New Leaf Ventures, Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEW LEAF VENTURES, INC.

Opinion

We have audited the consolidated financial statements of New Leaf Ventures, Inc. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $3,518,382 during the year ended December 31, 2022 and, as of that date, the Company had a working capital deficiency of $24,300 and an accumulated deficit of $15,288,127. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be a key audit matter to be communicated in our auditors' report.

Assessment of impairment of receivable balances due from related party and impact on revenue recognition

Description of the matter

We draw attention to Notes 8, 9, and 13 of the consolidated financial statements. As at December 31, 2022, the Company had an amount of $1,070,962 due from a related party, New Leaf Enterprises, Inc. ("NLE") and recognized a loss allowance expense of $3,630,404 for the year then ended representing the lifetime expected credit losses on the related party trade and lease receivables. During the year ended December 31, 2022, the Company recognized revenues of $1,980,274, earned entirely from NLE.

The expected credit loss model is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is determined by evaluating a range of possible outcomes incorporating reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Company. For existing contracts with the related party, the Company reassesses whether collection remains probable when there are significant changes in facts and conditions impacting NLE's ability to pay.

The assessment of collectability and determination of expected credit losses requires significant assumptions and inputs which include:

- ♦ Estimated future collections to be received from NLE;
- ♦ Projected economic conditions; and
- ♦ Projected legislative changes in the Washington cannabis industry and impact on NLE's cash flows.

Why the matter is a key audit matter

We identified the assessment of expected credit losses and impact on revenue recognition as a key audit matter. This matter represented an area of significant risk of material misstatement given the determination of expected credit losses and collectability of revenues involved the application of significant management judgment and forward-looking assumptions. Auditor judgment was required in applying, and evaluating the results of, audit procedures due to the high degree of estimation uncertainty and potential for management bias arising through the Company's shared management with the related party.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter include the following:

- Tested the collectability data factored into the expected credit loss model;
- Gained an understanding of NLE's business and financial position based on reports obtained from the related party and reviewed trends in performance to evaluate current financial position of the related party; and
- Consulted market data to gain an understanding of current and projected legal, economic, and market conditions of the Washington cannabis industry; and

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 1, 2023

New Leaf Ventures, Inc.
Consolidated Statements of Financial Position
(*Expressed in Canadian Dollars*)

	Notes		December 31, 2022		December 31, 2021
ASSETS					
Current Assets					
Cash		$	442,428	$	58,805
Receivables			29,678		42,572
Due from related party	8, 13(c)		1,070,962		1,888,672
Prepaid balances			-		8,209
Share subscription receivable	10		-		73,198
Current portion of lease receivables	9		-		286,336
Assets classified as held for sale	6		318,731		-
Total Current Assets		$	**1,861,799**	$	**2,357,792**
Non-Current Assets					
Property and equipment	5	$	400,607	$	871,013
Lease receivable	9, 13(c)		-		2,700,108
Other assets			27,438		25,683
Total Non-Current Assets		$	**428,045**	$	**3,596,804**
TOTAL ASSETS		$	**2,289,844**	$	**5,954,596**
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	7, 9	$	1,524,080	$	738,656
Bank indebtedness			8,313		-
Due to related parties	8		82,135		11,122
Current portion of lease obligations	9		255,318		298,425
Notes payable to related parties	8(a)		-		864,465
Security deposit			16,253		15,214
Total Current Liabilities		$	**1,886,099**	$	**1,927,882**
Non-Current Liabilities					
Lease obligation	9		1,758,037		2,719,898
Total Non-Current Liabilities		$	**1,758,037**	$	**2,719,898**
TOTAL LIABILITIES		$	**3,644,136**	$	**4,647,780**
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	10	$	13,005,159	$	12,170,886
Share-based payments reserve			580,910		534,444
Warrant reserve			241,518		239,470
Foreign currency translation			106,248		131,761
Deficit			(15,288,127)		(11,769,745)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		$	**(1,354,292)**	$	**1,306,816**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		$	**2,289,844**	$	**5,954,596**

Nature of operations and continuance of operations (note 1)
Related party transactions (note 8)
Subsequent events (note 16)

Approved on behalf of the Board by:

/s/ Robert Colwell
Director

/s/ Chris Cooper
Director

New Leaf Ventures, Inc.
Consolidated Statements of Loss and Comprehensive Loss
(*Expressed in Canadian Dollars*)

		Year ended			
	Notes		**December 31, 2022**		**December 31, 2021**
Revenues	8	**$**	**1,980,274**	**$**	**2,471,902**
Operating Expenses					
Loss allowance expense	8, 9, 13(c)	**$**	3,630,404	**$**	-
Communication			14,094		99,874
Consulting	8		132,000		182,228
Depreciation & Amortization	5		186,369		192,635
Director fees	8		46,500		24,000
Marketing			-		3,475,083
General office & administration			544,575		235,615
Utilities and property tax	8(a)(iv)		155,140		345,163
Professional fees			122,616		326,339
Regulatory and filing fees			54,621		60,122
Share-based payment	8, 11		75,050		525,811
Wages and salaries			946,114		1,760,412
Total Operating Expenses		**$**	**(5,907,483)**	**$**	**(7,227,282)**
Other Income / (Expenses)					
Interest income	8(a)(ii)	**$**	231,919	**$**	372,444
Accretion expense	8(a)(iii)		(35,059)		(159,073)
Foreign exchange gain / (loss)			-		(29,731)
Gain / (loss) on remeasurement of derivative			-		362,758
Reversal of share-based payments	11(a)(i)		28,584		-
Gain on lease termination	9		9,393		-
Gain on settlement of accounts payable	10		71,117		-
Impairment of property and equipment	5, 6		(16,116)		-
Other income	8(a)(iv), 12		350,561		539,378
Interest expense	9		(231,572)		(292,683)
Net Loss for the Year		**$**	**(3,518,382)**	**$**	**(3,962,287)**
Other Comprehensive Loss					
Items that may be subsequently reclassified to profit and loss					
Foreign currency translation adjustment		$	(25,513)	$	27,022
Total Comprehensive Loss for the Year		**$**	**(3,543,895)**	**$**	**(3,935,265)**
Basic and diluted loss per common share		$	0.29	$	0.40

New Leaf Ventures, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(*Expressed in Canadian Dollars***)**

	Number of shares	Share capital	Stock options reserve	Warrants reserve	Accumulated other comprehensive income	Accumulated deficit	Total shareholder's equity (deficiency)
Balance - January 1, 2021 - (note 2)	**7,819,431**	**$ 7,087,003**	**$ 138,339**	**$ 38,075**	**$ 104,739**	**$ (7,807,458)**	**$ (439,302)**
Shares issued upon exercise of warrants	2,381,482	3,841,974	-	(21,295)	-	-	3,820,679
Shares issued upon exercise of options	125,000	293,456	(129,706)	-	-	-	163,750
Shares issued on public offering	1,200,000	1,380,000	-	120,000	-	-	1,500,000
Shares issued on at-the-market offering	91,600	74,553	-	-	-	-	74,553
Share issue costs	-	(506,100)	-	102,690	-	-	(403,410)
Share-based payments	-	-	525,811	-	-	-	525,811
Loss and comprehensive loss for the year	-	-	-	-	27,022	(3,962,287)	(3,935,265)
Balance - December 31, 2021 - (note 2)	**11,617,513**	**$ 12,170,886**	**$ 534,444**	**$ 239,470**	**$ 131,761**	**$ (11,769,745)**	**$ 1,306,816**
Balance - January 1, 2022 - (note 2)	**11,617,513**	**$ 12,170,886**	**$ 534,444**	**$ 239,470**	**$ 131,761**	**$ (11,769,745)**	**$ 1,306,816**
Shares issued on at-the-market offering	435,000	160,972	-	-	-	-	160,972
Share issuance costs	-	(6,646)	o	2,048	-		(4,598)
Share-based payments	-	-	75,050	-	-	- -	75,050
Reversal of shared-based payments	-	-	(28,584)	-	-	-	(28,584)
Shares for debt settlement	571,506	171,452	-	-	-	-	171,452
Shares issued on private placement	5,084,950	508,495	-	-	-	-	508,495
Loss and comprehensive loss for the year	-	-	-	-	(25,513)	(3,518,382)	(3,543,895)
Balance - December 31, 2022	**17,708,969**	**$ 13,005,159**	**$ 580,910**	**$ 241,518**	**$ 106,248**	**$ (15,288,127)**	**$ (1,354,292)**

New Leaf Ventures, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(*Expressed in Canadian Dollars*)

	For the year ended December 31,			
		2022		**2021**
OPERATING ACTIVITIES				
Net Income / (Loss) for the year	**$**	**(3,518,382)**	**$**	**(3,962,287)**
Non-cash items:				
Loss allowance expense	$	3,630,404	$	-
Interest income		(225,075)		(372,444)
Interest expense		230,339		292,513
Accretion expense		35,059		159,073
Depreciation and amortization		186,369		192,635
Share-based payment		75,050		525,811
Gain on re-measurement of derivative		-		(362,758)
Foreign exchange		-		32,266
Reversal of share-based payments		(28,584)		-
Gain on settlement of accounts payable		(71,117)		-
Impairment of property and equipment		16,116		-
Gain on lease termination		(9,393)		-
Changes in non-cash working capital items:				
Receivables	$	12,894	$	37,301
Prepaid balances		8,209		282,797
Accounts payable and accrued liabilities		616,108		63,161
Due from related party		(1,382,902)		589,590
Due to related parties		71,013		(183,440)
Bank indebtedness		8,313		-
Net cash used by operating activities	**$**	**(345,579)**	**$**	**(2,705,782)**
INVESTING ACTIVITIES				
Acquisition of property and equipment	$	-	$	(223,104)
Payment of lease obligations		(91,345)		(518,535)
Net cash used by investing activities	**$**	**(91,345)**	**$**	**(741,639)**
FINANCING ACTIVITIES				
Proceeds from share issuance, net of issuance cost	$	664,869	$	1,097,945
Proceeds from exercise of warrants		-		3,820,679
Proceeds from exercise of options		-		163,750
Repayment of note payable		-		(1,682,968)
Collection of proceeds from prior year share issuance		73,198		-
Net cash provided by financing activities	**$**	**738,067**	**$**	**3,399,406**
Effect of foreign exchange rate fluctuation		82,480		(29,733)
Increase / (decrease) in cash in the year	**$**	**383,623**	**$**	**(77,748)**
Cash – beginning of the year	**$**	**58,805**	**$**	**136,553**
Cash – end of the year	**$**	**442,428**	**$**	**58,805**

Supplemental cash flow information (Note 15)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

New Leaf Ventures Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA Inc. ("New Leaf USA") and its subsidiaries (collectively, the "New Leaf USA Entities"). As a result of the completion of the Acquisition Transaction on April 30, 2020, the New Leaf USA Entities are now the core business of the Company, and through which the Company will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to New Leaf Enterprises, Inc., a Washington-based Tier 3 Producer/Processor focused on industrial-scale agronomy, processing, packaging, marketing and distributing cannabis and cannabis related products (the "License Holder"). The License Holder is considered a related party; refer to Note 4 for details on the Acquisition Transaction and Note 8 for details on the related party nature and transactions with the License Holder during the year ended December 31, 2022.

The Company's head office, principal address and registered address and records office is 1910 - 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3, Canada. The Company is listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "NLV.CN" and on the OTCPINK, part of the OTC Markets Group, under the ticker "NLVVF".

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash generated from revenues and through further equity financings. As at December 31, 2022 the Company had a working capital deficiency of $24,300 and an accumulated deficit of $15,288,127. These items may cast a significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

Recent global issues, including the ongoing COVID-19 pandemic and the 2022 Russian invasion of Ukraine, have adversely affected workplaces, economies, supply chains and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES, BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE

Basis of presentation and statement of compliance

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

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

Share consolidation

On September 12, 2022, the Company completed a 5-to-1 consolidation of the Company's issued and outstanding common shares which took effect at market opening on September 12, 2022. This share consolidation was approved by the Company's Board of Directors. The Company's issued and outstanding stock options and share purchase warrants were also subject to this share consolidation. The par value of the common shares was not adjusted as a result of the share consolidation. Accordingly, all share and per share amounts for the periods presented in these consolidated financial statements and notes thereto have been adjusted retrospectively to reflect this share consolidation.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2022. A subsidiary is an entity controlled by the Company. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability 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 reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. 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. All intercompany balances and transactions are eliminated in full upon consolidation. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent company and to the non-controlling interests. The entities contained in the consolidated financial statements are as follows:

Entity Name	Principal activity	Place of business and operations	Functional currency	Equity percentage
New Leaf Ventures, Inc. (the "Company")	Parent company	Canada	CAD $	n/a
New Leaf USA, Inc. ("New Leaf USA")	Holding company for US Entities	United States	USD $	100%
New Leaf Real Estate, LLC ("RealEstateCo")	Real property leasing	United States	USD $	100%

Entity Name	Principal activity	Place of business and operations	Functional currency	Equity percentage
New Leaf Equipment, LLC ("EquipmentCo")	Equipment leasing	United States	USD $	100%
New Leaf IP, LLC ("IPCo")	Intellectual property licensing	United States	USD $	100%
New Leaf Services LLC ("ServicesCo")	Management services	United States	USD $	100%
New Leaf Hemp Company LLC ("HempCo")	Inactive	United States	USD $	100%

All the entities detailed above are collectively referred to as the "New Leaf Group".

Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented.

a) Foreign currencies

Functional and reporting currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar and the functional currency of all of the Company's subsidiaries is the U.S. dollar.

On consolidation, the assets and liabilities of the subsidiaries are translated into Canadian dollars at the rate of exchange prevailing at the reporting date. Expense items are translated at the average rate of the exchange for the year. Unrealized translation gains and losses are recorded as cumulative translation adjustments, which are included in other foreign currency translation reserve which is a component of shareholders' equity (deficiency).

Foreign currency transactions

Transactions in currencies other than the Company's or subsidiaries' functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences are recognized in profit or loss in the period in which they arise.

b) Property and equipment

Property and equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset	Life
Equipment	3 - 15 years
Leasehold improvements	7 years to remaining life of lease

The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

c) Impairment of non-financial assets

The Company assesses the recoverable amount of non-financial assets, at each reporting date, for indicators of impairment. If any indicators exist, the Company estimates the recoverable amount for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount which is the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are considered or an appropriate valuation model is used. The Company bases its impairment calculation on most recent budgets and/or forecast calculations, which are prepared for the Company's CGUs or group of CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the statement of profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. A previously recognized impairment loss is reversed when there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to its recoverable amount and cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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

d) Leases

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use ("ROU") of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding right-of-use assets are measured at the amount equal to the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

As Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Lease receivable is a financial asset to the Company and subject to the Company's accounting policies over financial assets as detailed in note 2(i).

e) Revenue recognition

The Company recognizes revenue from the licensing of its intellectual property, leasing of its equipment, and provision of management services to the License Holder.

Revenue is recognized in a manner that depicts the transfer of promised services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The steps outlined above also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Under IFRS 15, revenues from contracts with customers are presented separately from liabilities from contracts with customers.

Revenue comprises the fair value of consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts. Revenue is recognized when reasonableness of collection is assured.

f) Share-based payments

Stock Options

The Company grants stock options to employees, directors, and officers. Stock options granted to employees are measured at fair value at the grant date and recognized as compensation expense over the vesting period. Stock options granted to non-employees are measured at the fair value of the goods or services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instrument granted. The fair value of the share-based compensation to non-employees is periodically remeasured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with stock options.

The fair value of options is determined using the Black-Scholes option pricing model which incorporates all the market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net loss such that the cumulative expense reflects the revised estimate.

Upon exercise of stock options, consideration received on exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon expiry, the recorded fair value of expired options is transferred from share-based payment reserve to accumulated deficit.

Restricted Share Rights

The Company maintains a Restricted Share Rights plan pursuant to which certain of their officers or employees are eligible to receive grants of Restricted Share Rights ("RSRs"). RSRs vest based on terms determined at the sole discretion of the Board. The Company issues new shares from treasury upon the redemption of an RSR. RSRs are measured at fair value, based on the closing price of the Company's common shares for the day preceding the date of the grant, and is recognized in the consolidated statement of loss and comprehensive loss as a share-based compensation expense over the vesting period.

Deferred Share Units

The Company maintains a Deferred Share Unit plan pursuant to which certain of their officers are eligible to receive grants of Deferred Share Units ("DSUs"). The cost of the DSUs is measured initially at fair value based on the closing price of the Company's common shares preceding the day the DSUs are granted. The cost of a DSU is recognized in the consolidated statement of loss and comprehensive loss as a share-based compensation expense.

g) Taxation

Income tax expense of the Company comprises current and deferred taxes. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to tax payable with regard to previous years.

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 and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiary to the extent that they will not likely reverse in the foreseeable future. The amount of deferred tax is based on the expected manner of realization or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h) Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year. To the extent that the Company incurs losses, all potential shares are considered to be anti-dilutive and no adjustment is made.

i) Financial instruments

Financial Assets

The Company uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income; or (iii) at fair value through profit and loss.

(i) Amortized Cost:

Financial assets classified and measured at amortized cost are those assets whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Fair value through other comprehensive income ("FVTOCI"):

Financial assets classified and subsequently measured at FVTOCI are those assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

The classification includes certain equity instruments where an irrevocable election was made to classify the equity instruments as FVTOCI. Equity investments require a designation, on an instrument-by-instrument basis, between recording both unrealized and realized gains and losses either through (i) other comprehensive income ("OCI") with no recycling to profit and loss; or (ii) profit and loss. Dividends from these instruments are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) Fair value through profit or loss ("FVTPL"):

Financial assets classified and subsequently measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when the rights to receive cash flows from the asset have expired. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognizes an amount equal to the lifetime expected credit loss (“ECL”) on receivables, amounts due from related parties, and lease receivables for which there has been a significant increase in credit risk since initial recognition. Loss allowances are measured based on historical experience and forecasted economic conditions. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The carrying amount of receivables, due from related party, and lease receivable are reduced for any expected credit losses through an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. At the point where the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

Financial liabilities

Financial liabilities are generally classified at measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognized in profit or loss. Other financial liabilities are measured at fair value at initial recognition and subsequently measured at amortized cost using the effective interest method.

Financial liabilities may also include derivative financial instruments that are entered into by the Company that are not designated as hedging instruments as defined by IFRS 9 Financial Instruments. Embedded derivatives, if accounted separately, are classified as FVTPL and any gains and losses are recognized through the consolidated Statement of Loss and Comprehensive Loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability at its fair value based on the modified term. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the consolidated Statement of Loss and Comprehensive Loss.

j) Related party balances

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. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. Assets held for sale are not depreciated while they are classified as held for sale. Assets held for sale are presented separately from other assets in the statement of financial position.

l) Government grant

The Company’s US entities were entitled the Employee Retention Credit (“ERC”), a refundable payroll tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic. The Company accounts for the ERC in accordance with IAS 20 and does not recognize the ERC until there is reasonable assurance that the Company meets the eligibility requirements for receipt of the ERC. ERC are measured at their gross amount and presented as other income.

Future changes in accounting policies

The following standards are not yet effective for the year ending December 31, 2022, and have not been applied in the preparation of the consolidated financial statements:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

- Settlement of a liability includes transferring a company's own equity instruments to the counterparty; and
- When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognised as equity.

The adoption of this new standard is not expected to have any impact on the amounts recognized in the Company's consolidated financial statements.

<u>Critical accounting estimates and judgments</u>

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event, or actions, actual results may differ from those estimates. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

<u>Judgments</u>
Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Going concern

Determining if the Company has the ability to continue as a going concern is dependent on its ability to secure debt and equity financing, and to achieve profitable operations. Certain judgments were made when determining if and when the Company will secure debt and equity financing and achieve profitable operations. Refer to Note 1 for further details.

Lease term

The Company has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liabilities and right-of-use assets recognized.

Business Combination vs Asset Acquisition

The Company applies judgment in determining whether the acquisition of arms-length entities constitute a business combination or an asset acquisition. The assessment of whether the transaction should be accounted for as a business combination or asset acquisition has significant impact to the initial measurement and valuation of net assets acquired and resulting recognition of goodwill.

Taxation

Calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Expected credit losses

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Useful lives of property and equipment and intangible assets

Depreciation of property and equipment and amortization of intangible assets is dependent upon estimates of useful lives and residual value which are determined through the use of assumptions. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Although management believes the estimated useful lives of the Company's property and equipment and intangible assets are reasonable, it is possible that changes in estimates could occur, which may affect the expected useful lives and salvage values of the property and equipment and intangible assets.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating the fair value, management is required to make certain assumptions and estimates such as the fair value of the underlying share, the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields, and estimated forfeitures. Changes in assumptions used to estimate fair value could result in different outcomes.

Derivative liability

The Company uses the Black-Scholes option pricing model to determine the fair value of derivative liability associated with the performance warrants granted as part of the Acquisition Transaction (see Note 4). In estimating the fair value, management is required to make certain assumptions and estimates such as the fair value of the underlying share, the expected life of the performance warrants, volatility of the Company's future share price, risk-free rate, future dividend yields, and estimated forfeitures. Changes in assumptions used to estimate fair value could result in different outcomes.

Lease – Discount Rate

In instances where the Company cannot readily determine the interest rate implicit in a lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as interest rate spreads for credit and other risks).

3. SEGMENT REPORTING

The Company operates in one operating segment. For the purpose of segment reporting, the Company's Chief Executive Officer ("CEO") is the Chief Operating Decision Maker. The determination of the Company's operating segment is based on its organizational structure and how the information is reported to the CEO on a regular basis. During the year ended December 31, 2022, all the revenues from the Company were generated through intellectual property licensing, equipment leasing, and provision of management services to a single customer, the License Holder, who is located in the United States.

(Expressed in Canadian Dollars)

The Company's non-current assets by country are as follows:

As at		December 31, 2022		December 31, 2021
United States	$	428,045	$	3,596,804
Total non-current assets	**$**	**428,045**	**$**	**3,596,804**

4. ACQUISITION OF NEW LEAF USA, INC.

On April 30, 2020, the Company completed their previously announced acquisition of New Leaf USA, Inc. and all of its wholly owned subsidiaries. The acquisition was accounted for as a business combination and the purchase price on the acquisition was allocated to net assets acquired in accordance with IFRS 3. The acquisition provides the Company with immediate strategic access and footprint to the US cannabis market, specifically in the state of Washington.

In consideration for the acquisition, the Company issued the following:

- Issued 1,800,000 shares; and
- Issued 800,000 performance warrants ("Performance Warrants").

Each Performance Warrant entitles the holder to purchase one common share of the Company at the price of $0.10 per common share for a period of three years expiring on April 30, 2023, and will vest and become exercisable based on the following performance criteria as follows:

i. 400,000 Performance Warrants will vest and become exercisable if the Company or New Leaf Enterprises, Inc. (the "License Holder") achieves at least $5,000,000 in annual gross revenue; and

ii. 400,000 Performance Warrants will vest and become exercisable if the Company or License Holder achieves at least $7,500,000 in annual gross revenue.

The Performance Warrants were valued using the Black-Scholes option pricing model and adjusted for the probability that revenue targets would be met over the vesting period. The Performance Warrants were accounted for under IFRS 9 Financial Instruments as a derivative financial liability as the instrument had an option to convert the Performance Warrants into shares of the Company for no consideration and which would result in a variable number of the Company's shares being issued on exercise.

As at December 31, 2022, the Performance Warrants were remeasured at fair-value of $nil (December 31, 2021 - $nil). Consequently, there was no gain or loss on remeasurement recognized in profit and loss for the year ended December 31, 2022 (December 31, 2021 - gain of $362,758).

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

		Equipment		Leasehold Improvements		Total
Cost						
As at January 1, 2021	**$**	**942,353**	**$**	**7,079**	**$**	**949,432**
Additions		40,124		182,980		223,104
Currency translation adjustment		(3,539)		2,057		(1,482)
As at December 31, 2021	**$**	**978,938**	**$**	**192,116**	**$**	**1,171,054**
Assets classified as held-for-sale		(445,346)		(4,298)		(449,644)
Currency translation adjustment		44,128		12,903		57,031
As at December 31, 2022	**$**	**577,720**	**$**	**200,721**	**$**	**778,441**
Accumulated Depreciation						
As at January 1, 2021	**$**	**105,657**	**$**	**-**	**$**	**105,657**
Additions		164,262		28,373		192,635
Currency translation adjustment		1,426		323		1,749
As at December 31, 2021	**$**	**271,345**	**$**	**28,696**	**$**	**300,041**
Additions		139,867		46,502		186,369
Assets classified as held-for-sale		(143,910)		(2,488)		(146,398)
Impairment		15,113		1,003		16,116
Currency translation adjustment		17,902		3,804		21,706
As at December 31, 2022	**$**	**300,317**	**$**	**77,517**	**$**	**377,834**
Carrying Amount						
As at December 31, 2021	$	707,593	$	163,420	$	871,013
As at December 31, 2022	**$**	**277,403**	**$**	**123,204**	**$**	**400,607**

6. ASSETS HELD FOR SALE

On June 17, 2022, the Company's US subsidiaries, RealEstateCo and EquipmentCo, executed an asset purchase agreement ("Sale Agreement") with an arms-length entity to sell specified production equipment and leasehold improvements associated with one of the Company's building property leases. The asset sale is based on the Company's intended pivot to focus on providing ancillary services and support to cannabis processors, as opposed to previously servicing both cannabis producers and processors. Consistent with this strategy, the Company also ended one of its building leases which was primarily used for production purposes (see note 9). The Company identified that the assets under the Sale Agreement should be classified as held for sale as it met the requirements under IFRS 5 – *Non-current assets held for sale and discontinued operations*. The assets were immediately ready for sale and the sale was highly probable.

(Expressed in Canadian Dollars)

Immediately prior to reclassification as assets held for sale, the equipment and leasehold improvements were remeasured at the lower of carrying value and fair value less costs to sell ("FVLCS"). FVLCS was derived from the sale price as specified in the Sale Agreement. As a result of the remeasurement during the year ended December 31, 2022, an impairment loss of $16,116 (2021 - $nil) was recognized in the consolidated statement of loss and comprehensive loss. The assets are presented as current assets of the Company as of December 31, 2022.

The sale of the assets is subject to regulatory approval by the Washington State Liquor and Cannabis Board ("WSLCB"), as per the terms and conditions of the Sale Agreement. Subsequent to the year ended December 31, 2022, the Company received approval over the Sale Agreement from the WSLCB (note 16).

Non-current assets held for sale		**December 31, 2022**		**December 31, 2021**
Production equipment	$	301,436	$	-
Leasehold improvements		1,810		-
Currency translation adjustment		15,485		-
Total assets classified as held for sale	**$**	**318,731**	**$**	**-**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		**December 31, 2021**
Accounts payables	$	1,352,698	$	557,264
Accrued liabilities		156,425		181,392
Sales tax payable		14,957		-
Total accounts payable and accrued liabilities	**$**	**1,524,080**	**$**	**738,656**

8. RELATED PARTY TRANSACTIONS

Related party transactions consist of monthly transactions with the License Holder, who is considered a related party due to sharing common executives and key management with the Company. Key management includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

a) Transactions with the License Holder

During the years ended December 31, 2022 and 2021, the Company recognized the following revenues from the License Holder:

Revenue type		**December 31, 2022**		**December 31, 2021**
Equipment leasing revenue	$	93,679	$	90,252
Service fee revenues		1,431,210		1,504,200
Intellectual property licensing revenues		455,385		877,450
Total revenues from License Holder	**$**	**1,980,274**	**$**	**2,471,902**

(Expressed in Canadian Dollars)

In addition, the Company also incurred the following transactions with the License Holder during the year ended December 31, 2022:

(i) Accrued interest income on outstanding receivables due from License Holder of $81,951 (2021 - $67,795);
(ii) Interest income on lease receivables of $143,123 (note 9) (2021 - $304,649);
(iii) Accretion expense on notes payables of $35,059 (2021 - $159,073);
(iv) Other income of $202,230 (2021 - $539,378) relating to sub-lease operating expenses (utilities, property tax, insurance) that were incurred by the Company and which are reimbursable by the License Holder (note 9 - sub-tenant);
(v) A loss allowance expense of $1,604,285 (2021 - $nil) was recognized in relation to receivables due from a related party; and
(vi) A loss allowance expense of $2,026,119 (2021 - $nil) was recognized in relation to lease receivable due from a related party.

On September 30, 2022, the Company executed a settlement agreement (the "Settlement Agreement") with the License Holder to settle balances owed between the Company and the License Holder. Per the terms of the Settlement Agreement, the Company applied a total of $971,563, equaling to the total outstanding balance of two note payables (the "Notes"), owed from the Company to the License Holder, against the total outstanding receivable owed from the License Holder to the Company. The receivable due from the License Holder is related to revenues on the provision of equipment leasing, management services, and IP licensing from the Company to the License Holder. As a result of the Settlement Agreement, the due from related party receivable was reduced by $971,563 during the year ended December 31, 2022. With consideration for the Settlement Agreement and the loss allowance expense recognized during the year ended December 31, 2022, the carrying value of due from related party balance is $1,070,962 as at December 31, 2022 (2021 - $1,888,672).

A continuity of notes payable for the periods ended December 31, 2022 and December 31, 2021 is as follows:

Balance, January 1, 2021	**$**	**2,415,991**
Accretion expense		159,073
Payment		(1,682,968)
Currency translation adjustment		(27,631)
Balance, December 31, 2021	**$**	**864,465**
Accretion expense		35,059
Settlement of note payable		(971,563)
Currency translation adjustment		72,039
Balance, December 31, 2022	**$**	**-**

As at December 31, 2022, there was a balance of $nil (December 31, 2021 - $2,986,444) due from the License Holder to the Company upon recognition of a loss allowance expense of $2,026,119 (2021 - $nil) for the year then ended, in relation to the lease receivable (note 9). In addition, there was a balance of $16,253 (December 31, 2021 - $15,214) due from the Company to the License Holder for a refundable security deposit.

(Expressed in Canadian Dollars)

b) Transactions with other related parties

During the year ended December 31, 2022, the Company had the following transaction with a company controlled by a former director of the Company (note 9):

- Interest expense on lease obligations of $48,326 (2021 - $201,473).

c) Key Personnel Compensation

		December 31, 2022		December 31, 2021
Directors' fees	$	46,500	$	24,000
Consulting fees		132,000		141,500
Share-based payments [1]		26,294		251,300
Wages and salaries		270,228		300,840
Total	**$**	**475,022**	**$**	**717,640**

[1] Share-based payments relate to RSRs issued to the CEO of the Company (note 11) during the year ended December 31, 2022 and stock options granted to directors of the Company during the year ended December 31, 2021.

During the year ended December 31, 2022, the Company incurred consulting fees of $72,000 (2021 - $70,000) to a company controlled by the CEO and consulting fees of $60,000 (2021 - $45,000) to a company controlled by the CFO.

As at December 31, 2022, due to related party balances includes $nil (2021 -$nil) and $5,271 (2021 - $nil) of unpaid consulting fees to Company controlled by CEO and CFO respectively. In addition, the due to related party balance also includes $76,864 (December 31, 2021 - $2,100) due to directors of the Company for accrued and outstanding director fees and wages. All due to related party balances are unsecured, non-interest bearing and payable on demand.

9. LEASES

During the year ended December 31, 2022, the Company held two building leases (the "Head Leases") in connection with an integrated cultivation centre and a processing facility both located in Seattle, Washington. The Head Leases were acquired on April 30, 2020 as part of the acquisition of New Leaf USA, Inc. (note 4) and include an option to extend until May 31, 2028. The Company subleases (the "Subleases") both the cultivation and processing facilities to the License Holder, with an option to extend the Subleases until May 31, 2028. Under IFRS 16, the Company classified the Subleases as a finance lease because it is for the whole of the remaining term of the Head Leases.

On June 9, 2022, the Company terminated the building lease associated with its cultivation centre. The Company subsequently derecognized the lease obligation on the Head Lease and corresponding lease receivable on the sublease to the License Holder. As a result of the lease termination, a gain on lease termination of $9,393 was recognized for the year ended December 31, 2022 (2021 - $nil). There were no penalties or costs incurred to terminate the lease arrangement.

(Expressed in Canadian Dollars)

On April 25, 2023, subsequent to year end, the Company exercised its option to extend the lease associated with its processing facility. The lease extension is for an additional five years until May 31, 2028 and is subject to the same terms and conditions of the original lease agreement.

The Company as a Lessee

The facility is subleased to the License Holder with the Company maintaining the lease obligation on the Head Leases. The Company used 9.5% interest rate, its incremental borrowing rate, to calculate the present value of the lease payments as well as to calculate the monthly accretion expense. The Company's lease obligations are as follows:

Lease Obligation		**2022**		**2021**
Balance, beginning of year	**$**	**3,018,323**	**$**	**3,286,164**
Interest expense		230,339		292,513
Payment of lease obligation		(91,345)		(518,535)
Accrued lease payment		(411,886)		(31,219)
Derecognition of lease obligation		(900,722)		-
Foreign exchange impact		168,646		(10,600)
Balance, end of year	**$**	**2,013,355**	**$**	**3,018,323**

As at December 31, 2022, the Company had total accrued and unpaid lease payments of $646,756 in connection with its remaining lease property. The unpaid lease balances are comprised of base lease payments, triple net operating lease costs, and accrued interest and penalties associated with unpaid balances. The unpaid lease balances have been presented within accounts payable and accrued liabilities as at December 31, 2022. Accrued interest and penalties have been presented as general office and administration expense on the Company's consolidated statement of loss and comprehensive loss.

Minimum lease payments are as follows:

Minimum lease payments for each fiscal year:		
2023	$	432,480
2024(i)		454,104
2025(i)		476,810
2026(i)		500,650
2027(i)		525,683
2028 and thereafter (i)		196,031
Total	**$**	**2,585,758**
Amount representing interest		(572,403)
Less: Current lease obligation		(255,318)
Long-term lease obligation	**$**	**1,758,037**

(i) Subsequent to year-end, the Company exercised the extension option on its remaining property lease which will push the Head Lease end date out to May 31, 2028.

(Expressed in Canadian Dollars)

The Company as a Lessor

Lease Receivable		**2022**		**2021**
Balance, beginning of year	**$**	**2,986,444**	**$**	**3,241,823**
Interest Income		143,124		304,649
Accrued sublease payments receivable		(293,285)		(549,754)
Derecognition of lease receivable		(891,362)		-
Loss allowance expense		(2,026,119)		-
Foreign exchange impact		81,198		(10,274)
Balance, end of year	**$**	**-**	**$**	**2,986,444**

10. SHARE CAPITAL

Authorized share capital

As at December 31, 2022 and 2021, the Company is authorized to issue an unlimited number of preferred shares and Class A common shares without par value. The Company has no other classes of common shares that are authorized, issued, or outstanding as at December 31, 2022.

As at December 31, 2022, 393,260 common shares outstanding were held in escrow (December 31, 2021 - 1,179,780) subject to the following escrow release schedule:

- 10% - on the date the Company's securities are listed on a Canadian Exchange (the "Listing Date")
- 15% - 6 months after the Listing Date
- 15% - 12 months after the Listing Date
- 15% - 18 months after the Listing Date
- 15% - 24 months after the Listing Date
- 15% - 30 months after the Listing Date
- 15% - 36 months after the Listing Date

At-the-Market Distributions

On November 15, 2021, the Company established an at-the-market equity program (the "ATM Program") that allows the Company to issue and sell up to $10,000,000 of common shares from treasury to the public, from time to time, and at the Company's discretion. The ATM Program is managed by a broker agent, pursuant to an Equity Distribution Agreement (the "Distribution Agreement"). The agent will be compensated with cash commissions equal to 2% of total gross proceeds raised from any ATM placement. All common shares sold under the ATM Program will be made through sales that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – Shelf Distributions, including sales made through the CSE, or any other trading market for the Common Shares in Canada

Issued Share Capital

During the year ended December 31, 2022:

At-the-Market Distributions
During the year ended December 31, 2022 the Company completed a number of ATM placements. An aggregate of 435,000 common shares (2021 - 91,600) were issued for total proceeds of $160,972 (2021 - $74,553). During the year ended December 31, 2022, the Company incurred total cash commissions of $2,848 (2021 - $1,356) from the ATM placements. As at December 31, 2022, $nil (2021 - $74,553) of the overall net proceeds from the ATM placements were receivable by the Company from the broker agent.

Shares for Debt Settlement
During the year ended December 31, 2022, the Company issued 571,506 common shares (2021 - nil) of the Company as settlement for outstanding accounts payable balances. As a result of this shares for debt settlement, a gain on settlement of $71,117 was recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022 (2021 - $nil).

Non-Brokered Private Placement Financing
On December 22, 2022, the Company completed a non-brokered private placement financing and issued a total of 5,084,950 units of the Company (the "Units") at a price of $0.10 per Unit, for aggregate gross proceeds of $508,495. Each Unit is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant ("Warrant"). Each Warrant will be exercisable at a price of $0.20 until December 22, 2024 (the "Expiry Date"). The Warrants were valued using a residual fair-value approach resulting in a fair-value of $nil per Warrant.

The Company incurred total cash commission costs of $1,750 and in connection with the non-brokered private placement financing. The Company also granted 17,500 Finder Warrants. Each Finder Warrant may be exercised into one common share of the Company at an exercise price of $0.10 until December 22, 2024. The fair value of the Finders Warrants was $2,048, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

During the year ended December 31, 2021:

Exercise of Stock Options and Share Purchase Warrants
During the year ended December 31, 2021, the Company collected $3,787,349 and $163,750 in gross proceeds from the exercise of 2,354,818 share purchase warrants and 125,000 share options respectively. The warrant and option exercises resulted in the issuance of 2,479,818 common shares of the Company.

During the year ended December 31, 2021, the Company collected $33,330 in gross proceeds from the exercise of 26,664 agent warrants ("IPO Agent Warrants") which resulted in the issuance of 26,664 common shares and 13,332 share purchase warrants of the Company. Each share purchase warrant ("Additional Warrants") is exercisable into one common share of the Company at an exercise price of $2.00 and expires on April 30, 2022. The exercise of the IPO Agent Warrants also resulted in the reclassification of $21,295 from warrant reserve to share capital.

(Expressed in Canadian Dollars)

Public Offering

On November 2, 2021 the Company closed a public offering (the "November Offering") and issued a total of 1,200,000 units of the Company (the "Units") at a price of $1.25 per Unit, for aggregate gross proceeds of $1,500,000. Each Unit is comprised of one common share of the Company (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of $2.00 until November 1, 2023 (the "Expiry Date") subject to acceleration. If, during the life of the Warrants, the closing price of the Common Shares as quoted on the Canadian Securities Exchange is equal to or exceeds $3.00 per Common Share for any 10 consecutive trading days, the Company may provide notice to the holders of the Warrants by issuance of a news release that the expiry date of the Warrants will be accelerated to the 30th day after the date on which the Company issues such news release. The half-warrants were valued using a residual fair-value approach resulting in a fair-value of $0.10 per half-warrant. Total fair-value of all Warrants issued on the November Offering was $120,000 with the amount recognized in warrant reserve.

In connection with the November Offering, the Company paid a cash commission of $105,000 to an agent connected with the financing transaction. The Company also issued 84,000 share purchase warrants (the "November Agent Warrants") to the agent and members of its selling group. Each November Agent Warrant would entitle the holder to purchase one Unit (an "Agent Unit") at an exercise price of $1.25. Each Agent Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant would entitle the holder thereof to purchase one common share of the Company on the same terms and conditions as the Warrants issued on the November Offering. The fair value of the November Agent Warrants was $102,690, calculated using the Black-Scholes option pricing model and the Geske compound option pricing model. This amount was charged to share capital as a non-cash share issuance cost. The Company also incurred $297,054 of issuance cost relating to legal and agent work fees in connection with the November Offering.

<u>**Warrants**</u>

The changes in warrants during the years ended December 31, 2022 and 2021 are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2020	**5,214,461**	**$**	**1.55**
Issued (note 10), (i)	697,332		1.91
Exercised	(2,381,483)		1.60
Expired (ii)	(150,310)		1.95
Balance, December 31, 2021	**3,380,000**	**$**	**1.55**
Issued (note 10)	5,102,450		0.20
Expired	(1,896,000)		2.00
Balance, December 31, 2022	**6,586,450**	**$**	**0.36**

(i) The Company issued 84,000 November Agent Warrants in connection with the November Public Offering. The November Agent Warrants were exercisable into Units which were further comprised of a common share of the Company and one-half of one common share purchase warrant. The November Agent Warrants were fair-valued using the Black-Scholes option pricing model and the Geske compound option pricing model with the following weighted average input assumptions:

(Expressed in Canadian Dollars)

	Black-scholes option model inputs
Share price at grant date ($)	$ 1.15
Exercise Price	$ 1.25
Expected annual volatility	152.7%
Expected life (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.80

	Geske compound option model inputs
Share price at grant date ($)	$ 1.15
Exercise price of compound warrant ($)	$ 0.001
Exercise price of underlying warrant	$ 1.25
Expected annual volatility	152.7%
Expected life compound warrant (in years)	1.99
Expected life underlying warrant (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.815

(ii) On March 2, 2021, the Company accelerated the expiry of 150,310 share purchase warrants ("IPO warrants") originally granted as part of the Company's initial public offering on April 30, 2020. The IPO warrants were subject to early expiry (the "Early Expiry Event") if the closing price of the Common Shares on the CSE (or any equivalent exchange) was equal to or greater than $3.00 per Common Share for a period of ten consecutive trading days. The Company determined that as of start of day March 2, 2021 (the "Assessment Date"), that the Company's Common Share price had been trading at, or greater than, $3.00 for the last 10 consecutive trading days. As a result, the warrants were accelerated to expire within 30 days from and including the Assessment Date. The accelerated expiry date was September 30, 2021.

(iii) The Company issued 17,500 Finders Warrants which were fair-valued using the Black-Scholes option pricing model and the following weighted average input assumptions:

	Year ended December 31, 2022
Share price at grant date	$0.15
Exercise Price	$0.10
Expected annual volatility	166%
Expected life (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	3.82%
Fair value per warrant	$0.12

(Expressed in Canadian Dollars)

As at December 31, 2022, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
800,000	-	$0.10	April 30, 2023	0.33
600,000	600,000	$2.00	November 1, 2023	0.84
84,000	84,000	$1.25	November 1, 2023	0.84
5,084,950	5,084,950	$0.20	December 22, 2024	1.98
17,500	17,500	$0.10	December 22, 2024	1.98
6,586,450	**5,786,450**	**$0.36**		**1.66**

11. SHARE-BASED COMPENSATION

Equity incentive plan

The Company implemented an Equity Incentive Plan (the "EIP") which provides for the grant to eligible directors and employees (including officers) of share options and Restricted Share Rights ("RSR"). The EIP also provides for the grant to eligible directors of Deferred Share Units ("DSU") which the directors are entitled to redeem for 90 days following retirement or termination from the Board of the Company (the "Board"). The aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan, together with any other securities-based compensation arrangements of the Company, shall not exceed 15% of the Company's issued and outstanding share capital from time to time.

Options are exercisable for a period of five years from the date the Option is granted or such greater or lesser period as determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of Options is determined by the Board. Failing a specific vesting determination by the Board, Options automatically become exercisable incrementally over a period of eighteen months from the date of grant, as to: (i) 25% of the total number of shares under Option immediately upon the date of grant; and (ii) at each six-month interval thereafter, an additional 25% of the total number of shares under Option such that after the 18th month of the Option period, 100% of the Option will be exercisable. The right to exercise an Option may be accelerated in the event a takeover bid in respect of the Common Shares is made.

Concurrent with the granting of the RSR, the Board shall determine the period of time during which the RSR is not vested and the holder of such RSR remains ineligible to receive Common Shares. Such period of time may be reduced or eliminated from time to time for any reason as determined by the Board. Once the RSR vests, the RSR is automatically settled through the issuance of an equivalent number of underlying Common Shares as RSRs held.

DSUs are redeemable during the period commencing on the business day immediately following the date such director ceases to hold any directorship and ending on the 90th day following such date by providing written notice of redemption to the Company. Upon redemption, the director shall be entitled to receive the number of Common Shares equal to the number of DSUs in the director's account. If the director ceases to hold office during a year where DSUs have been granted in advance of being earned and they have not held office for the entire year, the director will only be entitled to a pro-rated issuance of shares.

(Expressed in Canadian Dollars)

The Company's recorded share-based compensation for the year ended December 31, 2022 and 2021 comprised the following:

		December 31, 2022		December 31, 2021
Stock Options (a)	$	53,800	$	525,811
RSRs (b)		21,250		-
Total share-based compensation	**$**	**75,050**	**$**	**525,811**

(a) Share options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP.

The changes in share options during the years ended December 31, 2022 and December 31, 2021 are as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2020	**345,000**	**$**	**1.55**
Granted	275,000		1.40
Exercised	(125,000)		1.31
Balance, December 31, 2021	**495,000**	**$**	**1.55**
Forfeited (i)	(43,500)		1.70
Balance, December 31, 2022	**451,500**	**$**	**1.53**

There were no grants, exercises, or expiration of stock options observed during the year ended December 31, 2022. The total fair value of stock options granted during the year ended December 31, 2021 was $330,625.

(i) During the year ended December 31, 2022, 43,500 options were forfeited resulting in a gain on the reversal of previously recognized share-based payment expenses totaling $28,584. The gain on reversal was recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

Stock options outstanding and exercisable at December 31, 2022 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
25,000	25,000	$1.25	November 15, 2024	1.88
125,000	125,000	$1.40	January 15, 2026	3.04
100,000	100,000	$1.40	September 22, 2026	3.73
201,500	131,000	$1.70	November 10, 2031	8.87
451,500	**381,000**	**$1.53**		**5.73**

(Expressed in Canadian Dollars)

(b) RSR

The EIP authorizes the Board to grant RSRs, in its sole and absolute discretion, to any eligible employee or director. Each RSR provides the recipient with the right to receive common shares of the Company as a discretionary payment in consideration of past services or as an incentive for future services. The terms including the vesting period of the RSRs are determined at the sole discretion of the Board.

The changes in RSRs during the years ended December 31, 2022 and December 31, 2021 are as follows:

	Number of RSR
Balance, December 31, 2020 and 2021	**-**
Granted	500,000
Balance, December 31, 2022	**500,000**

(i) On November 29, 2022, the Company granted the CEO of the Company 500,000 RSRs. The fair-value of each RSR was determined to be $0.17, equal to the closing share price of the Company's common shares for the day immediately preceding the date of the grant. The RSRs are subject to vesting terms as follows: 50% of the RSRs will vest three months from the date of grant and 50% of the RSRs will vest six months from the date of grant.

(c) DSU

The EIP authorizes the Board to grant DSUs, in its sole and absolute discretion, in a lump sum amount or on regular intervals to eligible directors of the Company.

During the years ended December 31, 2022 and 2021, the Company did not issue any DSUs and there were no DSUs outstanding.

12. OTHER INCOME

During the year ended December 31, 2022, the Company recognized $148,331 (2021 - $nil) as other income in relation to an Employee Retention Credit ("ERC") granted from the Internal Revenue Service ("IRS") to ServiceCo. The ERC is a refundable tax credit granted by the IRS to eligible businesses who continued to pay employees while shut down during the COVID-19 pandemic between March 13, 2020 to December 31, 2021.

13. FINANCIAL INSTRUMENTS

a) Fair value

The carrying values of cash, receivables, accounts payable and accrued liabilities, bank indebtedness and due to/from related parties approximate their fair values due to the relatively short period to maturity of those financial instruments. Derivative warrant liability is carried at fair value and revalued at each reporting date.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

(Expressed in Canadian Dollars)

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at December 31, 2022 and 2021, the financial instruments recorded at fair value on the statement of financial position are cash and derivate liability which are measured using Level 1 and Level 3 respectively of the fair value hierarchy. The following table summarizes the classification of the Company's financial instruments under IFRS 9:

	December 31, 2022	**FVTPL**	**Amortized costs**
ASSETS	$	**$**	**$**
Cash	442,428	442,428	-
Receivables	29,678	-	29,678
Due from related party	1,070,962	-	1,070,962
Lease receivable	-	-	-
LIABILITIES			
Accounts payable and accrued liabilities	1,524,080	-	1,524,080
Bank indebtedness	8,313	-	8,313
Due to related parties	82,135	-	82,135
Lease obligation	2,013,355	-	2,013,355

For the years ended December 31, 2022 and 2021, the Company has no financial instruments measured at FVTOCI.

b) Capital and Risk Management

The Company's objective and polices for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company defines the components of its capital structure as being notes payables and shareholder's equity. The Company manages its capital structure and makes changes based on economic conditions, risks that impact the operations and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may raise additional debt financing.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk, interest rate risk, liquidity risk, and foreign currency risk. The Board of Directors has overall responsibility for the determination of the Company's capital and risk management objectives and policies while retaining ultimate responsibility for them. The Company's overall capital and risk management program has not changed throughout the period. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close cooperation with management.

(Expressed in Canadian Dollars)

c) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, receivables and due from related party balances. Receivables are primarily related to GST receivable and other receivable balances. Given the GST is payable by the government of Canada, management feels there is minimal credit risk associated with this receivable balance. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

Impairment of financial assets

The Company has two types of financial assets that are subject to the expected credit loss model:

- Due from related party
- Lease receivable

While cash and receivables are also subject to the impairment requirements of IFRS 9, the Company did not identify any impairment loss for these financial assets during the year ended December 31, 2022.

Due from related party

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for due from related party balances. These balances have been grouped together based on shared credit risk characteristics.

The expected loss rate ("loss rates") is based on historical collection rates over a period of 36 months before December 31, 2022. Loss rates are adjusted to reflect current and forward-looking information affecting the ability of the related party License Holder to settle the receivable balance. On that basis, the loss allowance as at December 31, 2022 was determined as follows:

Due from Related Party	**2022**	**2021**
Balance, beginning of year	**$ -**	**$ -**
Increase in loss allowance recognized in profit or loss	1,604,285	-
Balance, end of year	**$ 1,604,285**	**$ -**

Lease receivable

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for lease receivable balances.

The loss rate is based on historical collection rates over a period of 36 months before December 31, 2022. Loss rates are adjusted to reflect current and forward-looking information affecting the ability of the related party License Holder to settle the lease receivable balance. On that basis, the loss allowance as at December 31, 2022 was determined as follows:

Lease Receivable	**2022**	**2021**
Balance, beginning of year	**$ -**	**$ -**
Increase in loss allowance recognized in profit or loss	2,026,119	-
Balance, end of year	**$ 2,026,119**	**$ -**

(Expressed in Canadian Dollars)

Loss allowance expense on both due from related party and lease receivable balances is presented within operating loss. If any amounts are subsequently recovered they will be credited against the same line item.

d) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash balances to meet short and long-term business requirements. As at December 31, 2022, all of the Company's financial liabilities have maturities of less than one year. As at December 31, 2022, the Company had cash of $442,428 (2021 - $58,805) and a working capital deficiency of $24,300 (2021 - working capital of $429,910). Refer to note 1 for further discussion regarding going concern.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

f) Foreign currency risk

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company maintains financial instruments and enters into transactions denominated in foreign currencies, principally in USD, exposing the Company to fluctuating balances and cash flows due to various transactions in foreign exchange rates. The Company has not entered into any foreign currency contracts to mitigate this risk.

The CAD equivalent carrying amounts of the Company's USD denominated monetary assets and monetary liabilities is as follows:

	December 31, 2022	December 31, 2021
ASSETS	**$**	**$**
Cash	1,221	36,401
Due from related party	1,070,962	1,888,672
Lease receivable	-	2,986,446
LIABILITIES		
Accounts payable and accrued liabilities	1,399,640	372,421
Bank indebtedness	8,313	-
Due to related parties	49,864	11,123
Notes payable	-	864,465
Lease obligation	2,013,355	3,018,322

Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between CAD and USD would impact the net loss for the period by approximately $158,237 (2021 - $4,829).

(Expressed in Canadian Dollars)

14. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

For the year-ended		**December 31, 2022**		**December 31, 2021**
Loss before taxes	**$**	(3,518,382)	**$**	(3,962,287)
Statutory income tax rate		27%		27%
Expected recovery at statutory rate	**$**	**(950,000)**	**$**	**(1,070,000)**
Increase (decrease) in taxes resulting from:				
Change in statutory, foreign tax, foreign exchange rates and other		(3,000)		(103,000)
Permanent differences		(10,000)		32,000
Share issue cost		(109,000)		(109,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		100,000		216,000
Change in unrecognized deferred tax asset		972,000		1,034,000
Total income tax expense (recovery)	**$**	-	**$**	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

For the year-ended		**December 31, 2022**		**December 31, 2021**
Deferred tax assets (liabilities)				
Share issue costs	$	155,000	$	153,000
Property and equipment		(67,000)		(56,000)
Intangible assets		432,000		410,000
Non-capital losses available for future period		2,030,000		1,811,000
Total	**$**	**2,550,000**	**$**	**2,318,000**
Unrecognized deferred tax assets		(2,550,000)		(2,318,000)
Total income tax expense (recovery)	**$**	-	**$**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

For the year-ended		**December 31, 2022**	**Expiry Date Range**
Temporary Differences			
Share issue costs	$	574,000	2041 to 2045
Property and equipment	$	(318,000)	No expiry date
Intangible assets	$	2,059,000	No expiry date
Non-capital losses available for future period	$	7,912,000	2039 to 2042
Canada	$	6,128,000	2039 to 2042
USA	$	1,784,000	2039 to 2042

(Expressed in Canadian Dollars)

For the year-ended		December 31, 2021	Expiry Date Range
Temporary Differences			
Share issue costs	$	568,000	2041 to 2045
Property and equipment	$	(265,000)	No expiry date
Intangible assets	$	1,954,000	No expiry date
Non-capital losses available for future period	$	7,007,000	2039 to 2041
Canada	$	5,650,000	2039 to 2041
USA	$	1,357,000	2039 to 2041

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following are non-cash investing and financing activities that occurred during the year ended December 31, 2022 and 2021:

Share issuance costs – agent warrants	$	-	$	102,690
Movement from reserve on exercise of options	$	-	$	129,706
Movement from reserve on exercise of warrants	$	-	$	21,295
Derecognition of equipment	$	303,246	$	-
Recognition of assets held-for-sale	$	303,246	$	-
Derecognition of lease obligation	$	900,722	$	-
Derecognition of lease receivable	$	891,362	$	-
Shares for debt settlement	$	171,452	$	-
Settlement of notes payable	$	971,563	$	-
Settlement of due from related party receivable	$	971,563	$	-

During the year ended December 31, 2022, the Company made cash payments of $86,735 (2021 - $7,995) related to taxes and $1,223 related to interest (2021 - $250,961), and received cash related to interest of $6,884.

16. SUBSEQUENT EVENTS

On January 12, 2023 (the “Acquisition Date”), the Company completed a three-cornered amalgamation (the “Transaction”) pursuant to an amalgamation agreement dated December 20, 2022 (the "Agreement") and which was subsequently amended on January 10, 2023. The Agreement was between the Company, its wholly owned subsidiary 1392162 B.C. Ltd (“Subco”), and an arms length entity, High Profile Holdings Corp. (“HPH”). Pursuant to the Agreement, immediately preceding the completion of the Transaction, and among other things, 100% of the outstanding common shares of HPH were exchanged for common shares of the Company at an exchange ratio 0.052826527. Consequently, the Company issued an aggregate of 9,999,796 common shares in the Company with a total fair value of $1,449,970 on Acquisition Date. In addition, subject to the exchange ratio 0.052826527, the Company assumed 197,835 common share purchase warrants (“Warrant”) of HPH, each whole Warrant exercisable into one common share of the Company at an exercise price of $3.79 per Warrant with an expiry date of June 24, 2024. The total fair value of Warrants assumed is $4,550 on Acquisition Date. The Transaction has been accounted for as an asset acquisition as HPH did not meet the definition of a ‘business’ as defined under IFRS 3. The significant assets acquired include intangible assets related to cannabis genetics rights, investment shares of a private arms-length retail cannabis company, and a fixed asset related to a parcel of land located in Alberta, Canada. The significant liabilities assumed include unsettled trade payables, mortgage payables, and non-convertible debentures.

On February 15, 2023 (the “Grant Date”), and in connection with the Transaction, the Company granted 1,400,000 and 600,000 RSRs respectively to the Chief Operating Officer (“COO”) and Chief Strategy Officer (“CSO”) of the Company. The fair value of each RSR is equal to the closing share price of the Company’s common shares for the day immediately preceding the date of the grant. The RSRs are subject to vesting terms as follows:

- 20% immediately vested on Grant Date;
- 20% on the date which is 6 months from the Acquisition Date;
- 20% on the date which is 12 months from the Acquisition Date;
- 20% on the date which is 18 months from the Acquisition Date; and
- 20% on the date which is 24 months from the Acquisition Date.

During the period subsequent to December 31, 2022, a total of 250,000, 280,000, and 120,000 common shares of the Company were issued on exercise of RSRs previously granted to the CEO, COO and CSO of the Company.

On March 6, 2023, the Company received regulatory approval from the WSLCB over the sale of specified production equipment and leasehold improvements associated with the Company’s terminated building property lease (note 6).

On April 11, 2023, the Company issued 278,000 common shares of the Company as settlement for outstanding trade payables.

On April 30, 2023, 800,000 Performance Warrants in connection with the Company’s acquisition of New Leaf USA (note 4) expired unvested and unexercised.