# The Green Organic Dutchman Holdings Ltd.

## Unaudited Interim Condensed Consolidated Financial Statements

## For the three and nine months ended September 30, 2022 and September 30, 2021

**The Green Organic Dutchman Holdings Ltd.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
*(Unaudited)*
*(expressed in thousands of Canadian dollars, except common shares outstanding)*

| | Notes | | As at September 30, 2022 | | As at December 31, 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | $ | **1,828** | $ | 4,089 |
| Restricted cash | 17 | | **1,227** | | 219 |
| Trade receivables | 17 | | **7,042** | | 8,833 |
| Biological assets | 8 | | **6,574** | | 3,149 |
| Inventories | 9 | | **24,670** | | 20,942 |
| Prepaid expenses and deposits | | | **2,088** | | 1,502 |
| Other current assets | 10 | | **1,584** | | 1,841 |
| Due from related parties | | | **1,482** | | 573 |
| Assets held for sale | 4 | | **-** | | 13,612 |
| | | $ | **46,495** | $ | 54,760 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 6 | | **102,139** | | 117,980 |
| Intangible assets | 7 | | **14,555** | | 15,585 |
| Goodwill | 7 | | **3,939** | | 3,939 |
| Other assets | 10, 16 | | **1,281** | | 1,735 |
| **Total assets** | | $ | **168,409** | $ | 193,999 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | | $ | **19,064** | $ | 17,664 |
| Sales taxes payable | | | **531** | | 248 |
| Current portion of loans | 5 | | **30,325** | | 2,021 |
| Current portion of lease liabilities | 12 | | **1,363** | | 1,049 |
| Loan payable to disposal group | 4 | | **—** | | 5,492 |
| Liabilities held for sale | 4 | | **—** | | 2,570 |
| Current portion of contingent consideration | 11 | | **822** | | — |
| | | | **52,105** | | 29,044 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 12 | | **8,086** | | 6,517 |
| Loans | 5 | | **—** | | 18,204 |
| Contingent consideration | 11 | | **—** | | 3,423 |
| | | | **8,086** | | 28,144 |
| **Total liabilities** | | $ | **60,191** | $ | 57,188 |
| **Shareholders' equity** | | | | | |
| Share capital | 13 | | **509,378** | | 508,504 |
| Contributed surplus | 14 | | **109,396** | | 108,836 |
| Deficit | | | **(505,825)** | | (478,697) |
| Reserve for foreign currency translations | | | **(3,868)** | | (969) |
| **Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.** | | $ | **109,081** | $ | 137,674 |
| **Non-controlling interests** | | | **(863)** | | (863) |
| **Total Shareholders' Equity** | | | **108,218** | | 136,811 |
| **Total Liabilities and Shareholders' Equity** | | $ | **168,409** | $ | 193,999 |
| **Total number of common shares outstanding** | 13 | | **754,179,027** | | 749,660,647 |
| Going concern | 2 | | | | |
| Commitments and contingencies | 16 | | | | |
| Events after the reporting period | 2, 5, 20 | | | | |

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

**The Green Organic Dutchman Holdings Ltd.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
*(Unaudited)*
*(expressed in thousands of Canadian Dollars, except per share amounts)*

| | Notes | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | | $ **13,819** | $ 9,745 | $ **44,013** | $ 26,813 |
| Excise duties | | **(3,897)** | (2,465) | **(11,889)** | (6,038) |
| **Net revenue** | | **9,922** | 7,280 | **32,124** | 20,775 |
| Cost of sales | | **9,326** | 5,154 | **25,328** | 16,033 |
| **Gross profit before change in fair value of biological assets** | | **596** | 2,126 | **6,796** | 4,742 |
| Realized fair value adjustment on sale of inventories | | **(8,597)** | (1,765) | **(14,877)** | (5,626) |
| Unrealized gain on changes in fair value of biological assets | 8 | **8,998** | 2,185 | **21,986** | 7,750 |
| **Gross profit** | | $ **997** | $ 2,546 | $ **13,905** | $ 6,866 |
| | | | | | |
| **Operating expenses** | | | | | |
| Sales and marketing expenses | | $ **1,824** | $ 890 | $ **5,416** | $ 2,764 |
| Research and development expenses | | **121** | 60 | **422** | 471 |
| General and administrative expenses | | **4,191** | 6,369 | **13,009** | 15,643 |
| Share based compensation | 14 | **370** | 884 | **1,207** | 2,516 |
| Depreciation and amortization | 6, 7 | **3,209** | 3,494 | **10,046** | 8,543 |
| **Total operating expenses** | | $ **9,715** | $ 11,697 | $ **30,100** | $ 29,937 |
| | | | | | |
| **Loss from operations** | | **(8,718)** | (9,151) | **(16,195)** | (23,071) |
| | | | | | |
| Foreign exchange gain/(loss) | 17[c] | **(1,373)** | (803) | **(2,995)** | (578) |
| Finance costs | | **(1,296)** | (1,002) | **(3,409)** | (5,323) |
| Accretion expense | 5 | **(384)** | (295) | **(1,186)** | (5,148) |
| Finance income | | **6** | 8 | **13** | 55 |
| Revaluation gain of contingent consideration | 11 | **1,716** | — | **2,601** | 39 |
| Gain (loss) on disposal of assets | | **—** | (159) | **8** | (63) |
| Reversal of impairment / (impairment) charge for non-financial assets | 6 | **—** | — | **(6,183)** | 21,811 |
| Loss on derecognition on investment in joint venture | | **—** | — | **—** | (761) |
| Impairment loss on remeasurement of disposal group | | **—** | (4,442) | **(2,489)** | (4,442) |
| Gain on disposal of subsidiary | 4 | **3,187** | — | **3,187** | — |
| Loss on assets held for sale | | **—** | — | **—** | (17,688) |
| Debt modification | 5 | **—** | 1,275 | **(48)** | 1,275 |
| | | | | | |
| **Income (loss) before income taxes** | | **(6,862)** | (14,569) | **(26,696)** | (33,894) |
| Deferred income tax recovery | | **—** | 628 | **—** | 628 |
| **Net loss from continuing operations** | | $ **(6,862)** | $ (13,941) | $ **(26,696)** | $ (33,266) |
| | | | | | |
| **Discontinued operations** | | | | | |
| Net Income/(loss) from discontinued operation | 4 | **21** | (603) | **(432)** | (1,295) |
| **Net loss from operations** | | **(6,841)** | (14,544) | **(27,128)** | (34,561) |

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

**The Green Organic Dutchman Holdings Ltd.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (CONTINUED)**
*(Unaudited)*
*(expressed in thousands of Canadian Dollars, except per share amounts)*

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| **Other comprehensive loss** | | | | |
| Foreign currency translation loss | **2,010** | (483) | **2,899** | 866 |
| **Comprehensive loss** | **$ (8,851)** | $ (14,061) | **$ (30,027)** | $ (35,427) |
| **Net loss attributable to:** | | | | |
| The Green Organic Dutchman Holdings Ltd. | **(6,841)** | (14,509) | **(27,128)** | (34,451) |
| Non-controlling interests | **—** | (35) | **—** | (110) |
| **Comprehensive loss attributable to:** | | | | |
| The Green Organic Dutchman Holdings Ltd. | **(8,851)** | (14,026) | **(30,027)** | (35,317) |
| Non-controlling interests | **—** | (35) | **—** | (110) |
| Basic and diluted loss per share | **$ (0.01)** | $ (0.03) | **$ (0.04)** | $ (0.07) |
| Basic and diluted loss per share - Continuing operations | **$ (0.01)** | $ (0.03) | **$ (0.04)** | $ (0.06) |
| Weighted average number of outstanding common shares | **753,547,234** | 530,900,216 | **752,321,789** | 522,625,638 |

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

**The Green Organic Dutchman Holdings Ltd.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
*(Unaudited)*
*(expressed in thousands of Canadian Dollars, except number of shares)*

| | | Share Capital | | Contributed Surplus | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Common Shares | Amount | Reserve for share based payments | Reserve for warrants | Other contributed surplus | Escrowed share units | Total Contributed surplus | Reserve for foreign currency translations | Accumulated deficit | Non-Controlling Interests | Total |
| | | # | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance, December 31, 2021** | | **749,660,647** | **508,504** | **21,653** | **10,375** | **76,768** | **40** | **108,836** | **(969)** | **(478,697)** | **(863)** | **136,811** |
| Issuance of common shares | 13[a] | **904,000** | **102** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **102** |
| Share based compensation | 14[a,c] | **—** | **—** | **567** | **—** | **—** | **—** | **567** | **—** | **—** | **—** | **567** |
| Restricted share units exercised during period - escrowed | 13[c] | **9,842** | **40** | **—** | **—** | **—** | **(40)** | **(40)** | **—** | **—** | **—** | **—** |
| Shares and warrants issued in connection with debt modification | 13[b] | **500,000** | **50** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **50** |
| Comprehensive loss | | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(509)** | **(13,506)** | **—** | **(14,015)** |
| **Balance, March 31, 2022** | | **751,074,489** | **508,696** | **22,220** | **10,375** | **76,768** | **—** | **109,363** | **(1,478)** | **(492,203)** | **(863)** | **123,515** |
| Share based compensation | 14[a,c] | **—** | **—** | **270** | **—** | **—** | **—** | **270** | **—** | **—** | **—** | **270** |
| Restricted share units exercised during period | 13[d] | **2,167,038** | **607** | **(607)** | **—** | **—** | **—** | **(607)** | **—** | **—** | **—** | **—** |
| Comprehensive loss | | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(380)** | **(6,781)** | **—** | **(7,161)** |
| **Balance, June 30, 2022** | | **753,241,527** | **509,303** | **21,883** | **10,375** | **76,768** | **—** | **109,026** | **(1,858)** | **(498,984)** | **(863)** | **116,624** |
| Share based compensation | 14[a,c] | **—** | **—** | **370** | **—** | **—** | **—** | **370** | **—** | **—** | **—** | **370** |
| Shares issued to settle accounts payable | 13[e] | **937,500** | **75** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **75** |
| Comprehensive loss | | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(2,010)** | **(6,841)** | **—** | **(8,851)** |
| **Balance, September 30, 2022** | | **754,179,027** | **509,378** | **22,253** | **10,375** | **76,768** | **—** | **109,396** | **(3,868)** | **(505,825)** | **(863)** | **108,218** |

| | Share Capital | | Contributed Surplus | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Shares | Amount | Reserve for share based payments | Reserve for warrants | Other contributed surplus | Escrowed share units | Shares to be issued | Total Contributed surplus | Reserve for foreign currency translations | Accumulated deficit | Non-Controlling Interests | Total |
| | # | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance, December 31, 2020** | 486,675,760 | 468,379 | 23,258 | 66,111 | 11,129 | 7,972 | 404 | 108,874 | 255 | (436,559) | (1,145) | 139,804 |
| Issuance of common shares | 14,341,958 | 7,655 | — | — | — | — | — | — | — | — | — | 7,655 |
| Share based compensation | — | — | 613 | — | — | — | — | 613 | — | — | — | 613 |
| Exercise of warrants | 24,198,600 | 8,684 | — | (1,124) | — | — | — | (1,124) | — | — | — | 7,560 |
| Expiry of stock options | — | — | (4,102) | — | 4,102 | — | — | — | — | — | — | — |
| Expiry of warrants | — | — | — | (37,638) | 37,638 | — | — | — | — | — | — | — |
| Restricted share units exercised during period | 390,810 | 175 | (175) | — | — | — | — | (175) | — | — | — | — |
| Shares issued to settle accounts payable | 1,591,535 | 404 | — | — | — | — | (104) | (104) | — | — | — | 300 |
| Comprehensive income/(loss) | — | — | — | — | — | — | — | — | (1,304) | 12,518 | (55) | 11,159 |
| Elimination of non-controlling interest on disposal of Denmark | — | — | — | — | — | — | — | — | 5 | — | 441 | 446 |
| **Balance, March 31, 2021** | 527,198,663 | 485,297 | 19,594 | 27,349 | 52,869 | 7,972 | 300 | 108,084 | (1,044) | (424,041) | (759) | 167,537 |
| Issuance of common shares | 1,073,000 | 377 | — | — | — | — | — | — | — | — | — | 377 |
| Share based compensation | — | — | 1,019 | — | — | — | — | 1,019 | — | — | — | 1,019 |
| Expiry of warrants | — | — | — | (17,243) | 17,243 | — | — | — | — | — | — | — |
| Shares issued in connection with accounts payable | 872,093 | 300 | — | — | — | — | (300) | (300) | — | — | — | — |
| Comprehensive income/(loss) | — | — | — | — | — | — | — | — | (45) | (32,460) | (20) | (32,525) |
| **Balance, June 30, 2021** | 529,143,756 | 485,974 | 20,613 | 10,106 | 70,112 | 7,972 | — | 108,803 | (1,089) | (456,501) | (779) | 136,408 |
| Issuance of common shares | 4,677,000 | 1,187 | — | — | — | — | — | — | — | — | — | 1,187 |
| Share based compensation | — | — | 884 | — | — | — | — | 884 | — | — | — | 884 |
| Restricted share units exercised during period | 120,000 | 33 | (33) | — | — | — | — | (33) | — | — | — | — |
| Shares issued in connection with debt modification | 2,736,842 | 520 | — | — | — | — | — | — | — | — | — | 520 |
| Comprehensive income/(loss) | — | — | — | — | — | — | — | — | 483 | (14,509) | (35) | (14,061) |
| **Balance, September 30, 2021** | 536,677,598 | 487,714 | 21,464 | 10,106 | 70,112 | 7,972 | — | 109,654 | (606) | (471,010) | (814) | 124,938 |

*An unlimited number of common shares are authorized for issue.*

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

**The Green Organic Dutchman Holdings Ltd.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
*(Unaudited)*
*(expressed in thousands of Canadian dollars)*

| | Notes | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Net loss from operations | | $ **(6,841)** | $ (14,544) | $ **(27,128)** | $ (34,561) |
| Items not affecting cash: | | | | | |
| (Reversal of impairment) / Impairment of property, plant and equipment | 6 | **—** | — | **6,183** | (17,765) |
| Reversal of impairment of intangible assets | | **—** | — | **—** | (4,046) |
| Loss on assets held for sale | | **—** | — | **—** | 17,688 |
| Impairment loss on remeasurement of disposal group | | **—** | 4,442 | **2,489** | 4,442 |
| Share based compensation | 14 | **370** | 884 | **1,207** | 2,516 |
| Depreciation of property, plant and equipment | 6 | **2,866** | 3,503 | **9,016** | 8,679 |
| Amortization of intangible assets | 7 | **343** | 450 | **1,030** | 1,240 |
| Realized fair value adjustment on sale of inventories | | **4,261** | 1,765 | **10,541** | 5,626 |
| Unrealized gain on change in fair value of biological assets | 8 | **(8,998)** | (2,185) | **(21,986)** | (7,750) |
| Accretion expense | 5 | **384** | 295 | **1,186** | 5,148 |
| Revaluation gain of contingent consideration | 11 | **(1,716)** | — | **(2,601)** | (39) |
| Loss (gain) on disposal of assets | 6 | **—** | 173 | **(25)** | 63 |
| Loss on derecognition on investment in joint venture | | **—** | — | **—** | 761 |
| Gain on disposal of subsidiary | 4 | **(3,187)** | — | **(3,187)** | — |
| Deferred financing costs expensed | | **—** | 230 | **—** | 682 |
| Deferred income tax recovery | | **—** | (661) | **—** | (804) |
| Write-down of deposit | | **—** | 1,564 | **—** | 1,564 |
| Provision recorded on inventory | 9 | **6,026** | — | **6,026** | — |
| Debt modification | 5 | **—** | (1,275) | **48** | (1,275) |
| Changes in non-cash operating working capital items | 15 | **3,283** | (179) | **5,520** | 957 |
| **Net cash used in operating activities** | | $ **(3,209)** | $ (5,538) | $ **(11,681)** | $ (16,874) |
| | | | | | |
| **INVESTING ACTIVITIES** | | | | | |
| Additions to property, plant and equipment | | **(20)** | (786) | **(716)** | (6,804) |
| Net proceeds from the disposition of the Valleyfield Assets | | **—** | — | **—** | 25,512 |
| Net cash inflow on deposits | 10[b] | **450** | — | **450** | 5,761 |
| Proceeds on disposal of assets | 6 | **—** | 609 | **1,970** | 1,698 |
| Transfer to/(from) restricted cash | 17[c] | **245** | 386 | **(1,008)** | 291 |
| Net cash inflow on sale of investment | | **—** | — | **—** | 1,242 |
| Proceeds on disposal of HemPoland | 4 | **1,350** | — | **1,350** | — |
| Additions to intangible assets | 7 | **—** | — | **—** | (6) |
| **Net cash provided from investing activities** | | $ **2,025** | $ 209 | $ **2,046** | $ 27,694 |
| | | | | | |
| **FINANCING ACTIVITIES** | | | | | |
| Proceeds from issuance of shares, net of share issue costs | 13 | **—** | 1,187 | **102** | 9,219 |
| Proceeds from borrowings, net of costs | 5 | **—** | 2,940 | **3,920** | 2,940 |
| Proceeds from the exercise of stock options and warrants | | **—** | — | **—** | 7,560 |
| Interest received | | **6** | 15 | **13** | 55 |
| Interest paid on lease liabilities | 12 | **(302)** | (161) | **(816)** | (415) |
| Interest paid on debt | | **(999)** | (576) | **(2,620)** | (3,905) |
| Principal payments of lease liabilities | 12 | **(95)** | (342) | **(494)** | (640) |
| Principal payments of debt | 5 | **—** | — | **—** | (32,200) |
| Net proceeds/(repayments) of borrowings under the Revolver Loan | 5 | **(119)** | (1,561) | **5,896** | 785 |
| **Net cash provided/(used) by financing activities** | | $ **(1,509)** | $ 1,502 | $ **6,001** | $ (16,601) |
| | | | | | |
| **Net cash inflow (outflow)** | | $ **(2,693)** | $ (3,827) | $ **(3,634)** | $ (5,781) |
| Net effects of foreign exchange | | **1,144** | 578 | **532** | (405) |
| Cash, beginning of period | | **3,377** | 8,275 | **4,930** | 11,212 |
| Cash related to assets held for sale | | **—** | (1,091) | **—** | (1,091) |
| **Cash and cash equivalents, end of period** | | $ **1,828** | $ 3,935 | $ **1,828** | $ 3,935 |

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

## 1. NATURE OF ACTIVITIES

The Green Organic Dutchman Holdings Ltd. ("Company") was incorporated on November 16, 2016, under the *Canada Business Corporations Act* ("CBCA"). The Company is a reporting issuer domiciled in Canada whose common shares (the "Common Shares") are publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "TGOD" and on the OTCQX under the symbol "TGODF". The Company also has four classes of warrants listed on the CSE under the symbols "TGOD.WS", "TGOD.WR", "TGOD.WA" and "TGOD.WB". The Company's registered and head office is located at 6205 Airport Road, Building A – Suite 200, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and September 30, 2021 ("Interim Condensed Consolidated Financial Statements") include the financial statements of The Green Organic Dutchman Holdings Ltd. and its subsidiaries from the date the Company gained control of each subsidiary through to the date of disposition (if applicable).

The Company's wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. ("TGOD") and Galaxie Brands Corporation ("Galaxie") are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation facilities near Hamilton, Ontario (the "**Hamilton Facility**") and also has an operating licence in Puslinch, Ontario (the "**Puslinch Facility**") and a presence in Valleyfield, Québec (the "**Quebec Facility**").

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, and has established strategic partnerships for the distribution of cannabis derived medical products primarily focused in Germany.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 ("COVID-19"), and its eventual declaration as a pandemic by the World Health Organization ("WHO") on March 11, 2020, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company implemented measures to protect its global workforce from COVID-19 and endeavours to mitigate any long-term impact of the pandemic on its business which remain unknown. While it is difficult to predict the impact of COVID-19 on the Company's business, the Company continues to seek to mitigate these impacts through various means including engagement with its retailers, transition of its staff to working remotely where possible, increasing safety protocols and sanitation measures within the workplace, and monitoring developments in order to adapt and respond in order to protect the health and safety of the Company's employees and the best interests of the Company.

## 2. BASIS OF PRESENTATION

### [i] Going concern

These Interim Condensed Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of September 30, 2022, the Company had negative working capital of $5,610 (inclusive of non-cash contingent consideration of $822) (December 31, 2021 positive $25,716) and an accumulated deficit of $505,825 (December 31, 2021 - $478,697). During the nine months ended September 30, 2022, the Company used cash in operating activities of $11,681 (nine months ended September 30, 2021 - $16,874) resulting primarily from the loss from operations of $16,195 (nine months ended September 30, 2021 - $23,071) offset by items not affecting cash such as changes in fair value of biological assets, depreciation, amortization and share based compensation. The Company has insufficient cash on hand to fund its planned operations. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient funding to meet its obligations, neither of which is guaranteed to occur. Achieving such revenues, positive cash flows from operating activities or funding may be influenced by matters that are not in the Company's control, and as such, there is no certainty that such revenues, cash flows, or funding will be realized. In addition, the Company currently does not have any commitments in place that would provide the level of revenues, cash flows, or funding required to provide sufficient funding to meet its obligations.

The Company will need to obtain further funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If positive operating cash flows are not achieved, debt obligations are not repaid, or adequate funding is not available, the Company will be required to delay, reduce or cease the scope of any or all of its operations. In addition, the terms of the renewed secured revolving credit facility (the "Revolver Loan") require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the repayment of the debt, which could materially and adversely affect the business, results of operations and financial condition of the Company. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

On October 18, 2022 the Company entered into a share exchange agreement with BZAM Holdings Inc., a corporation incorporated under the laws of the province of British Columbia ("BZAM") and its sole shareholder BZAM International Ltd. ("BZAM Shareholder"), to purchase and acquire all of the issued and outstanding common shares of BZAM from the BZAM Shareholder (the "BZAM Transaction"). See Note 20 for more information on BZAM Transaction.

In connection with the BZAM Transaction, the Company's lender under its Revolver Loan, agreed to amend the terms of its Amended and Restated Agreement (as defined herein) to incorporate the assets of BZAM into the security collateral and, amongst other things: (i) remove the reduction of the limit to revolving portion of the credit facility as a result of prepayment on the term portion of the credit facility; (ii) amend the EBITDA financial covenant to take effect on April 30, 2023; (iii) extend the maturity date of the credit facility to March 24, 2024; and (iv) introduce a 1.5% reduction of the interest rate upon achieving three consecutive months of positive earnings before depreciation and amortization. All other terms of the Amended and Restated Agreement not specifically amended will remain the same as before. As a result, subsequent to September 30, 2022, the current portion of loans move to long-term and the Company has additional collateral available in order to access the full amount of the $34 million facility under the Credit Agreement.

These Interim Condensed Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these Interim Condensed Consolidated Financial Statements should such events impair the Company's ability to continue as a going concern.

**[ii] Interim Financial Reporting**

These Interim Condensed Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standards ("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 Condensed Consolidated Financial Statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

These Interim Condensed Consolidated 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 which are made available on SEDAR at www.sedar.com.

These Interim Condensed Consolidated Financial Statements were approved by the Board of Directors of the Company (the "Board") and authorized for issue by the Board on November 23, 2022.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these Interim Condensed Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Condensed Consolidated Financial Statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2021.

## 4. DISPOSAL OF HEMPOLAND

On September 6, 2022, the Company completed the sale of HemPoland S.p.a. Z.o.o. ("HemPoland"), its wholly owned hemp cultivation and extraction business based in Poland, for net proceeds of $6,810 which included $1,350 in cash and a $5,460 loan forgiveness for amounts owed to HemPoland by the Company.

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

The results of disposed entity which are also included in the current results are as follows:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2022** | **September 30, 2021** | **September 30, 2022** | **September 30, 2021** |
| Revenue | $ 305 | $ 1,298 | $ 1,926 | $ 5,028 |
| Gross profit/(loss) | $ (19) | $ 652 | $ 305 | $ 2,641 |
| Expenses | $ 176 | $ 1,251 | $ 1,124 | $ 4,075 |
| **Loss from discontinued operations** | $ (195) | $ (599) | $ (819) | $ (1,434) |
| Income Tax Recovery/(Expense) | $ 216 | $ (4) | $ 387 | $ 139 |
| **Loss from discontinued operations, net of tax** | $ 21 | $ (603) | $ (432) | $ (1,295) |
| **Basic and diluted loss per share** | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.01) |

Cash flows from (used in) discontinued operation:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2022** | **September 30, 2021** | **September 30, 2022** | **September 30, 2021** |
| Net cash provided by/(used in) operating activities | $ 119 | $ 451 | $ (147) | $ (1,073) |
| Net cash provided by/(used in) investing activities | 2 | 29 | (46) | 188 |
| Net cash provided by/(used in) financing activities | (59) | 126 | (410) | 393 |
| **Net cash (outflows) inflows for the year** | **$** 62 | **$** 606 | **$** (603) | **$** (492) |

## Gain on Disposal

As a result of the disposal a gain on disposal arose as follows:

| | **HemPoland** |
|---|---|
| Proceeds from Sale | 6,810 |
| Less: Net assets at Disposal | (5,938) |
| Add: Reclassification of foreign currency translation reserve applicable to HemPoland | 2,315 |
| **Gain on Disposal** | **3,187** |

The reclassification of the foreign currency translation reserve applicable to HemPoland represents the cumulative foreign currency differences previously included in shareholders equity since the date of acquisition.

## 5. LOANS

The following tables illustrate the continuity schedule and presentation of the Company's loans:

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

| | For the nine months ended September 30, 2022 | For the year ended December 31, 2021 |
|---|---|---|
| Opening Balance | $ **20,225** | $ 40,755 |
| Additions | **4,000** | 7,000 |
| Addition through business combination | **—** | 1,152 |
| Deferred financing fee | **(130)** | (1,000) |
| Accretion | **1,186** | 5,445 |
| Debt modification | **48** | (1,187) |
| Principal payments | **(900)** | (32,200) |
| Effects of movements in foreign exchange | **—** | (33) |
| Reclassification to liabilities held for sale | **—** | (473) |
| Net proceeds related to the borrowing from and to the Revolver Loan | **5,896** | 766 |
| **Ending Balance** | $ **30,325** | $ 20,225 |

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Loans | $ **30,325** | $ 20,225 |
| Current portion | **(30,325)** | (2,021) |
| Long term portion | $ **—** | $ 18,204 |
| | | |
| Revolver Loan | $ **29,898** | $ 19,045 |
| Promissory notes to related parties | **427** | 1,180 |
| | $ **30,325** | $ 20,225 |

## Revolver Loan

The Company entered into the Revolver Loan on April 22, 2020, which was amended and restated on September 29, 2021, and further amended on November 29, 2021 (the "Amended and Restated Agreement"). The Revolver Loan had a credit limit of $25,000, bore interest at 12% or TD Prime plus 8.05% whichever is higher, with a due date of June 30, 2023. The Company must comply with certain financial covenants as set out in the Amended and Restated Agreement relating to the achievement of positive EBITDA (as defined in the Amended and Restated Agreement).

On March 10, 2022, the Company entered into a second amendment to the Amended and Restated Agreement (the "Second Amendment") whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from $25,000 to $30,000, allow certain eligible inventory to be included as collateral to the Revolver Loan, and relax certain covenants set forth in the Amended and Restated Agreement relating to the Revolver Loan. As consideration for the Second Amendment, the Company issued 500,000 Common Shares measured at $50 to the lender.

On April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the "Third Amendment"), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from $30,000 to $34,000, increase the term portion of the Revolver Loan from $20,000 to $24,000, amend the EBITDA financial covenant to take effect June 30, 2022, remove the covenant requiring a $6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a $4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.

The Revolver Loan is secured by a first lien over the Hamilton Facility and assets of the Company, including a lien over substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company up to $10,000.

As at September 30, 2022, the total principal balance outstanding related to the Revolver Loan was $31,117. The Company did not meet the EBITDA financial covenant as at September 30, 2022, however all other covenants within the Amended and Restated Agreement were met. The breach gives the lender the right to immediately terminate the agreement and request payment of outstanding amounts. On October 18, 2022, the Company obtained a waiver from the lender for the failure to meet the EBITDA covenant. The terms of the Revolver Loan were also further amended subsequent to the waiver as detailed below.

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

In connection with the BZAM Transaction, the Company entered into a fourth amendment to the Amended and Restated Agreement (the "Fourth Amendment") to incorporate the assets of BZAM into the security collateral and, amongst other things: (i) remove the reduction of the limit to the revolving portion of the credit facility as a result of prepayment on the term portion of the credit facility; (ii) amend the EBITDA financial covenant to take effect on April 30, 2023; (iii) extend the maturity date of the credit facility to March 24, 2024; and (iv) introduce a 1.5% reduction of the interest rate upon achieving three consecutive months of positive earnings before depreciation and amortization, from TD Prime plus 8.05% to TD Prime plus 6.55%. All other terms of the Amended and Restated Agreement not specifically amended will remain the same as before. As consideration for the Fourth Amendment, the Company issued to the lender 7,000,000 warrants to purchase Common Shares at a price of $0.095 per Common Share for a period of 60 months.

**Promissory notes to related parties**

In connection with the acquisition of all of the issued and outstanding shares of Galaxie on November 17, 2021 (the "Galaxie Acquisition"), the Company assumed shareholder loans with principal note balances totaling $1,300 (the "Promissory Notes"). The fair value of the shareholder loans at acquisition date was determined to be $1,152, based on the time to maturity. The Promissory Notes are subordinate to the Revolver Loan. On May 17, 2022, Promissory Note #1 and Promissory Note #3 with a total principal note balance of $900, were repaid in full from the consideration for the Puslinch Facility building improvements sale and leaseback (note 6). Promissory Note #2 remains outstanding as shown below.

| | | Principal note balance | Amortized Cost | Agreement Date | Maturity Date | Terms |
|---|---|---|---|---|---|---|
| Promissory Note #2 | $ | **400** | **427** | 2021-10-28 | 2022-01-31 | No interest to maturity, 10% interest compounded monthly if note not repaid in full at maturity |
| Total Promissory Notes to related parties | **$** | **400** | **427** | | | |

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

## 6. PROPERTY, PLANT AND EQUIPMENT

| **Cost:** | **Land** | **Buildings** | **Furniture and fixtures** | **Production equipment** | **Leasehold improvements** | **Computer equipment** | **Automobiles** | **Right-of-use assets** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | $ 2,775 | $ 63,086 | $ 420 | $ 65,734 | $ 9,920 | $ 1,374 | $ 294 | $ 7,134 | $ 150,737 |
| Additions | — | — | 1 | 18 | — | — | — | — | 19 |
| Disposals | — | — | — | (159) | — | — | — | — | (159) |
| **Balance, March 31, 2022** | $ 2,775 | $ 63,086 | $ 421 | $ 65,593 | $ 9,920 | $ 1,374 | $ 294 | $ 7,134 | $ 150,597 |
| Additions | — | — | — | 305 | — | — | — | 1,994 | 2,299 |
| Disposals | — | — | — | — | (8,901) | — | (35) | — | (8,936) |
| **Balance, June 30, 2022** | $ 2,775 | $ 63,086 | $ 421 | $ 65,898 | $ 1,019 | $ 1,374 | $ 259 | $ 9,128 | $ 143,960 |
| Additions | — | — | — | 9 | 11 | — | — | — | 20 |
| Disposals | — | — | — | — | — | — | — | — | — |
| **Balance, September 30, 2022** | $ 2,775 | $ 63,086 | $ 421 | $ 65,907 | $ 1,030 | $ 1,374 | $ 259 | $ 9,128 | $ 143,980 |
| | | | | | | | | | |
| **Accumulated depreciation and impairment:** | | | | | | | | | |
| Balance, December 31, 2021 | $ — | $ 8,417 | $ 143 | $ 22,124 | $ 452 | $ 845 | $ 227 | $ 549 | $ 32,757 |
| Depreciation | — | 683 | 14 | 2,202 | 123 | 44 | 5 | 113 | 3,184 |
| Disposals | — | — | — | (80) | — | — | — | — | (80) |
| Impairment | — | — | — | — | 6,183 | — | — | — | 6,183 |
| **Balance, March 31, 2022** | $ — | $ 9,100 | $ 157 | $ 24,246 | $ 6,758 | $ 889 | $ 232 | $ 662 | $ 42,044 |
| Depreciation | — | 675 | 13 | 2,096 | 7 | 40 | 4 | 131 | 2,966 |
| Disposals | — | — | — | — | (6,006) | — | (29) | — | (6,035) |
| **Balance, June 30, 2022** | $ — | $ 9,775 | $ 170 | $ 26,342 | $ 759 | $ 929 | $ 207 | $ 793 | $ 38,975 |
| Depreciation | — | 666 | 12 | 2,001 | 7 | 37 | 3 | 140 | 2,866 |
| Disposals | — | — | — | — | — | — | — | — | — |
| **Balance, September 30, 2022** | $ — | $ 10,441 | $ 182 | $ 28,343 | $ 766 | $ 966 | $ 210 | $ 933 | $ 41,841 |
| | | | | | | | | | |
| **Net book value, September 30, 2022** | $ 2,775 | $ 52,645 | $ 239 | $ 37,564 | $ 264 | $ 408 | $ 49 | $ 8,195 | $ 102,139 |

On May 17, 2022, the Company sold its leasehold improvements acquired through the Galaxie Acquisition at the Puslinch Facility for gross proceeds of $3,000 (net proceeds $2,900). The net proceeds were paid $1,940 in cash, $900 repayment of promissory notes owed and $60 set-off for other amounts owing to the purchaser. During the nine months ended September 30, 2022, the Company tested the leasehold improvements for impairment and recognized an impairment loss of $6,183.

During the nine months ended September 30, 2021, the Company completed the sale of the majority of its assets in Valleyfield, Quebec, including all of the industrial and agricultural land, main hybrid greenhouse, rooftop greenhouse, all support buildings and certain related equipment (the "Valleyfield Assets"). As a result of the reclassification of the Valleyfield Assets held for sale, the Company performed an impairment analysis as at March 31, 2021 on its cannabis related activities from production in Canada (the Canadian cash generating unit ("Canadian CGU")). As a result of this impairment assessment, the Company determined that the Valleyfield Assets met the criteria to be tested for impairment separately from the Canadian CGU. The Company tested the Valleyfield Assets for impairment first, then subsequently tested the Canadian CGU for an impairment reversal. The Company recognized a $46,475 impairment loss at March 31, 2021 associated with the Valleyfield Assets recognized in property, plant and equipment, and a $68,286 reversal of previously recognized impairment losses on the Canadian CGU of which $64,240 was allocated to property, plant and equipment and $4,046 allocated to intangible assets. The net impact to property, plant and equipment was a reversal of impairment of $17,765.

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

## 7. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets is as follows:

| | Health Canada Licences | Technology Licences | Website | Brands | Other acquired rights | Goodwill | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Balance, December 31, 2021 | $ 10,302 | $ 2,613 | $ 400 | $ 2,783 | $ 2,667 | $ 3,939 | $ 22,704 |
| Additions | — | — | — | — | — | — | — |
| **Balance, March 31, 2022** | $ 10,302 | $ 2,613 | $ 400 | $ 2,783 | $ 2,667 | $ 3,939 | $ 22,704 |
| Additions | — | — | — | — | — | — | — |
| **Balance, June 30, 2022** | $ 10,302 | $ 2,613 | $ 400 | $ 2,783 | $ 2,667 | $ 3,939 | $ 22,704 |
| Additions | — | — | — | — | — | — | — |
| **Balance, September 30, 2022** | $ 10,302 | $ 2,613 | $ 400 | $ 2,783 | $ 2,667 | $ 3,939 | $ 22,704 |
| **Accumulated amortization and impairment:** | | | | | | | |
| Balance, December 31, 2021 | $ 1,752 | $ 1,186 | $ 179 | $ 15 | $ 48 | $ — | $ 3,180 |
| Amortization for the period | 123 | 103 | 16 | 35 | 66 | — | 343 |
| **Balance, March 31, 2022** | $ 1,875 | $ 1,289 | $ 195 | $ 50 | $ 114 | $ — | $ 3,523 |
| Amortization for the period | 123 | 103 | 16 | 36 | 66 | — | 344 |
| **Balance, June 30, 2022** | $ 1,998 | $ 1,392 | $ 211 | $ 86 | $ 180 | $ — | $ 3,867 |
| Amortization for the period | 123 | 103 | 16 | 35 | 66 | — | 343 |
| **Balance, September 30, 2022** | $ 2,121 | $ 1,495 | $ 227 | $ 121 | $ 246 | $ — | $ 4,210 |
| **Net book value, September 30, 2022** | $ 8,181 | $ 1,118 | $ 173 | $ 2,662 | $ 2,421 | $ 3,939 | $ 18,494 |

## 8. BIOLOGICAL ASSETS

As at September 30, 2022, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

| | Capitalized cost | Biological asset fair value adjustment | Amount |
|---|---|---|---|
| **Balance, December 31, 2021** | $ 1,482 | $ 1,667 | $ 3,149 |
| Unrealized gain on changes in fair value of biological assets | — | 21,986 | 21,986 |
| Production costs capitalized | 6,944 | — | 6,944 |
| Transfer to inventories upon harvest | (6,631) | (18,874) | (25,505) |
| **Balance, September 30, 2022** | $ 1,795 | $ 4,779 | $ 6,574 |

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram, waste and also for any additional costs to be incurred, such as post-harvest cost.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Estimated net selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products.
- Stage of growth – represents the weighted average number of weeks out of the estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventories which are expected to be obtained from each harvested cannabis plant based on historical experience.

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at September 30, 2022 and December 31, 2021 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level 3 inputs into the biological asset model include estimated post-harvest costs, costs to complete and wastage. These additional level 3 inputs are not considered to be significant.

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase or decrease in each input would have on the fair value of biological assets:

| | As at September 30, 2022 | As at December 31, 2021 | Impact of 10% change as at September 30, 2022 | Impact of 10% change as at December 31, 2021 |
|---|---|---|---|---|
| Estimated net selling price per gram (1) | $1.86 to $4.67 | $1.83 to $4.79 | $ 1,058 | $ 535 |
| Estimated stage of growth | 9 to 10 weeks | 8 to 9 weeks | $ 500 | $ 824 |
| Estimated yield of agricultural produce by plant (2) | 95 to 152 grams | 80 to 100 grams | $ 706 | $ 357 |

(1) The estimated net selling price per gram is based on the negotiated distribution selling prices which exclude excise duties.

(2) The estimated yield varies based on the Company's different cannabis strains.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels during the three and nine months ended September 30, 2022.

## 9. INVENTORIES

The Company's inventories include the following as of September 30, 2022 and December 31, 2021:

| | As at September 30, 2022 | As at December 31, 2021 |
|---|---|---|
| Raw Materials and Packaging | $ **2,481** | $ **2,617** |
| Work-in-progress | **19,479** | **14,946** |
| Finished Goods | **2,710** | **3,379** |
| **Total Inventories** | $ **24,670** | $ **20,942** |

During the three and nine months ended September 30, 2022, inventories expensed directly to cost of sales were $5,762 and $16,479, respectively (three and nine months ended September 30, 2021 - $2,787 and $8,432, respectively).

During the three and nine months ended September 30, 2022, a write-down of inventory of $6,026 was recognized as an expense including $4,336 relating to fair value adjustment and $1,690 expensed directly in cost of sales (three and nine months ended September 30, 2021 - $0).

## 10. OTHER ASSETS

A summary of the Company's other assets is presented as follows:

| | Notes | As at September 30, 2022 | As at December 31, 2021 |
|---|---|---|---|
| Term deposits held as letter of credit collateral | 16,17 | 524 | 935 |
| Term deposits not held as letter of credit collateral | | 100 | 100 |
| Other | 10[a] | 2,241 | 2,541 |
| | | **2,865** | 3,576 |
| Less: Current portion | | **(1,584)** | (1,841) |
| Non current portion | | **1,281** | 1,735 |

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

**[a] Other**

Other comprises of deposits paid for goods and services of $1,113 (December 31, 2021 - $1,317) and other amounts receivable from various non-trade debtors of $1,128 (December 31, 2021 - $1,224).

**[b] Deposits reimbursed**

During the three months ended September 30, 2022, a letter of credit with a value of $450 was cancelled and the corresponding GIC of $450 held as collateral was converted to cash.

## 11. CONTINGENT CONSIDERATION

As part of the purchase price paid in connection with the Galaxie Acquisition in November 2021, the Company issued up to 85,714,286 Common Shares valued at the date of closing of the Galaxie Acquisition at $5,235 (the "Contingent Milestone Shares"). The Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at September 30, 2022, the Contingent Milestone Shares were revalued to $822, resulting in a gain on revaluation of $1,716 and $2,601 for the three and nine months ended September 30, 2022, respectively. Management estimates that only 22,857,144 of the Contingent Milestone Shares are expected to remain issued. The Contingent Milestone Shares are to be released no later than January 31, 2023, subject to the achievement of certain financial targets.

## 12. LEASES

Below is a summary of the activity related to the Company's lease liabilities:

| | | | For the nine months ended September 30, 2022 | | For the year ended December 31, 2021 |
|---|---|---|---|---|---|
| Opening Balance | | $ | **7,566** | $ | 5,570 |
| Additions | 12[a] | | **1,994** | | 2,049 |
| Additions from business combination | | | **—** | | 3,665 |
| Interest on lease liabilities | | | **789** | | 535 |
| Interest payments on lease liabilities | | | **(789)** | | (535) |
| Principal payments on lease liabilities | | | **(111)** | | (704) |
| Extinguishment of lease liabilities | 12[b] | | **—** | | (1,687) |
| Reclassification to liabilities held for sale | | | **—** | | (1,235) |
| Foreign exchange differences | | | **—** | | (92) |
| **Closing Balance** | | $ | **9,449** | $ | 7,566 |
| | | | | | |
| **Current portion lease liabilities** | | $ | **1,363** | $ | 1,049 |
| **Long-term portion lease liabilities** | | $ | **8,086** | $ | 6,517 |

**[a] Puslinch Lease**

In connection with the Galaxie Acquisition, the Company acquired a 20-year lease on the land on which the Puslinch Facility is located, which commenced on December 1, 2020. On May 17, 2022, the Company entered into a sale and leaseback transaction for the leasehold improvements at the Puslinch Facility (see note 6) which was added to the existing 20-year lease.

**[b] Valleyfield Lease**

In connection with the Quebec Facility disposition in Q2 2021, the Company entered into a two-year lease for 80,000 square feet, representing cultivation, processing and manufacturing spaces in the Quebec Facility. On September 24, 2021, the lease was terminated and modified to an operating agreement in conjunction with the landlord obtaining its own Health Canada licence.

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

## 13. SHARE CAPITAL

| | | For the nine months ended September 30, 2022 | | For the year ended December 31, 2021 | |
|---|---|---|---|---|---|
| | | **Number of shares** | **Amount** | **Number of shares** | **Amount** |
| Balance - beginning of period | [i] | **749,660,647** | **$508,504** | **486,675,760** | **$468,379** |
| Issuance of common shares | [a] | **904,000** | **102** | **21,035,458** | **9,322** |
| Shares issued in connection with debt modification | [b] | **500,000** | **50** | **—** | **—** |
| Restricted share units exercised during period | [c], [d] | **2,176,880** | **647** | **314,933** | **1,276** |
| Issuance of common shares in relation to acquisition | | **—** | **—** | **122,805,153** | **19,035** |
| Issuance of contingent shares in relation to acquisition | | **—** | **—** | **85,714,286** | **—** |
| Exercise of warrants | | **—** | **—** | **24,198,600** | **8,684** |
| Shares issued to settle accounts payable | [e] | **937,500** | **75** | **4,241,712** | **704** |
| Shares issued in connection with debt modification | | **—** | **—** | **2,736,842** | **520** |
| Restricted share units exercised during period | | **—** | **—** | **1,937,903** | **584** |
| **Balance - end of period** | | **754,179,027** | **$509,378** | **749,660,647** | **$508,504** |

[i] Includes 85,714,286 shares that are issued contingent upon certain milestones being achieved in 2022 related to the Galaxie Acquisition (note 11).

***[i] Authorized***

An unlimited number of Common Shares.

***[ii] Issued capital***

a) During the nine months ended September 30, 2022, 904,000 Common Shares were issued under the Company's at-the-market prospectus supplement dated December 2, 2020, for gross proceeds of $105 (net proceeds of $102).

b) During the nine months ended September 30, 2022, 500,000 Common Shares were issued to the lender of the Revolver Loan measured at $50 related to the modification (see note 5).

c) During the nine months ended September 30, 2022, 9,842 Common Shares of the Company were issued to former shareholders of HemPoland as a result of the conversion of 9,842 escrowed restricted share units ("RSUs") issued to such former shareholders. There are no proceeds related to the conversion of such escrowed RSUs.

d) d) During the nine months ended September 30, 2022, 2,167,038 Common Shares of the Company were also issued to certain employees and directors of the Company pursuant to the vesting of RSUs.

e) During the nine months ended September 30, 2022, 937,500 Common Shares were issued to settle accounts payable balances.

## 14. CONTRIBUTED SURPLUS

### [a] Share based payments

For the three and nine months ended September 30, 2022, the Company recorded $362 and $870, respectively in non-cash share-based compensation expense pursuant to the grant of stock options (three and nine months ended September 30, 2021 - $699 and $2,095 respectively).

The following is a summary of the changes in options issued pursuant to the Company's employee stock option plan:

| | For the nine months ended September 30, 2022 | | For the year ended December 31, 2021 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| **Outstanding - beginning of period** | **24,607,998** | **$ 1.01** | 24,339,401 | $ 1.74 |
| Granted | **30,178,000** | **0.13** | 10,035,000 | 0.26 |
| Cancelled/Expired | **(9,557,997)** | **0.50** | (9,766,403) | 2.04 |
| **Outstanding, end of period** | **45,228,001** | **$ 0.51** | 24,607,998 | $ 1.01 |
| | | | | |
| **Exercisable, end of period** | **10,526,499** | **$ 1.72** | 7,836,325 | $ 2.08 |

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

| Grant date | Options Outstanding # | Options Exercisable # | Exercise Price $ | Weighted Average remaining contractual life of outstanding options in years |
|---|---|---|---|---|
| June 25, 2018 - December 14, 2018 | 965,000 | 965,000 | $3.08 - $6.91 | 0.74-1.21 |
| January 8, 2019 - August 21, 2019 | 2,685,000 | 2,651,667 | $2.67 - $5.13 | 1.27-1.89 |
| November 18, 2019 | 612,667 | 409,339 | $0.83 | 2.14 |
| March 13, 2020 - December 21, 2020 | 8,681,001 | 4,755,835 | $0.26 - $0.51 | 2.45-3.23 |
| March 12, 2021 - August 13, 2021 | 4,805,333 | 1,744,658 | $0.30 - $0.36 | 3.45-3.87 |
| December 2, 2021 - August 31, 2022 | 27,479,000 | - | $0.09 - $0.14 | 4.18-4.92 |
| **Balance, September 30, 2022** | **45,228,001** | **10,526,499** | | **3.83** |

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

| | Averages for the nine months ended September 30, 2022 | Averages for the year ended December 31, 2021 |
|---|---|---|
| Risk-free interest rate | **2.46%** | 0.78% |
| Expected dividend yield | **Nil** | Nil |
| Expected annualized volatility | **116%** | 85.00% |
| Expected life of options (years) | **3.50** | 3.49 |
| Black-Scholes value of each option | **$0.09** | $0.15 |

Volatility was estimated by using the historical volatility of the Company. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term equal to the expected life of the options.

**[b] Reserve for warrants**

The following table reflects the continuity of warrants:

| | Number of warrants # | Weighted Average Exercise Price $ | Amount, net of warrant issue costs $ |
|---|---|---|---|
| Balance, December 31, 2021 | **160,591,440** | **0.47** | **10,375** |
| **Balance, September 30, 2022** | **160,591,440** | **0.47** | **10,375** |

As at September 30, 2022, the following warrants were outstanding:

| Expiry Date | Exercise Price $ | Number of Warrants # |
|---|---|---|
| December 19, 2022 | 1.00 | 20,607,500 |
| April 1, 2023 | 0.39 | 3,000,000 |
| April 13, 2023 | 0.39 | 1,500,000 |
| April 27, 2023 | 0.38 | 10,813,052 |
| May 27, 2024 | 0.50 | 500,000 |
| June 12, 2024 | 0.50 | 45,712,500 |
| October 23, 2025 | 0.30 | 24,873,354 |
| November 2, 2025 | 0.30 | 8,500,000 |
| December 10, 2025 | 0.35 | 42,085,034 |
| November 29, 2026 | 0.14 | 3,000,000 |
| | | **160,591,440** |

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

**[c] Restricted share units**

Under the Company's RSU plan (the "RSU Plan"), RSUs may be granted up to a fixed maximum of 10,000,000 Common Shares, which entitle the holder to receive one Common Share without payment of additional consideration at the end of the restricted period, as determined by the Board at the time of the grant. The RSUs vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant date to the expected performance completion date.

As at September 30, 2022, 261,250 (December 31, 2021 – 4,651,040) shares of the Company were reserved for issuance under the RSU Plan. For the three and nine months ended September 30, 2022, the Company recorded $8 and $337, respectively in non-cash share-based compensation related to RSU compensation (three and nine months ended September 30, 2021 – $185 and $421, respectively).

| | For the nine months ended September 30, 2022 | | For the year ended December 31, 2021 | |
|---|---|---|---|---|
| | Number of Units | Weighted Fair Value | Number of Units | Weighted Fair Value |
| **Outstanding - beginning of period** | **4,651,040** | **0.30** | 1,243,845 | 0.33 |
| Granted | **350,000** | **0.10** | 6,170,098 | 0.30 |
| Exercised | **(2,167,038)** | **0.28** | (1,937,903) | 0.30 |
| Forfeited | **(2,572,752)** | **0.30** | (825,000) | 0.30 |
| **Outstanding, end of period** | **261,250** | **0.23** | 4,651,040 | 0.30 |

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSUs expected to be earned multiplied by the grant date fair market value of a share of the Company's stock. Each reporting period, the number of RSUs that are expected to be earned is re-determined and the fair value of these RSUs is amortized over the remaining requisite service period less amounts previously recognized.

**[d] Employee Stock Purchase Plan**

The Company has established an employee stock purchase plan which created a reserve of 3,000,000 Common Shares that may be issued from treasury. As at September 30, 2022, no securities were issued under this plan.

## 15. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Prepaid expenses and deposits | **$ 501** | $ (422) | **$ (524)** | $ (531) |
| Refundable sales taxes receivable | **11** | (38) | **17** | (91) |
| Trade receivables | **2,019** | 1,202 | **2,063** | 2,091 |
| Capitalized cost of biological assets | **3,398** | 1,817 | **6,318** | 5,062 |
| Inventories | **(4,131)** | (3,191) | **(7,410)** | (8,992) |
| Deferred revenue | **—** | — | **—** | (150) |
| Due from related parties | **(266)** | — | **(909)** | — |
| Other current assets | **(6)** | (934) | **244** | (1,105) |
| Other assets | **1** | 1,520 | **4** | 1,664 |
| Accounts payable and accrued liabilities | **1,844** | 13 | **5,435** | 2,861 |
| Sales taxes payable | **(88)** | (146) | **282** | 148 |
| **Total** | **$ 3,283** | $ (179) | **$ 5,520** | $ 957 |

## 16. COMMITMENTS AND CONTINGENCIES

The Company has the following gross contractual obligations as at September 30, 2022, which are expected to be payable in the following respective periods:

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

| | | | Contractual cash flows - 12 months ending (1) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total** | **September 2023** | **September 2024** | **September 2025** | **September 2026** | **September 2027** | **Thereafter** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | **19,064** | **19,064** | 19,064 | - | - | - | - | - |
| Sales taxes payable | **531** | **531** | 531 | - | - | - | - | - |
| Loans (2) | **30,325** | **33,869** | 33,869 | - | - | - | - | - |
| Lease liabilities | **9,449** | **22,545** | 1,363 | 1,366 | 1,377 | 1,478 | 1,498 | 15,463 |
| Total contractual obligations | **59,369** | **76,009** | **54,827** | **1,366** | **1,377** | **1,478** | **1,498** | **15,463** |

(1) Contractual cash flows include expected interest payable until the maturity date.
(2) Subsequent to September 30, 2022, the lender extended the maturity of the loan to March 24, 2024 pursuant to the Fourth Amendment.

### [a] Construction agreements

In prior years, the Company entered into contracts to facilitate the construction of the Hamilton Facility with various vendors. Pursuant to some of these agreements, as at September 30, 2022, the Company had letters of credit in the amount of $129 which may be drawn upon in the event of breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which have been recorded in other assets. As at September 30, 2022, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

### [b] Other contractual commitments

The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount $350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at September 30, 2022, there have been no breaches and no amounts have been drawn upon this letter of credit.

### [c] Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions. The Company is subject to an employment related claim by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows.

The Company has been subject to a claim by former warrant holders for approximately $1,250. The claim was settled and paid during the three months ended September 30, 2022, for $325. On August 3, 2020, the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to a disposed of minority investment in a U.S. based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. The case was settled and paid for US$75 thousand during the three months ended September 30, 2022.

Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

## 17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### [a] Fair values

The Company's financial instruments were comprised of the following as at September 30, 2022: cash and cash equivalents; restricted cash; trade receivables; due from related parties; certain other current assets; accounts payable and accrued liabilities; lease liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized cost that the instruments' fair values approximate their carrying amounts is due to the largely short-term maturities of these instruments.

### [b] Fair value hierarchy

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three and nine months ended September 30, 2022, there were no transfers of amounts between levels (year ended December 31, 2021 – none).

**[c] Management of risks arising from financial instruments**

***[i] Market risk***

*Foreign currency risk*

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at September 30, 2022, a portion of the Company's financial assets and liabilities were held in US dollars and European Euros. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the nine months ended September 30, 2022 as management has determined that this risk is not significant at this time.

*Interest rate risk*

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at September 30, 2022, the Company had term deposits of $479 bearing interest of 0.55% (December 31, 2021 - $585, bearing interest of 0.80% and 1.00%). The Company also has $1,227 of restricted cash in a separate account related to the Revolver Loan. The restricted cash with regards to the Revolver Loan was added in the current year as part of the conditions for the amended Revolver Loan agreements.

***[ii] Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivables, prepaid expenses and deposits, and other assets represents the maximum exposure to credit risk as at September 30, 2022. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. The Company had two customers whose balances individually were greater than 10% of total trade receivables as at September 30, 2022 (December 31, 2021 – two customers). Customer A accounted for 50% and Customer B accounted for 20% of trade receivables as at September 30, 2022 (December 31, 2021 – Customer A accounted for 48% and Customer B accounted for 24%). Customer A and B are provincial government entities.

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

*(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated)*

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | $ | $ |
| Total trade receivables | **7,042** | 8,833 |
| Less allowance for expected credit losses | **—** | — |
| Total trade receivables, net | **7,042** | 8,833 |
| | | |
| Of which | | |
| Current | **5,423** | 6,447 |
| 31-90 days | **1,363** | 2,256 |
| Over 90 days | **256** | 130 |
| **Total trade receivables, net** | **7,042** | 8,833 |

***[iii] Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets. Refer to Note 16 – Commitments and Contingencies.

## 18. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[i] – Going Concern). Management defines capital as the Company's shareholders' equity (excluding deficit, contributed surplus and reserve for foreign currency translations) and loans (excluding loan from disposal group). The Board does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at September 30, 2022, total managed capital was comprised of share capital and loans of $539,703 (December 31, 2021 - $528,729), contributed surplus of $109,396 (December 31, 2021 - $108,836), and reserve for foreign currency translations of $3,868 (December 31, 2021 – $969). There were no changes in the Company's approach to capital management during the nine months ended September 30, 2022 (year ended December 31, 2021 – no changes).

## 19. OPERATING EXPENSES

The following table presents share-based compensation, depreciation, and amortization by nature:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Cost of sales related to inventory production | $ **2,291** | $ 2,571 | **7,179** | $ 6,343 |
| Sales and marketing expenses | **232** | 289 | **730** | 733 |
| Research and development expenses | **94** | 129 | **296** | 336 |
| General and administrative expenses | **962** | 1,389 | **3,048** | 3,647 |

## 20. EVENTS AFTER THE REPORTING PERIOD

a) On October 18, 2022 the Company entered into a share exchange agreement with BZAM and the BZAM Shareholder, to complete the BZAM Transaction in exchange for 49.5% of the issued and outstanding Combined Entity Shares of the Combined Entity at a deemed priced per Combined Entity Shares of $0.0596. The BZAM Shareholder also has the ability to earn additional Combined Entity Shares valued up to $33,000 (the "Earnout Shares"), subject to achievement of certain milestones tied to annual net revenue targets and positive adjusted EBITDA targets for the 2023 calendar year (the "Milestones").

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

a. A nominal cash payment on Closing in the amount of one hundred dollars; and;

b. The issuance on Closing of an aggregate of 655,227,815 Combined Entity Shares, being 650,313,607 Combined Entity Shares issued to the BZAM Shareholder, and 4,914,208 Combined Entity Shares issued to Clarus Securities

Inc. ("Clarus") as payment by the BZAM Shareholder for certain finders fees owed by the BZAM Shareholder to Clarus in connection with the Transaction, 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 Common 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 Company.

Following the release from escrow on December 31, 2022, of the Milestone Escrow Shares, the Company shall issue such number of Combined Entity Shares, equal to 49.5% of the aggregate number of Milestone Escrow Shares not returned to treasury of the Combined Entity, and issued to the escrow securityholders, to the BZAM Shareholder, at the Issue Price.

The Earnout Shares will be issued based on the following conditions: (i) $1,500 worth of the Combined Entity Shares at the Issue Price, for every $2,500 worth of net Revenue over $90,000 generated by the combined entity from January 1, 2023 until December 31, 2023, up to a maximum payout of $16,500 and; (ii) $1,500 worth of the Combined Entity Share at the Issue Price, for every $375 worth of positive Adjusted EBITDA generated by the combined entity from January 1, 2023 until December 31, 2023, up to a maximum payout of $16,500.

Due to the limited period of time between the closing of the Acquisition and the issuance of these Interim Condensed Consolidated Financial Statements, certain business combination disclosures required under IFRS 3 – Business Combinations, including the preliminary purchase price allocation, have not been provided as this information has not yet been determined. The Company is currently in the process for determining the accounting for the transaction.

b) On October 3, 2022 and October 6, 2022 the Company received funds totalling $2,200 under a demand promissory note with a company controlled by the BZAM Shareholder. The promissory note bears interest at a rate of 12% per annum and demand can only occur after December 1, 2022. The promissory note is subordinated to the Amended and Restated Agreement.

c) In connection with the BZAM Transaction, the Company's lender under its Revolver Loan, agreed to amend the terms of its Amended and Restated Agreement (as defined herein) to incorporate the assets of BZAM into the security collateral and, amongst other things: (i) remove the reduction of the limit to revolving portion of the credit facility as a result of prepayment on the term portion of the credit facility; (ii) amend the EBITDA financial covenant to take effect on April 30, 2023; (iii) extend the maturity date of the credit facility to March 24, 2024; and (iv) introduce a 1.5% reduction of the interest rate upon achieving three consecutive months of positive earnings before depreciation and amortization. All other terms of the Amended and Restated Agreement not specifically amended will remain the same as before. As a result, subsequent to September 30, 2022, the current portion of loans move to long-term and the Company has additional collateral available in order to access the full amount of the $34 million facility under the Credit Agreement.

d) Subsequent to quarter-end, on November 8, 2022, the Company filed articles of amendment to effect a consolidation (the "Consolidation") of all of the issued and outstanding Common Shares. Pursuant to the Consolidation, shareholders received one post-Consolidation Common Share for every ten pre-Consolidation Common Shares (the "Consolidation Ratio"). The Consolidation Ratio will also apply to the Common Share purchase warrants (the "Warrants"), which are currently exercisable on the basis of one Warrant for one Common Share. Accordingly, effective as of the Consolidation date, the holders of Warrants will be entitled to receive one post-Consolidation Common Share on the exercise of ten Warrants. The Consolidation also applied to the stock options and restricted share units outstanding, which were consolidated at the Consolidation Ratio with the exercise price being adjusted to reflect the Consolidation.