of changes in shareholder's equity for the six-month periods ended June 30, 2022 and June 30, 2021;
- condensed interim consolidated statements of cash flow for the six-month periods ended June 30, 2022 and June 30, 2021;
- and the related notes to condensed interim consolidated financial statements,

altogether "condensed interim consolidated financial statements".

These condensed interim consolidated financial statements are the responsibility of the management of the Company.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with the International Financial Reporting Standards (IFRS).

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of the Company as of December 31, 2021, the consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flow for the year then ended (not presented herein); and in our report dated September 30, 2022, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed interim consolidated statement of financial position as of December 31, 2021, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

This report is solely for the use of the Shareholders of the Company to assist them in discharging their regulatory obligation to review these financial statements, and should not be used for any other purpose.

PKF Antares
Professional Corporation

Calgary, Alberta
November 15, 2022

Chartered Professional Accountants
Licensed Public Accountants

BZAM HOLDINGS INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

	Notes	As at June 30, 2022	As at December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents		$ 1,508,708	$ 4,545,886
Accounts receivable		7,734,962	7,493,396
Short-term investments		939,573	3,395,047
Inventory and supplies	5	28,308,410	15,553,047
Biological assets	5	2,760,560	754,763
Prepaid expenses and deposits		1,879,808	1,715,624
		43,132,021	33,457,763
Property, plant and equipment	6	66,414,021	66,506,980
Right of use assets	7	4,226,821	4,576,988
Other receivables		2,298,743	2,146,182
Other assets		791,896	1,279,733
		$ 116,863,502	**$ 107,967,646**
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 16,349,737	$ 11,590,114
Current borrowings	8	3,360,248	3,267,210
Current lease obligations	7	565,405	525,405
		20,275,390	15,382,729
Lease obligations	7	4,150,266	4,446,272
Mortgages and borrowings	8	5,000,000	5,000,000
Provision for restoration		253,361	246,004
		29,679,017	25,075,005
Shareholder's equity:			
Share capital	1	100	100
Contributed surplus	10	243,466,835	219,466,835
Deficit		(146,806,070)	(128,153,049)
		96,660,865	91,313,886
Non-controlling interest		(9,476,380)	(8,421,245)
		87,184,485	82,892,641
		$ 116,863,502	**$ 107,967,646**
Commitments	12		
Subsequent events	1,13		

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

BZAM HOLDINGS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars - unaudited)
For the three and six months ended June 30, 2022, and 2021

	Notes	For the three months ended June 30		For the six months ended June 30	
		2022	2021	2022	2021
Revenue:					
Revenue from sale of goods		$ 20,444,800	$ 10,226,693	$ 35,650,252	$ 13,663,157
Excise taxes		(7,771,215)	(2,819,894)	(13,606,877)	(3,692,806)
Distribution & provincial fees		(180,115)	(593,453)	(353,032)	(751,725)
		12,493,470	6,813,346	21,690,343	9,218,626
Cost of sales:					
Cost of goods sold		(9,573,642)	(5,735,974)	(16,760,689)	(7,442,476)
Production & product development costs		(592,072)	(3,134,687)	(5,279,611)	(10,228,472)
Depreciation & amortization	6,7	(1,517,663)	(1,328,075)	(2,987,388)	(2,656,150)
		(11,683,377)	(10,198,736)	(25,027,688)	(20,327,098)
Gross loss profit		810,093	(3,385,390)	(3,337,345)	(11,108,472)
Operating expenses:					
General & administrative		(4,538,456)	(3,975,197)	(10,226,958)	(7,868,609)
Sales and marketing		(1,503,941)	(1,060,098)	(3,074,644)	(1,712,408)
		(6,042,397)	(5,035,295)	(13,301,602)	(9,581,017)
Loss from operations		**(5,232,304)**	**(8,420,685)**	**(16,638,947)**	**(20,689,489)**
Other income (expenses):					
Finance and other costs	8	(173,830)	(191,911)	(341,611)	(304,852)
Foreign exchange gain (loss)		(23,683)	(21,200)	(64,710)	(26,592)
Gain (loss) on investments	9	(116,010)	117,294	(2,416,249)	2,458,432
Lease liability accretion	7	(121,748)	(131,845)	(246,639)	(267,457)
		(435,271)	(227,662)	(3,069,209)	1,859,531
Loss for the period		(5,667,575)	(8,648,347)	(19,708,156)	(18,829,958)
Net loss & comprehensive loss for the period		**$ (5,667,575)**	**$ (8,648,347)**	**$ (19,708,156)**	**$ (18,829,958)**
Net loss for the period attributable to:					
BZAM International Ltd.		$ (5,561,189)	$ (7,522,057)	$ (18,653,021)	$ (16,809,614)
Non-controlling interest		(106,386)	(1,126,290)	(1,055,135)	(2,020,344)
Net loss & comprehensive loss for the period		**$ (5,667,575)**	**$ (8,648,347)**	**$ (19,708,156)**	**$ (18,829,958)**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

BZAM HOLDINGS INC.

Condensed Interim Consolidated Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2022, and 2021

	Shares	Share Capital	Contributed surplus	Deficit	Total shareholder's equity	Non-controlling interest	Total Equity
Balance, December 31, 2021	100	$ 100	$ 219,466,835	$ (128,153,049)	$ 91,313,886	$ (8,421,245)	$ 82,892,641
Shareholder contribution (Note 10)	--	--	24,000,000	--	24,000,000	--	24,000,000
Net loss for the period	--	--	--	$ (18,653,021)	(18,653,021)	(1,055,135)	(19,708,156)
Balance, June 30, 2022	**100**	**$ 100**	**$ 243,466,835**	$ (146,806,070)	$ 96,660,865	**$ (9,476,380)**	$ 87,184,485

	Shares	Share Capital	Contributed surplus	Deficit	Total shareholder's equity	Non-controlling interest	Total Equity
Balance, December 31, 2020	100	$ 100	$ 186,858,571	$ (73,832,595)	$ 113,026,076	$ (6,646,866)	$ 106,379,210
Shareholder contribution (Note 10)	--	--	21,058,264	--	21,058,264	--	21,058,264
Net loss for the period	--	--	--	(16,809,614)	(16,809,614)	(2,020,344)	(18,829,958)
Balance, June 30, 2021	**100**	**$ 100**	$ 207,916,835	$ (90,642,209)	$ 117,274,726	$ (8,667,210)	$ 108,607,516

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

BZAM HOLDINGS INC.

Condensed Interim Consolidated Statements of Cash Flow
(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2022 and 2021

	Notes	2022	2021
Cash provided by (used in):			
Operating activities:			
Net loss for the period		$ (19,708,156)	$ (18,829,958)
Items not involving cash:			
Amortization of ROU asset	7	350,167	403,064
Depreciation of property, plant and equipment	6	2,637,221	2,253,086
Interest expense	8	343,038	206,431
Lease liability accretion	7	246,639	267,457
Unrealized (gain) loss on investments	9	2,416,249	(2,458,432)
Changes in non-cash operating working capital:			
Accounts payable and accrued liabilities		4,675,429	3,416,368
Accounts receivable and other receivables		(394,127)	(2,777,419)
Biological assets, inventory and supplies	5	(14,761,160)	157,167
Prepaid expenses and deposits		323,653	(1,440,497)
Net cash flows from operating activities		(23,871,047)	(18,802,733)
Investing activities:			
Purchase of property, plant and equipment	6	(2,460,071)	(3,596,129)
Proceeds of short-term investments	9	39,225	4,970,491
Net cash flows from investing activities		(2,420,846)	1,374,362
Financing activities:			
Proceeds from shareholder contributions	10	24,000,000	21,058,264
Lease interest payments	7	(239,279)	(264,831)
Lease principal payments	7	(256,006)	(295,278)
Proceeds from new mortgage	8	--	5,000,000
Mortgage and borrowings interest payments	8	(250,000)	(105,898)
Mortgage and borrowings principal payments	8	--	(5,459,762)
Net cash flows from financing activities		23,254,715	19,932,495
Increase (decrease) in cash and cash equivalents		(3,037,178)	2,504,124
Cash and cash equivalents, beginning of period		4,545,886	2,057,405
Cash and cash equivalents, end of period		**$ 1,508,708**	**$ 4,561,529**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

1. Nature of operations:

BZAM Holdings Inc. ("BZAM" or the "Company") was incorporated on January 17, 2019, under the British Columbia Business Corporations Act with the issuance of share capital for $100. The address of the Company's corporate office and the principal place of business is 200 Burrard Street, Suite 1570, Vancouver, British Columbia, Canada V6C 3L6. The Company is a wholly-owned subsidiary of BZAM International Ltd., its ultimate parent.

The Company operates in the production, distribution, and sale of adult-use recreational cannabis products in Canada pursuant to the Cannabis Act. During 2019, BZAM began the process of preparing for production and obtaining all required licensing from the municipal, provincial, and federal levels. As at June 30, 2022, the Company holds licenses for two cultivation sites in Alberta and British Columbia; and one processing site in British Columbia.

The condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations as they arise. Management has a reasonable expectation that the Company has adequate resources to continue operations as a going concern. The ability of the Company to operate as a going concern and realize its assets and discharge its liabilities in the normal course of operations is based on its ability to generate revenues from its cannabis operations. As the Company continues to invest into the development of its cannabis facilities, ultimately the ability of the Company to continue operations is dependent upon the continued support from its ultimate parent (refer to Notes 10 and 13).

2. Statement of compliance and basis of preparation:

These Interim Financial Statements of the Company 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. These Interim Financial Statements have been prepared on the accrual basis and on a historical cost basis, except for financial instruments measured at fair value. The preparation of these Interim Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in Note 4. These Interim Financial Statements are prepared in Canadian dollars which is the Company's functional currency, with all amounts rounded to the nearest dollar, unless otherwise stated.

3. Interim Financial Reporting

These Interim Financial Statements have been prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Interim Financial Statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

These Interim Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021 issued on September 30, 2022.

These Interim Financial Statements were approved and authorized for issue by the Director of the Company on November 15, 2022.

(i) New accounting pronouncements:

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable to the Company, or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendment clarifies the requirement relating to determining if a liability should be presented as current or non-current in the Interim Financial Statements. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of the amendments on the Company's consolidated financial statements. The Company is currently evaluating the potential impact of this amendment change on the Company's Interim Financial Statements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("Amendments to IAS 12"). The Amendments to IAS 12 clarify how companies account for deferred tax on transactions such as leases and de-commissioning obligations. The main change in this amendment is that the initial recognition exemption in IAS 12.15(b) and IAS 12.24 is clarified to not be applicable to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The Amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the potential impact of this amendment change on the Company's Interim Financial Statements.

Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company adopted the Amendments to IFRS 41 effective July 1, 2022 which did not have a material impact to the Company's consolidated financial statements.

4. Significant accounting estimates and judgments

The preparation of these Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingencies. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Consolidated Financial Statements is included in the notes to these Interim Consolidated Financial Statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

(a) Biological assets:

Biological assets are measured at their fair value less cost to sell up to the point of harvest. Determining the fair value of biological assets requires the Company to estimate selling prices, selling costs, stage of growth of cannabis plants, harvest yields and post-harvest costs. Refer to Note 5 for sensitivity analysis.

(b) COVID-19 estimation uncertainty:

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The duration of the business disruptions and related financial impact cannot reasonably be estimated at this time. In addition, it is possible that estimates in the Financial Statements will change in the near term as a result of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets, intangibles assets, and goodwill. Most specifically, the sudden emergence of the Omicron variant BA.4 and BA.5 in April 2022 resulted in continued travel and economic uncertainty. Future developments on COVID-19 are highly uncertain and out of the Company's control. Prolonged disruptions due to the pandemic, including the emergence of new COVID-19 variants or mutations, travel restrictions, delays in the global vaccination rollout and potential declines in vaccine efficacy, may negatively impact our operations and result in temporary closures of our retail stores, lower retail store traffic, and staff shortages.

5. Inventory and biological assets

(a) Biological assets: The changes in the carrying value of biological assets are as follows:

		June 30, 2022
Balance, December 31, 2021	$	754,763
Bio-asset externally purchased		22,597
Bio-asset transfer to inventory upon harvest		(3,977,768)
Plants destroyed		(1,497,378)
Production cost capitalization		7,458,346
Balance, June 30, 2022	$	2,760,560

As at June 30, 2022, the weighted average fair value less cost to complete and cost to sell a gram of dried cannabis was $2.73 per gram (December 31, 2021 – $2.73 per gram). For the six months ended June 30, 2022, the total cash cost (includes direct labor, direct consumable materials, overhead such as rent and utilities) has exceeded the fair value. Therefore, the bio-asset contains no unrealized gain of fair value adjustment due from transformation of plants. The Company commenced cultivation of biological assets in year ended December 31, 2020. The valuation of biological assets is based on Level 3, under which the fair value of various stages of plants is estimated based of fair market value of bulk cannabis in the same condition and quality less cost to sell and cost to complete. Cost to complete is estimated based on the grow cycle and the completion percentage of growth cycles. Harvested cannabis is transferred from bio asset at its fair value to inventory category. The following key inputs and assumptions have been used to determine the fair value of cannabis plants.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

- Yield per plant.
- Stage of completion in the production process: measured days spent in phase as a percentage of typical duration of such a phase which is generally 90 days from clipping of clones to date of harvest.
- Bench marked to other licensed producers' bulk sales price of cannabis flower in similar condition, quality and extraction effectiveness under the same growing condition which is controlled environment.
- Post-harvest cost.

The table below is a sensitivity analysis summarized the impact from significant inputs using the same fair value model. Based on 50% (2021 – 55%) of weighted average of completion, with 5% change of key assumptions):

Significant inputs and assumptions	June 30, 2022	Sensitivity (+/-)		Impact on biological assets
Average selling price	$2.73 per dried gram	5%	$	53,824
Yield per plant	55-68 grams per plant	5%		55,379
Post harvest cost	$0.36 capitalized cost per gram	5%		5,203

Significant inputs and assumptions	December 31, 2021	Sensitivity (+/-)		Impact on biological assets
Average selling price	$2.73 per dried gram	5%	$	36,870
Yield per plant	62-81 grams per plant	5%		37,738
Post harvest cost	$0.23 capitalized cost per gram	5%		3,517

(b) Inventory:

The Company categorized inventory as shown in table below. The Company's accounting policy carries inventory purchased from external licensed producers at lower of historical cost and net realizable value (NRV). The Company capitalize production cost such as direct labor, direct consumable of "bill of material" components and overhead as bulk raw cannabis get processed into work-in-process, semi-finished goods, and finished goods. The carrying value is tested to be stated at lower of cash cost to produce or net realizable value. Any unutilized capacity has been expensed as production cost and not capitalized as part of inventory carrying value in accordance with IFRS.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

The following is a breakdown of inventory as at June 30, 2022, and December 31, 2021:

	June 30, 2022	December 31, 2021
Work in progress:		
Dried Cannabis	$ 16,346,989	$ 8,827,696
Extracts	4,900,371	3,229,185
Finished goods		
Dried Cannabis	2,242,016	1,348,347
Extracts	1,087,562	771,206
Supplies and consumables	3,638,958	1,279,437
Merchandise and accessories	92,514	97,176
	$ 28,308,410	$ 15,553,047

6. Property, plant, and equipment

Details of the Company's property, plant, and equipment are as follows:

Net Book value	As at June 30, 2022	As at December 31, 2021
Land	$ 6,624,118	$ 6,624,118
Facilities and capital improvements	41,898,362	41,572,120
Outdoor machinery and equipment	244,137	179,776
Cultivation, production, and plant equipment	5,240,510	5,030,162
Furniture and fixtures	132,673	148,380
IT and security infrastructure	3,806,305	4,217,229
Leasehold improvements	3,868,339	4,172,670
Vehicles and mobile equipment	200,756	244,676
Construction-in-progress	4,398,821	4,317,849
	$ 66,414,021	$ 66,506,980

Cost	As at December 31, 2021	Additions	Disposals, and reclasses	As at June 30, 2022
Land	$ 6,624,118	$ --	$ --	$ 6,624,118
Facilities and capital improvements	51,603,870	1,071,368	--	52,675,238
Outdoor machinery and equipment	220,546	104,008	--	324,554
Cultivation, production and plant equipment	6,774,937	927,833	--	7,702,770

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

Furniture and fixtures		315,668		16,407		--		332,075
IT and security infrastructure		7,317,404		343,674		--		7,661,078
Leasehold improvements		7,087,985		--		--		7,087,985
Vehicles and mobile equipment		439,198		--		--		439,198
Construction-in-progress		4,317,849		80,972		--		4,398,821
	$	84,701,575	$	2,544,262	$	--	$	87,245,837

Accumulated depreciation		As at December 31, 2021		Depreciation		Disposals and impairment		As at June 30, 2022
Facilities and capital improvements	$	(10,031,750)	$	(745,126)	$	--	$	(10,776,876)
Outdoor machinery and equipment		(40,770)		(39,647)		--		(80,417)
Cultivation, production and plant equipment		(1,744,775)		(717,485)		--		(2,462,260)
Furniture and fixtures		(167,288)		(32,114)		--		(199,402)
IT and security infrastructure		(3,100,175)		(754,598)		--		(3,854,773)
Leasehold improvements		(2,915,315)		(304,331)		--		(3,219,646)
Vehicles and mobile equipment		(194,522)		(43,920)		--		(238,442)
	$	(18,194,595)	$	(2,637,221)	$	--	$	(20,831,816)

7. Right-of-use ("ROU") asset and lease obligations

ROU depreciation of $175,085 and $350,167 was recorded for three and six months ended June 30, 2022 (June 30, 2021 - $201,532 and $403,064), respectively. The ROU continuity schedule as at June 30, 2022, and December 31, 2021 is as follows:

Right-of-use assets		For the six months ended June 30, 2022		For the year ended December 31, 2021
Opening balance	$	4,576,988	$	5,186,635
Additions		--		150,587
Depreciation		(350,167)		(760,234)
	$	4,226,821	$	4,576,988

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

The imputed interest of $118,046 and $239,279 was recorded for three and six months ended June 30, 2022 (June 30, 2021 - $130,578 and $264,831), respectively. The lease liability continuity schedule as at June 30, 2022, and December 31, 2021, is as follows:

Lease obligations		For the six months ended June 30, 2022		For the year ended December 31, 2021
Opening balance	$	4,971,677	$	5,381,834
Additions		--		150,586
Imputed Interest		239,279		521,259
Payments		(495,285)		(1,082,002)
As at December 31,		4,715,671		4,971,677
Less: current portion		(565,405)		(525,405)
	$	4,150,266	$	4,446,272

Real estate leases typically extend for a period of 1–10 years. The Company leases building facilities and equipment for the cultivation, production, and processing of cannabis (“Leased Facilities”); Corporate office lease and retail sales leases. The building facilities leases run for a period of 7 to 13 years, the office lease runs for 4 years, and the retail lease runs for 2 years. The Company leases certain machinery and equipment related to its Lease Facilities run for a period of 2 years.

The Companies Leased Facilities periods, include options to renew the lease the initial contract term for an additional period and is at the option of the Company as the lessee. The Company lease renewals incorporated in the lease periods includes Leased Facilities ranging from 2 to 10 years, the corporate office lease of 2 years and retail sales lease of 5-years.

The Company recognized its right-of-use asset and lease liability for these leases based on the present value of future minimum lease payments. The Company used an incremental borrowing rate of 10% to discount its lease obligations.

		Within 1-year		1-5 years		5-10 years		Total
Lease payments	$	1,003,698	$	3,479,103	$	2,369,457	$	6,852,258
Finance charges		(438,293)		(1,151,903)		(546,391)		(2,136,587)
Net present value	$	565,405	$	2,327,200	$	1,823,066	$	4,715,671

8. Mortgages and borrowings

As at June 30, 2022, the Company’s loans and borrowings consisted of the following:

		Mortgages		Borrowings
Balance, December 31, 2021	$	5,000,000	$	3,267,210
Loans & interest payments		(250,000)		--
Interest and expense		250,000		93,038
Balance, June 30, 2022	$	5,000,000	$	3,360,248

On May 31, 2021, BZAM Cannabis Corp. (the “Borrower”) entered into a mortgage loan agreement (the “2021 Borrowings”) where the Company restructured its debt with a new lender (the “Lender”) for $5,000,000. The mortgage bears interest at 10.00% per annum and matures on May 31, 2026. Interest is calculated and compounded monthly and payable monthly on the last day of each month.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

The loan may be prepaid on 30 days' notice and will include a Prepayment Fee. The Prepayment fee is equal to the greater of:

1) Three months interest and

2) The aggregate amount of the Agent's and the Lenders' cost of funds incurred as a result of the Prepayment.

The loan may be renewed beyond the maturity date for a fee of 2% of the outstanding principal amount owing should the lender agree.

Security:

i. First mortgage over the BZAM Cannabis Corp. facility (the "Property"):

ii. General assignment of rents and leases in respect of the Property:

iii. General security agreement over all Borrower's present and after acquired personal property,

iv. Corporate guarantee of BZAM Management Inc.

Mortgages:

As at June 30, 2022, the Company's mortgage balance amounted to $5,000,000 (December 31, 2021 - $5,000,000). BZAM paid interest of $125,000 and $250,000 for the three and six months ended June 30, 2022 (2021 - $81,003 and $147,594), respectively.

Borrowings:

As at June 30, 2022, the Company's borrowings amounted to $3,360,248 (December 31, 2021 - $3,267,210) and were classified as current liabilities. Interest expense was $45,927 and $93,038 for the three and six months ended June 30, 2022 (2021 - $14,386 and $58,837), respectively, which was included in the carrying value of the borrowings. The interest expense in the period was recorded in finance and other costs.

9. Short-term investments

	Marketable securities (FVTPL)	Subscribed (FVTPL)	Warrants (FVTPL)	Total
Balance, December 31, 2021	$ 3,045,047	$ 350,000	$ --	$ 3,395,047
Additions	215,395	--	134,605	350,000
Disposal / reclasses	(98,063)	(350,000)	--	(448,063)
Loss recorded in net loss	(2,239,043)	--	(118,368)	(2,357,411)
Balance, June 30, 2022	$ 923,336	$ --	$ 16,237	$ 939,573

As at June 30, 2022, the Company held 6,137,600 marketable securities shares (December 31, 2021 - 6,343,847) and 55,253 warrants (December 31, 2021 - Nil) in Canadian listed cannabis companies for a total fair value of $923,334 (December 31, 2021 - $3,045,047).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

During the six months ended June 30, 2022, the Company received 55,253 common shares and share purchase warrants (“Warrants”) in a company that listed on the Canadian Stock Exchange. As a result, the Company allocated the share subscriptions of $350,000 to marketable securities for $215,395 and Warrants for $134,605.

During the six months ended June 30, 2022, the Company sold marketable securities shares 261,500 (June 30, 2021 - 8,144,500) for a realized loss of $58,838 (June 30, 2021 gain - $649,155). The Company recognized fair value losses of $116,010 and $2,357,411 for the three and six months ended June 30, 2022 (2021 gains - $2,618,218 and $1,809,277), respectively.

10. Related party transactions:

During the six months ended June 30, 2022, BZAM International funded BZAM Holding in form of contributed surplus, bearing 0% interest. Additions to Contributed surplus for the six months ended June 30, 2022, totaled $24,000,000 (six months ended June 30, 2021 - $21,058,264). BZAM management provided loans to Folium and Sweetgrass to support their operation and capital expenditures, at 10% interest rate per annum.

11. Financial instruments:

Fair value of financial instruments:

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm’s length transaction. Determining fair value requires management judgment. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements.

The below table shows the carrying amount and fair values of financial assets and financial liabilities, including their accounting classification:

June 30, 2022	Amortized cost	FVTPL	Total carrying value
Cash and equivalents	$ 1,508,708	$ --	$ 1,508,708
Accounts receivable	7,734,962	--	7,734,962
Short-term investments and warrants	--	939,573	939,573
Accounts payable and accrued liabilities	(16,349,737)	--	(16,349,737)
Mortgages and borrowings	(8,360,248)	--	(8,360,248)
Lease liabilities	(4,715,671)	--	(4,715,671)

December 31, 2021	Amortized cost	FVTPL	Total carrying value
Cash and equivalents	$ 4,545,886	$ --	$ 4,545,886
Accounts receivable	7,493,396	--	7,493,396
Short-term investments	--	3,395,047	3,395,047
Accounts payable and accrued liabilities	(11,590,114)	--	(11,590,114)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated - unaudited)

Mortgages and borrowings	(8,267,210)	--	(8,267,210)
Lease liabilities	(4,971,677)	--	(4,971,677)

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The following is a summary of financial instruments measured at fair value segregated based on the various levels of inputs:

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

There has not been any transfer between fair value hierarchy levels during the six months ended June 30, 2022, and the year ended December 31, 2021.

June 30, 2022	**Level 1**	**Level 2**	**Level 3**
Short-term investments - Marketable securities	$ 923,334	$ --	$ --
Short-term investments – Warrants	--	16,239	--
Biological assets	--	--	2,760,560

December 31, 2021	**Level 1**	**Level 2**	**Level 3**
Short-term investments - Marketable securities	$ 3,045,047	$ --	$ --
Short-term investments - Subscriptions	--	350,000	--
Biological assets	--	--	754,763

The Company's financial assets and liabilities carried at amortized cost. The investment in listed cannabis companies' warrants and private company subscriptions are considered Level 2 instruments, because while observable prices and inputs are available, they are not quoted in an active market. The Company's investment in listed cannabis companies shares carried at fair value are considered Level 1 instruments because the prices are quoted in an active market.

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants that are actively growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing. The estimates used in determining the fair value of biological assets are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The significant assumptions used in determining the fair value of biological assets refer to Note 5 (a).

12. Commitments and contingencies

The Company maybe be subject to claims and matters that arise in the ordinary course of business. Although management currently believes that resolving claims and matters against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows, there matters are subject to inherent uncertainties on the eventual resolution of these claims and matters.

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent. Refer to Note 7 for future minimum payments under non-cancellable operating leases for it Lease Facilities.

13. Subsequent events

Subsequent to the six months ended June 30, 2022:

(a) Capital contributions:

BZAM International Ltd. has injected $18,500,000 to the Company for continuing operations and capital expenditures.

(b) TGOD and BZAM Definitive Agreement

On October 19, 2022, TGOD announced that they have entered into a binding and definitive share exchange agreement dated October 18, 2022 (the "Agreement") with BZAM's sole shareholder (the "BZAM Shareholder"), pursuant to which TGOD will acquire all of the issued and outstanding common shares of BZAM from the BZAM Shareholder, in exchange for common shares (the "Combined Entity Shares") of TGOD (the "Transaction").

On November 4, 2022, TGOD announced it has completed the transaction whereby TGOD will acquire all of the issued and outstanding common shares of BZAM from BZAM's Shareholder, in exchange for common of TGOD. The Transaction results in the BZAM Shareholder holding an approximate 49.5% of the issued and outstanding Combined Entity Shares, with the ability to earn additional Combined Entity Shares subject to achievement of certain financial milestones in 2023.

Following the closing of the Transaction, the Company is now led by BZAM's Matt Milich as CEO, supported by TGOD's Sean Bovingdon as CFO, BZAM's Jordan Winnett as CCO and TGOD's Michel Gagne as COO. The board of directors of the Combined Entity now consists of two new nominees from BZAM and five TGOD Board members.

(c) On July 27, 2022, Speakeasy Cannabis announced it had obtained CCAA creditor protection. As at June 30, 2022, the Company held $821,117 in short investments in Speakeasy Cannabis (refer to Note 9).