NOTE TO READER

The Consolidated Financial Statements for the years ended December 31, 2021 and 2020 were filed with a “draft” stamp on the consolidated statements of financial position. We are therefore re-filing the Consolidated Financial Statements for the years ended December 31, 2021 and 2020 with the “draft” stamp removed. All other content remains as previously filed.

Consolidated Financial Statements for the years ended December 31, 2021 and 2020

SLANG Worldwide Inc.
Consolidated Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SLANG Worldwide Inc.:

Opinion

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

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

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Baker Tilly WM LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 27, 2022

SLANG Worldwide Inc.
Consolidated Statements of Financial Position
(Prepared in Canadian dollars)

At December 31,	2021	2020
Assets		
Current		
Cash	**$17,027,648**	$6,476,873
Funds held in trust	**-**	131,705
Accounts receivable (Note 8 & 41)	**2,510,025**	2,594,155
Other receivables (Note 9)	**429,253**	537,636
Income taxes receivable	**102,434**	100,156
Prepaid and other deposits (Note 12)	**1,836,173**	3,203,392
Inventories (Note 10)	**8,729,917**	4,582,959
Biological assets (Note 11)	**668,149**	84,421
Current portion of notes receivable (Note 13)	**5,720,193**	370,152
Deposit on acquisition (Note 14)	**1,076,864**	-
Assets held for sale (Note 32)	**2,852,182**	-
Investments, at fair value (Note 15)	**-**	500,000
Total current	**40,952,838**	18,581,449
Restricted cash (Note 7)	**3,803,400**	-
Prepaid and other deposits (Note 12)	**-**	1,351,392
Notes receivable (Note 13)	**-**	4,580,926
Investments, at fair value (Note 15)	**-**	33,333
Due from related parties (Note 17)	**-**	330,770
Right of use assets (Note 22)	**4,487,126**	3,489,462
Property, plant and equipment (Note 19)	**1,670,384**	7,527,568
Intangible assets (Note 20)	**25,795,282**	44,190,581
Goodwill (Note 5 & Note 21)	**2,581,302**	27,525,176
Total assets	**$79,290,332**	$107,610,657
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 24)	**$6,765,654**	$11,115,068
Due to related parties (Note 29)	**3,474,235**	3,615,991
Current portion of notes payable (Note 26)	**686,914**	1,444,305
Current portion of lease liabilities (Note 27)	**437,380**	329,919
Contract liability (Note 25)	**897,062**	697,301
Deferred cash consideration (Note 5)	**2,493,332**	-
Current portion of deferred revenue (Note 28)	**-**	640,145
Liabilities held for sale (Note 32)	**1,291,938**	-
Total current liabilities	**16,046,515**	17,842,729
Notes payable (Note 26)	**1,080,192**	808,137
Lease liabilities (Note 27)	**4,514,915**	3,465,910
Contingent consideration (Note 5)	**7,140,250**	-
Derivative liabilities (Note 30)	**4,867,235**	2,135,184
Convertible debentures (Note 30)	**7,472,996**	18,068
Deferred revenue (Note 28)	**-**	16,590,414
Total liabilities	**41,122,103**	40,860,442
Shareholders' equity		
Share capital (Note 31)	**31,322,953**	235,552,213
Share capital to be issued (Note 31)	**1,328,073**	18,068,262
Restricted share capital (Note 31)	**48,408,216**	33,603,783
Contributed surplus	**19,257,412**	12,297,317
Warrants (Note 31)	**7,194,772**	15,590,961
Deficit	**(66,779,065)**	(246,245,525)
Foreign currency translation reserve	**(2,564,132)**	(2,116,796)
Total shareholders' equity	**38,168,229**	66,750,215
Total liabilities and shareholders' equity	**$79,290,332**	$107,610,657

SLANG Worldwide Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Prepared in Canadian dollars)

For the years ended December 31,	2021	2020
Continuing Operations		
Revenue		
Product and licensing revenue (Note 28 & 38)	**$37,272,611**	$22,214,094
Rental income (Note 18)	**-**	1,526,627
Interest and other income	**504,709**	1,713,573
Total revenue	**37,777,320**	25,454,294
Cost of goods sold (Note 10 & Note 35)	**23,311,757**	12,764,172
Gross profit before fair value adjustment of biological assets	**14,465,563**	12,690,122
Realized fair value amounts included in inventory sold (Note 10)	**(886,103)**	-
Unrealized gain on changes in fair value of biological assets (Note 11)	**1,547,338**	-
Gross profit	**15,126,798**	12,690,122
Expenses		
Salaries and wages (Note 38)	**10,094,565**	6,763,764
Share based payments (Note 31 & 38)	**8,849,416**	9,415,189
Depreciation and amortization (Note 19, 20, 22 & 35)	**7,247,165**	6,335,818
Selling, general, administrative (Note 35)	**2,790,276**	2,022,116
Insurance (Note 36)	**2,708,852**	3,228,717
Professional fees	**3,493,307**	2,825,854
Expected credit losses (recovery) (Note 8, 13 & 17)	**2,223,950**	(262,015)
Advertising and marketing	**1,212,999**	865,869
Consulting and subcontractors (Note 38)	**1,842,222**	4,102,532
Total expenses	**40,462,752**	35,297,844
Loss from operations	**(25,335,954)**	(22,607,722)
Termination of licensing agreement and extinguishment of financial liabilities (Note 24, 28 & 29)	**(16,499,291)**	-
Financing cost and fair value adjustment (Note 34)	**(10,416,722)**	(12,330,281)
Unrealized exchange loss	**148,531**	801,863
Realized loss on sale of investments (Note 15)	**33,333**	-
Loss (gain) on sale of capital and intangible assets	**2,523**	(406,797)
Impairment of long-lived assets (Note 12, 19, 20 & 21)	**53,259,843**	4,122,056
Share of loss on investment (Note 16)	**-**	2,022,854
Gain on bargain purchase	**-**	(396,946)
Loss before income taxes	**(51,864,171)**	(16,420,471)
Current taxes (Note 37)	**7,170**	3,249
Deferred tax recovery (Note 37)	**(541,874)**	(2,288,735)
Net loss from continuing operations	**(51,329,467)**	(14,134,985)
Net income (loss) from discontinued operations, net of tax (Note 33)	**(4,756,286)**	73,654
Net loss	**(56,085,753)**	(14,061,331)
Other comprehensive loss for the year		
Currency translation adjustment	**(447,336)**	(530,790)
Total comprehensive loss for the year	**$(56,533,089)**	$(14,592,121)
Net loss per common and restricted voting share		
Basic & Diluted	**$(0.66)**	$(0.26)
Basic & Diluted – Continuing Operations	**$(0.60)**	$(0.26)
Basic & Diluted – Discontinued Operations	**$(0.06)**	$0.00
Weighted average number of common and restricted voting shares outstanding		
Basic & Diluted	**84,943,902**	53,608,343

See accompanying notes to the consolidated financial statements

SLANG Worldwide Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Prepared in Canadian dollars)

	Common share capital	Restricted voting share capital	Share capital to be issued	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance at December 31, 2019	**$219,119,332**	**$26,800,983**	**$1,053,120**	**$15,736,929**	**$11,710,326**	**$(1,586,006)**	**$(232,184,194)**	**$40,650,490**
Net loss for the year	-	-	-	-	-	-	(14,061,331)	(14,061,331)
Exchange differences on translation of foreign operations	-	-	-	-	-	(530,790)	-	(530,790)
Stock based compensation expense	-	-	-	-	1,452,554	-	-	1,452,554
Restricted share unit compensation	-	-	-	-	2,812,365	-	-	2,812,365
Issued pursuant to services	-	-	4,315,679	-	-	-	-	4,315,679
Issued pursuant to consulting agreements	-	4,347,279	(4,347,279)	-	-	-	-	-
Issued pursuant to conversion of Purple Note 2	1,289,544	-	-	-	-	-	-	1,289,544
Issued pursuant to business combinations and asset acquisitions	6,010,773	2,455,521	17,046,742	-	-	-	-	25,513,036
Issued pursuant to conversion of RSUs	3,582,494	-	-	-	(3,790,000)	-	-	(207,506)
Shares issued to employees	520,383	-	-	-	-	-	-	520,383
Issued pursuant to private placement, net	4,980,791	-	-	-	-	-	-	4,980,791
Stock options exercised	48,896	-	-	-	(33,896)	-	-	15,000
Warrants expired	-	-	-	(145,968)	145,968	-	-	-
Balance at December 31, 2020	**235,552,213**	**33,603,783**	**18,068,262**	**15,590,961**	**12,297,317**	**(2,116,796)**	**(246,245,525)**	**66,750,215**
Net loss for the year	-	-	-	-	-	-	(56,085,753)	(56,085,753)
Exchange differences on translation of foreign operations	-	-	-	-	-	(447,336)	-	(447,336)
Stock based compensation expense	-	-	-	-	2,060,537	-	-	2,060,537
Restricted share unit compensation	-	-	-	-	2,148,483	-	-	2,148,483
Warrants expired	-	-	-	(8,396,189)	8,396,189	-	-	-
Stock options exercised	2,578,444	-	-	-	(2,167,877)	-	-	410,567
Issued pursuant to conversion of RSUs	2,101,633	-	722,616	-	(3,477,237)	-	-	(652,988)
Issued pursuant to business combinations	8,256,386	13,192,630	(16,958,072)	-	-	-	-	4,490,944
Issued pursuant to private placement	11,858,493	-	-	-	-	-	-	11,858,493
Issued pursuant to consulting agreements	1,588,045	4,038,320	(514,400)	-	-	-	-	5,111,965
Issued pursuant to settlement of liabilities	1,296,513	-	-	-	-	-	-	1,296,513
Advances to acquisition target	521,566	555,298	-	-	-	-	-	1,076,864
Shares issued to employees	140,058	-	9,667	-	-	-	-	149,725
Share exchange of restricted shares to common shares	2,981,815	(2,981,815)	-	-	-	-	-	-
Reduction of stated capital	(235,552,213)	-	-	-	-	-	235,552,213	-
Balance at December 31, 2021	**$31,322,953**	**$48,408,216**	**$1,328,073**	**$7,194,772**	**$19,257,412**	**$(2,564,132)**	**$(66,779,065)**	**$38,168,229**

See accompanying notes to the consolidated financial statements

SLANG Worldwide Inc.
Consolidated Statements of Cash Flows
(Prepared in Canadian dollars)

At December 31,	**2021**	2020
Cash flows used in operating activities		
Net loss from continuing operations	**$(51,329,467)**	$(14,134,985)
Items not affecting cash		
Impairment on long-term assets (Note 12, 19, 20 & 21)	**53,259,843**	4,122,056
Termination of licensing agreement and extinguishment of financial liabilities (Note 24, 28 & 29)	**(16,499,291)**	-
Fair value adjustment on derivative liabilities (Note 34)	**(13,339,394)**	(1,672,668)
Share based payments (Note 31 & 38)	**8,849,416**	9,415,189
Depreciation and amortization (Note 19, 20, 22 & 35)	**7,247,165**	6,335,818
Expected credit losses (recovery) (Note 8, 13 & 17)	**2,223,950**	(262,015)
Unrealized gain on changes in fair value of biological assets (Note 11)	**(1,547,338)**	-
Fair value adjustment on financial instruments (Note 34)	**949,764**	-
Accretion expense (Note 34)	**869,723**	383,104
Amortization of deferred revenue (Note 28)	**(603,133)**	(674,485)
Depreciation - cost of sales (Note 35)	**601,770**	116,754
Deferred tax recovery	**(541,874)**	(2,288,735)
Inventory write-off (Note 10)	**532,724**	284,266
Interest not received in cash (Note 13)	**(391,099)**	(1,410,700)
Interest not paid in cash (Note 30)	**285,662**	-
Unrealized exchange loss	**(112,616)**	849,691
Realized loss on sale of investments	**33,333**	-
Loss (gain) on sale of capital and intangible assets	**2,523**	(364,198)
Fair value adjustment on option asset and liability (Note 34)	**-**	(14,187,880)
Share of loss on investment (Note 16)	**-**	2,022,854
Fair value adjustment on investments	**-**	2,455,169
Consulting and subcontractors	**-**	874,476
Gain on bargain purchase	**-**	(396,946)
Accretion on lease liability	**-**	365,315
Investment in associate - downstream elimination	**-**	570
	(9,508,339)	(8,167,350)
Changes in non-cash working capital balances		
Accounts payable and accrued liabilities	**(508,865)**	(4,310,881)
Accounts receivable	**(1,186,675)**	75,184
Prepaid and other deposits	**1,330,002**	(1,533,063)
Inventory	**851,042**	(669,656)
Contract liability	**200,432**	245,509
Other receivables	**109,101**	(514,972)
Income tax receivable	**(683,458)**	-
Biological assets	**(397,671)**	-
Cash flows used in operating activities - continuing operations	**(9,794,431)**	(14,875,229)
Cash flows used in operating activities - discontinued operations	**(2,182,368)**	(541,706)
Net cash used in operating activities	**(11,976,799)**	(15,416,935)
Cash flows from (used in) financing activities		
Net proceeds pursuant to issuance of common shares	**11,858,493**	4,980,791
Net proceeds pursuant to issuance of convertible debenture, net of issuance costs	**20,792,103**	-
Net advances to due to related parties	**(1,376,398)**	(4,078,915)
Repayment of notes payable	**(1,318,238)**	(525,702)
Proceeds pursuant to stock option exercises	**410,567**	15,000
Withholding taxes on RSU issuances	**(691,880)**	-
Lease payments	**(282,730)**	(331,407)
Cash flows from financing activities - continuing operations	**29,391,917**	59,767
Cash flows used in financing activities - discontinued operations	**(146,901)**	(77,435)
Net cash from (used in) financing activities	**29,245,016**	(17,668)

SLANG Worldwide Inc.
Consolidated Statements of Cash Flows
(Prepared in Canadian dollars)

At December 31,	2021	2020
Cash flows from (used in) investing activities		
Cash paid on acquisitions (Note 5)	**(4,575,647)**	(477,599)
Cash acquired through acquisitions (Note 5)	**1,342,618**	4,134,017
Repayments (advances) of notes receivable	**525,104**	21,352
Repayments of convertible loan receivable	**500,000**	-
Purchase of property, plant and equipment	**(749,122)**	(53,502)
Purchase of intangibles	**(207,415)**	-
Net advances to due from related parties	**(63,719)**	(516,887)
Proceeds on disposal of property, plant and equipment	**27,109**	64,065
Sale of marketable securities	**-**	10,000,000
Cash flows from (used in) investing activities - continuing operations	**(3,201,072)**	13,171,446
Cash flows used in investing activities - discontinued operations	**(55,052)**	(6,500)
Net cash from (used in) investing activities	**(3,256,124)**	13,164,946
Net increase (decrease) in cash	**14,012,093**	(2,269,657)
Exchange rate changes on foreign currency cash balances	**210,377**	(57,125)
Cash, restricted cash & funds in trust, beginning of year	**6,608,578**	8,935,360
Cash, restricted cash & funds held in trust, end of year	**20,831,048**	6,608,578
Cash, end of year	**$17,027,648**	$6,476,873
Restricted cash, end of year	**$3,803,400**	$-
Funds held in trust, end of year	**$-**	$131,705

Supplemental cash flow information		
Income taxes paid	**$7,170**	$3,249
Interest paid	**$1,072,497**	$568,275
Other non-cash financing and investing activities		
Restricted voting shares issued on business combinations (Note 5)	**$4,402,450**	$2,455,521
Deferred share consideration on business combinations (Note 5)	**$88,670**	$17,046,742
Contingent consideration on business combinations (Note 5)	**$5,871,567**	$-
Common shares issued on asset acquisitions (Note 6)	**$-**	$6,010,773
Deposit on acquisition issued in shares (Note 14)	**$1,076,864**	$-
Conversion of Purple Note 2 (Note 30)	**$-**	$1,289,544

1. Nature of operations

Slang Worldwide Inc. formerly known as Fire Cannabis Inc., (the "Company") was incorporated on May 29, 2017 under the laws of Canada Business Corporations Act. On November 26, 2018, the Company filed articles of amendment to change its name to SLANG Worldwide Inc.

The Company's head office and principal address is located at 50 Carroll Street, Toronto, Ontario, M4M 3G3. The Company's registered and records office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 1A2. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol SLNG and is quoted on the OTC Markets ("OTCMKTS") under the symbol SLGWF. The Company is also quoted on the Frankfurt Stock Exchange under the trading symbol 84S.

The Company invests and operates in the cannabis industry through a portfolio of entities which provide cannabis products, brands, and services to the global market. The Company invests in entities that have a consumer centric product portfolio with brands that have widespread distribution.

The consolidated financial statements were approved by the Company's Board of Directors on April 27, 2022.

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2. Basis of presentation

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2021 and 2020.

b) Basis of measurement

The Company's consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value.

c) Basis of consolidation

The consolidated financial statements for the year ended December 31, 2021 comprise of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are fully consolidated from the date that control commences and de-consolidated from the date control ceases. The consolidated financial statements of the Company include:

(Prepared in Canadian dollars)

2. Basis of presentation, continued

Name	Percentage Control
Slang Colorado RE, Inc. (previously, The Purple Organization, Inc.)	100%
National Concessions Group, Inc. ("NCG")	100%
Slang Investments, Inc. (previously, Cultivate Brands Corp.)	100%
Slang Colorado Distribution, Inc. (previously, Peoria Partners, LLC) ("SCD")	100%
Slang Oregon, Inc.	100%
LBA CBD, LLC ("CBD")	100%
CHC Laboratories, Inc. ("CHC")	100%
Hydra Oregon, LLC (dba, Lunchbox Distribution) ("LBD")	100%
Slang Colorado Cultivation, Inc. ("SCC")	100%
Allied Concessions Group, Inc. ("ACG")	100%
Slang Colorado Manufacturing, Inc. ("SCM")	100%
Slang NonPT Holdco, Inc. (previously, Slang Worldwide US Inc.)	100%
Slang PT Holdco, Inc.	100%
Slang Colorado, Inc.	100%
Slang Colorado RE1, LLC	100%
Slang Oregon Holdings, Inc.	100%
Slang Vermont, Inc.	100%
Champlain Valley Dispensary, Inc. ("CVD")	100%
Ceres, LLC ("Ceres")	100%

Judgement was used to determine the acquisition date of the business combination of ACG (Note 5). The closing of the acquisition was subject to regulatory approval as of December 31, 2020. Based on IFRS 10 – Consolidated Financial Statements, management believes that the Company has control over the operations of ACG effective December 31, 2020.

The non-operational dormant entities include Slang NonPT Holdco Inc., Slang PT Holdco Inc., Slang Oregon Holdings, Inc., and Slang Colorado, Inc.

The functional currency of the Company and Slang Investments, Inc. is the Canadian Dollar which is also the presentation currency of the consolidated financial statements. The functional currency of Slang Colorado RE, Inc., NCG, SCD, Slang Oregon, Inc., CBD, CHC, LBD, SCC, ACG, SCM, Slang NonPT Holdco, Inc., Slang PT Holdco, Inc., Slang Colorado, Inc., Slang Colorado RE1, LLC, Slang Oregon Holdings, Inc., Slang Vermont, Inc., CVD, and Ceres is the US dollar.

d) COVID-19 estimation uncertainty

In March 2020, there was a global outbreak of COVID-19 which has a significant impact on businesses through the restrictions put in place by the Canadian and American authorities regarding travel, business operations and isolation/quarantine orders. These restrictions did not materially disrupt the Company's operations during 2020 and 2021 as the sale of cannabis products have been recognized as essential services across Canada and the United States.

2. Basis of presentation, continued

Management has been closely monitoring the impact of COVID-19 and has implemented various measures to reduce the spread of the virus including enhanced cleaning protocols and implementing social distancing measures. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the extent of the impact the COVID-19 outbreak will have on the Company's business, financial position, and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such estimates could be material, which could result in, among other things, impairment of long-lived assets. An impairment test was performed at December 31, 2021 for the Company's goodwill and intangible assets (Note 20 & 21). Management is closely monitoring the impact of the pandemic on all aspects of its business.

e) Share consolidation

On February 28, 2022, the Company completed a one-for-six share consolidation of all outstanding common and restricted voting shares. Shares reserved under the Company's equity and incentive plans were adjusted to reflect the share consolidation. All share and per share data presented in the Company's consolidated financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

f) Adoption of new and revised standards and interpretations

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee ("IFRIC") have issued certain new and revised:

i) Standards and Interpretations which have come into effect during the reporting period.

All recently issued accounting pronouncements did not have a material effect on the consolidated financial statements.

ii) Standards and Interpretations which have not yet come into effect.

All recently issued accounting pronouncements are not expected to have a material effect on the consolidated financial statements.

3. Summary of significant accounting policies

Revenue

IFRS 15 applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is derived from the company's manufactured wholesale and retail product sales and associated licensing fees, interest income on loans, and rental income.

Product and licensing revenue is recognized when the Company has shipped the product to the customer, and control of the product has been transferred to the customer, per the agreed upon shipping terms. The Company recognizes product licensing revenue when the underlying product has been sold to the licensee, and the Company is entitled to their related fee based on the terms in the licensee contract which is recognized as the revenue-based milestone is achieved. When the terms of the transaction provide for licensing the right to access a product for a determinate period of time, revenue is recognized over that period, typically on a straight-line basis.

Rental income is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Interest income is recognized based on the number of days the investment or loan was held during the year using the effective interest rate method.

Contract liabilities arise when the Company has received payments for goods not yet delivered to the customer based on the shipping terms.

3. Summary of significant accounting policies, continued

Financial instruments

a) Financial assets

i) Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts and other receivables, amounts due from related parties and notes receivable.

- Fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash, restricted cash, funds in trust, option assets and investments.

3. Summary of significant accounting policies, continued

- Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

iii) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants.

3. Summary of significant accounting policies, continued

For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Accounts receivable and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest except rent receivable which bears interest based on the terms of lease agreement. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

iv) Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities

i) Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

ii) Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

3. Summary of significant accounting policies, continued

iii) Derecognition of financial liabilities

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

c) Summary of the Company's classification and measurements of financial assets and liabilities

	Classification	Measurement
Cash	FVTPL	Fair value
Restricted cash	FVTPL	Fair value
Accounts & other receivables	Amortized cost	Amortized cost
Funds held in trust	FVTPL	Fair value
Notes receivable	Amortized cost	Amortized cost
Investments	FVTPL	Fair value
Option asset	FVTPL	Fair value
Due to/from related parties	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value
Deferred cash consideration	Amortized cost	Amortized cost
Contingent consideration	FVTPL	Fair value
Option liability	FVTPL	Fair value

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net loss for the period.

3. Summary of significant accounting policies, continued

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the consolidated statement of financial position date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions) for the year or period presented;
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as a reserve for foreign currency translation.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation reserve.

Investment properties

Investment properties include properties held to earn rental income and are measured using the cost model under IAS 40 - Investment Property, by which the assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributed to the acquisition of the asset. Investment properties comprise non-owner-occupied properties held to earn rentals and for capital appreciation.

Depreciation on building held as investment property is calculated on a straight-line basis over 25 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to bring the asset to the location and condition necessary for its use in operations.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statement of loss and comprehensive loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3. Summary of significant accounting policies, continued

Depreciation is computed using a straight-line basis over the following periods:

Office equipment	7 to 10 years
Equipment and machinery	2 to 10 years
Computer equipment & fixtures	2 to 5 years
Leasehold improvements	shorter of term of the lease or 20 years
Building & land improvements	25 years
Vehicles	4 to 5 years

Right-of-use assets and lease liability

The Company recognizes right-of-use assets and lease liabilities on the consolidated statement of financial position at lease inception date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates right-of-use assets on a straight-line basis over the shorter of the lease term or economic useful life. The Company also assesses right-of-use assets for impairment when such indicators exist.

At the inception date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of loss and comprehensive loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statement of loss and comprehensive loss immediately as a gain on bargain purchase.

3. Summary of significant accounting policies, continued

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The convertible notes are considered to contain embedded derivatives. The embedded derivatives were measured at fair value upon initial recognition using the Black-Scholes valuation model and were separated from the debt component of the notes. The debt component of the notes was measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative components are re-measured at fair value at each reporting date while the debt components are accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

Share-based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

3. Summary of significant accounting policies, continued

Equity settled share-based payments under share-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Provisions and contingent liabilities

Provisions, where applicable, are recognized separately when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

i) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position.

ii) Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

3. Summary of significant accounting policies, continued

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss except where they related to items that are recognized in other comprehensive income or directly in equity, in which case, related deferred tax is also recognized in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Share capital

Common shares, restricted voting shares and share capital to be issued are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Contributed surplus includes amounts in connection with stock-based compensation and the value of expired options and warrants. Income tax relating to transaction costs of an equity transaction are recognized directly in equity.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In a period of losses, the options are excluded in the determination of dilutive net loss per share because their effect is antidilutive.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Amortization of intangible assets is measured on a straight-line bases over the following periods:

Proprietary technology & know how	5 years
Brands	5 to 10 years
Distributor and customer relationships	5 to 8 years
Licenses	10 years
Software	10 years

3. Summary of significant accounting policies, continued

The estimated useful lives, residual values and amortization methods are reviewed at each year end and any changes in estimates are accounted for prospectively.

Inventories

Inventories of manufactured cannabis and non-cannabis finished goods are valued at the lower of cost and net realizable value. The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the consolidated statement of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the face of the consolidated statement of loss and comprehensive loss. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the standard cost method. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and profit or loss. Products for resale and component parts are valued at the lower of cost and net realizable value, with cost determined using the weighted average cost basis. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations of the related period. The Company does not recognize the mother plants used for cloning the cannabis plants on the consolidated statement of financial position, since such plants are under the scope of IAS 16 – Property, Plant and Equipment, but have a useful life of less than one year.

The Company's biological assets are within the scope of IAS 41 Agriculture, and the direct and indirect costs of biological assets include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of goods sold' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

3. Summary of significant accounting policies, continued

Investment in associates

The Company holds equity investments in associates. An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for equity investments using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and is subsequently increased or decreased to recognize the Company's share of earnings or losses of the associate, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of associates are recognized through profit or loss during the year. Cash distribution received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the greater of its fair value less costs of disposal and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in an associate is less than its carrying amount, then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through net income or loss in the period in which the reversal occurs.

Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continued use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and the fair value less costs of disposal. Impairment losses recognized upon initial classification as held-for sale and subsequent gains and losses on re-measurement are recognized in the consolidated statement of loss and comprehensive loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

3. Summary of significant accounting policies, continued

Discontinued Operations

A disposal group qualifies as discontinued operations if it is a component of an entity that has either been disposed of, or is classified as held for sale, and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale. If a disposal group that is abandoned meets the criteria of (i) to (iii) in the aforementioned, the entity shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of loss and comprehensive loss have been restated and prior periods have been restated.

4. Significant accounting judgements and estimation uncertainties

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements relate to, but are not limited to the following:

Going Concern

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which might cast significant doubt on the Company’s ability to continue as going concern is required in the notes to the consolidated financial statements. In management’s judgement, such disclosure is not required. This judgement is dependent on management’s expectations of revenue, future net cash flows for the year ended December 31, 2022, existing borrowing capacity, availability of overdraft facility and financial obligations due within the next 12 months.

4. Significant accounting judgements and estimation uncertainties, continued

During the year ended December 31, 2021, the Company had a loss from operations and negative cash flows from operating activities. To the extent that the Company has negative operating cash flows in future periods, the Corporation may need to deploy a portion of its existing working capital to fund such negative cash flow. Based on management's expectations of revenue, future net cash flows for the year ended December 31, 2022, existing borrowing capacity, availability of overdraft facility and financial obligations due within the next 12 months, management has applied judgement that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering the counterparty's financial condition and current economic conditions. Accounts and other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All accounts and other receivables are expected to be collected within one year of the consolidated statement of financial position date.

Share-based payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

4. Significant accounting judgements and estimation uncertainties, continued

Impairment of goodwill

The values associated with goodwill involve significant estimates and assumptions, including those with respect to the determination of cash generating units, future cash inflows and outflows, discount rates and asset lives. At least annually, the carrying amount of goodwill is reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgement which could affect the Company's future results if the current estimates of future performance and fair value change.

Determination of cash-generating units

The Company's assets are aggregated into cash-generating units ("CGU's"). CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's is based on management's judgement in regard several factors such as shared infrastructure, geographical proximity, exposure to market risk and materiality.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, ROU assets, and definite life intangible assets, whether events or changes in circumstances indicate that the carrying value of the asset, or asset group, may not be recoverable. When the Company determines that the carrying value of the long-lived asset may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimate of future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. Management judgement is required in the determination of indicators of impairment, as well as the estimation of future undiscounted cash flows, and as necessary, the fair value of those assets or asset groups in which indicators of impairment have been identified.

4. Significant accounting judgements and estimation uncertainties, continued

Business combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgement. A business consists of inputs and processes, that when applied to those inputs have the ability to create outputs. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions and do not give rise to goodwill.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The valuations are linked closely to the assumptions made by management regarding the future performance of these assets and are sensitive to changes in the discount rate applied.

Consolidation

Judgement is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgement is applied in determining the date on which control was obtained.

Judgement was used to determine the acquisition date of the business combination of ACG (Note 5). The closing of the acquisition was subject to regulatory approval as of December 31, 2020. Based on IFRS 10 – Consolidated Financial Statements, management believes that the Company has control over the operations of ACG effective December 31, 2020. The regulatory approval on the Change of Ownership application from the Marijuana Enforcement Division was not considered a substantive factor in determining the date of control. As of December 31, 2020, the Company had control of ACG through its rights to variable returns from its involvement with ACG and the ability to affect those returns through its power over the relevant activities.

Contingent Consideration

Contingent consideration payable as the result of a business combination is recorded at the date of acquisition at fair value. The fair value of contingent consideration is subject to significant judgement and estimates. Subsequent changes to the fair value of contingent consideration are measured at each reporting date, with changes recognized through profit or loss.

4. Significant accounting judgements and estimation uncertainties, continued

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgemental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Biological assets

Biological assets, consisting of unharvested cannabis plants, are dependent upon estimates of future economic benefits resulting from past events to determine the fair value through an exercise of significant judgement by the Company. In estimating the fair value of its biological assets, the Company uses market observable data to the extent it is available. Biological assets are measured at fair value less costs to sell up to the point of harvest.

With respect to biological assets, where there is no active market for the unharvested produce, determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to estimating the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices and expected yields for the plants.

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the embedded derivatives, particularly in relation to the uncertainty of the anti-dilution provision in the convertible note financing (Note 30).

5. Business combinations

The Company has determined that these acquisitions are business combinations under IFRS 3, Business Combinations. They are accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on Cash Generating Units (“CGUs”).

(Prepared in Canadian dollars)

5. Business combinations, continued

2021 Acquisitions

High Fidelity Acquisition

On August 11, 2021, the Company acquired 100% of the issued and outstanding equity interests of High Fidelity, Inc. ("HiFi") by way of a merger with a dormant wholly owned subsidiary of the Company. HiFi owns 100% of the issued and outstanding equity interests of CVD and Ceres (collectively, the "Acquired Companies"). The dormant subsidiary, Slang Vermont, Inc., was the surviving entity in the merger. The Acquired Companies are engaged in the business of developing and manufacturing edible and consumable products in the medical cannabis and CBD industry in Vermont.

The following table summarizes the purchase price allocation for the HiFi acquisition:

Fair value of consideration transferred	
Cash paid	$4,575,647
Restricted voting shares issued	4,402,450
Deferred cash consideration	2,493,332
Deferred share consideration	88,670
Contingent consideration	5,871,567
Settlement of pre-existing relationship	817,611
Total consideration transferred	$18,249,277
Recognized amounts of identifiable net assets	
Cash	$1,342,618
Accounts receivable	143,865
Prepaid expenses	54,712
Inventory	3,956,377
Biological assets	697,638
Property and equipment	678,439
Right-of-use assets	2,599,070
Intangibles - licenses	860,055
Intangibles - brands	726,190
Accounts payable and accrued liabilities	(795,692)
Lease liabilities	(2,599,070)
Notes payable	(845,709)
Deferred tax liability	(540,621)
Total identifiable net assets	$6,277,872
Goodwill on acquisition	**$11,971,405**

5. Business combinations, continued

Consideration transferred

As consideration for the HiFi equity interests, the Company paid $4,575,647 in cash and issued 5,287,389 restricted voting shares. The restricted voting shares were estimated at $0.833 per share on the date of acquisition using an option pricing model. A discount of 29% was applied to due to voting restrictions placed on these shares. In addition, on the date that is 18 months following the date of the merger agreement, being June 25, 2021, the Company will pay US$2,000,000 in cash and issue 109,649 restricted voting shares.

Contingent Consideration

The Company has agreed to pay the selling shareholders within three years' time additional consideration of US$6,000,000 in restricted voting shares at a 10-day volume-weighted average price of the Company's shares if Vermont regulators issue a retail marijuana license to the Acquired Companies. A further US$2,000,000 in restricted voting shares at a 10-day volume-weighted average price will be issued if the New Jersey Regulatory Agency issues a retail marijuana license to the Acquired Companies. The contingent consideration meets the classification as a liability because a variable number of shares may be issued at the future date. The determination of the fair value of the contingent consideration payable is primarily based on the Company's expectations of obtaining the licenses within the specified time period of the agreement. The fair value of the contingent consideration of $5,871,567 was estimated using a probability weighted-average approach and was estimated based on the probability of obtaining the licenses in Vermont and New Jersey within the specified time period of the agreement. For the Vermont license, a probability of 95% and 100% was used in Year 1 and Year 2, respectively. For the New Jersey license, a probability of 30%, 20%, and 10% was used in Year 1, Year 2, and Year 3, respectively. The discount rate of 29% was used in fair valuing the contingent consideration as it is payable in restricted voting shares.

During the period ended December 31, 2021, a fair value loss of $1,268,683 on the contingent consideration was recorded in fair value adjustment on financial instruments (Note 34). For the Vermont license, a probability of obtaining the license of 95% and 100% was used in Year 1 and Year 2, respectively. For the New Jersey license, a probability of obtaining the license of 90%, 100%, and 100% was used in Year 1, Year 2, and Year 3, respectively. The discount rate of 29% was used in fair valuing the contingent consideration as it is payable in restricted voting shares.

Pre-existing Contingent Consideration

Prior to the acquisition of HiFi by the Company, Ceres entered into an asset purchase agreement with a third party. Under the agreement, an earnout of US$121,000 will be paid if Ceres' revenues from sales relating to TreTap maple syrup sparkling water exceed US$2,500,000 by January 2024. This pre-existing contingent consideration was accounted for as an assumed liability at a fair value of $Nil on acquisition of HiFi.

5. Business combinations, continued

The following pre-existing relationships were effectively settled on the acquisition date at their fair value:

Notes receivable

The Company had previous notes due from HiFi, which were effectively settled at their fair value of US$302,154 (CAD - $377,874) on the date of acquisition (Note 13).

Due from HiFi

The Company held receivables due from HiFi at the acquisition date. The receivables were effectively settled at their fair value of US$351,621 (CAD - $439,737).

Identifiable intangible assets

The identifiable brands and license have been valued using the Relief from Royalty Method and Multi-Period Excess Earnings Method, respectively. The method on fair valuing the Ceres Medical Brand and Medical License applied a 16.91% discount rate. The method on fair valuing the Ceres Natural Remedies and Tre Tap brands applied a 22.91% discount rate.

Brands and licenses are considered definite useful life intangible assets and are being amortized over their remaining useful lives of 5 and 10 years, respectively.

Goodwill

Goodwill of $11,971,405 is primarily related to growth expectations, particularly driven by the expansion of operations in Vermont related to the anticipated recreational cannabis market expected in 2022. Goodwill recognized will not be deductible for income tax purposes.

The Company incurred acquisition costs of $470,567 for the year ended December 31, 2021, which are included in professional fees in the consolidated statement of loss and comprehensive loss.

Contribution to Company results

If the transaction had closed on January 1, 2021, the Company's revenue for the year ended December 31, 2021 would have increased by $3,918,841 and net income for the same period would have increased by $2,812,841.

Consolidated revenue and net loss for the period ended December 31, 2021 of the acquiree after the acquisition date, as recorded in the consolidated statement of loss and comprehensive loss is $3,017,813 and $100,697, respectively.

(Prepared in Canadian dollars)

5. Business combinations, continued

2020 Acquisitions

ACG Acquisition

ACG is engaged in the business of manufacturing edible and consumable products in the medical and recreational cannabis industry in Colorado. On December 31, 2020, upon execution of a merger agreement to purchase 100% of the equity interest, the Company gained control over the operations of ACG and has consolidated the results in line with IFRS 10 – Consolidated Financial Statements.

The following tables summarize the purchase price allocation for the ACG acquisition:

Fair value of consideration transferred	
Common shares to be issued	$8,256,386
Restricted voting shares to be issued	8,790,356
Settlement of pre-existing relationship	12,887,828
Total consideration transferred	$29,934,570
Recognized amounts of identifiable net assets	
Cash	$47,566
Accounts receivable	14,413
Prepaid expenses	607,704
Inventory	1,761,358
Notes receivable	370,152
Property and equipment	1,572,393
Right-of-use assets	289,936
Intangibles - customer relationships	5,605,872
Intangibles - licenses	933,040
Accounts payable and accrued liabilities	(2,266,341)
Contract liability	(176,722)
Due to related parties	(311,482)
Lease liabilities	(309,633)
Notes payable	(1,730,655)
Deferred tax liability	(1,656,669)
Total identifiable net assets	$4,750,932
Goodwill on acquisition	**$25,183,638**

As consideration for the ACG equity interests, the Company recorded the issuance of 4,300,324 common shares at $1.92 per share (based on quoted market price) and 6,450,487 restricted voting shares at $1.362 per share (based on an option pricing model) in share capital to be issued on December 31, 2020. A discount of 29% was applied to the restricted voting shares due to voting restrictions placed on these shares.

5. Business combinations, continued

On June 9, 2021, the Company closed its acquisition of ACG by way of a merger with a dormant wholly owned subsidiary of the Company, called Slang Colorado Manufacturing, Inc. ("SCM"). SCM was the surviving entity in the merger. Subsequently, on June 15, 2021, the Company issued 4,295,405 common shares and 6,443,109 restricted voting shares. The shares had been recorded as share capital to be issued at December 31, 2020. The number of common shares and restricted shares issued on completion of the transaction reduced by 4,919 and 7,378, respectively, due to minor closing purchase price adjustments.

The following pre-existing relationships were effectively settled on the acquisition date at fair value:

ACG Option

Prior to the acquisition, the Company held an option to purchase 92.5% of ACG (Note 23). Upon acquisition, this option was deemed to be at-the-money and was exercised by the Company.

Due from related parties

The Company held related party receivables due from ACG at the acquisition date. The Company had previously recognized an expected credit loss on these receivables, resulting in a reversal of an expected credit loss of $2,896,006 during year ended December 31, 2020. The related party receivables were effectively settled at their fair value of $8,278,602.

Accounts receivable and accounts payable

The Company held trade receivable and trade payable balances with ACG, with a net amount owing by ACG that was settled at its fair value of $4,609,226, at the acquisition date.

Identifiable intangible assets

The identifiable customer relationship and license have been valued using an income and cost approach, respectively. Specifically, the customer relationship was valued using the discounted cash flow method. All methods applied a 19.2% discount rate.

Customer relationships and licenses are considered definite useful life intangible assets and are being amortized over their remaining useful lives of 8 and 10 years, respectively.

Goodwill

Goodwill of $25,183,638 is primarily related to growth expectations, particularly driven by strengthening the Company's manufacturing and distribution business in Colorado. Goodwill recognized will not be deductible for income tax purposes.

Acquisition costs amounted to $172,058 for the year ended December 31, 2020 and are included in professional fees in the consolidated statement of loss and comprehensive loss.

(Prepared in Canadian dollars)

5. Business combinations, continued

Pleasant Valley Ranch Acquisition

Pleasant Valley Ranch was a company licensed to cultivate retail marijuana in Carbondale, Colorado. On December 22, 2020, the Company acquired 100% of the issued and outstanding equity interests of Pleasant Valley Ranch by way of merger with a dormant wholly owned subsidiary of the Company. The dormant subsidiary was the surviving entity in the merger and was renamed to Slang Colorado Cultivation, Inc. ("SCC").

The following tables summarize the purchase price allocation for the Pleasant Valley Ranch acquisition:

Fair value of consideration transferred	
Cash paid	$32,552
Restricted voting shares issued	115,363
Settlement of pre-existing relationship	5,661,779
Total consideration transferred	$5,809,694
Recognized amounts of identifiable net assets	
Cash	$4,732
Inventory	330,306
Biological assets	64,962
Property and equipment	14,525
Intangibles - licenses	1,348,337
Accounts payable and accrued liabilities	(96,820)
Contract liability	(109,718)
Deferred tax liability	(324,200)
Total identifiable net assets	$1,232,124
Goodwill on acquisition	**$4,577,570**

As consideration for the Pleasant Valley Ranch equity interests, the Company issued 83,333 restricted voting shares which were estimated at $1.384 per share on the date of acquisition using an option pricing model. A discount of 29% was applied to the restricted voting shares due to voting restrictions placed on these shares.

The following pre-existing relationships were effectively settled on the acquisition date at fair value:

Accounts receivable

The Company held trade receivable balances with Pleasant Valley Ranch that were effectively settled at a fair value of $1,792,877 on the date of acquisition.

Notes receivable

The Company had previous notes due from Pleasant Valley Ranch, which were effectively settled at their fair value of $3,868,902 on the date of acquisition (Note 13).

5. Business combinations, continued

Identifiable intangible assets

The identifiable licenses have been valued using an income approach, specifically, using a discounted cash flow method. A discount of 30.6% was applied to this method. Licenses were estimated to have a useful life of 10 years.

Goodwill

The goodwill on acquisition of Pleasant Valley Ranch relates to the mechanics of the purchase equation based on principles of IFRS 3 and implied an internal rate of return ("IRR") of 12.65% on the transaction. However, management determined that a more appropriate IRR from a third-party market participant's perspective would be 30.6%. The estimated IRR of 30.6% was appropriately applied to the valuation models underlying fair values of identifiable intangible assets as the discount rate. Under IFRS 3, the purchase consideration is valued by reference to the Company's share price at the acquisition date. Accordingly, the Company determined that the most appropriate manner of reflecting the difference between the discount rates was to record a goodwill impairment of $4,122,056 in profit or loss.

Acquisition costs amounted to $50,129 for the year ended December 31, 2020 and are included in professional fees on the consolidated statement of loss and comprehensive loss.

(Prepared in Canadian dollars)

5. Business combinations, continued

Lunchbox Acquisition

On October 1, 2020, the Company acquired 100% of the outstanding membership interests of LBA Global Corporation ("LBA") by way of a reverse triangular merger, resulting in a newly formed merger subsidiary, which was renamed to Slang Oregon Inc. Slang Oregon Inc. owns 100% of the issued and outstanding membership interests of CHC, LBD, and CBD (collectively, the "Acquired Companies"). The Acquired Companies are engaged in the business of developing and manufacturing edible and consumable products in the recreational and medical cannabis and CBD industry in Oregon.

The following tables summarize the purchase price allocation for the Lunchbox acquisition:

Fair value of consideration transferred	
Restricted voting shares issued	$2,340,158
Settlement of pre-existing relationship	2,206,098
Total consideration transferred	$4,546,256
Recognized amounts of identifiable net assets	
Cash	$54,520
Accounts receivable	511,335
Prepaid expenses	50,564
Inventory	553,645
Property and equipment	703,968
Right-of-use assets	216,895
Intangibles - brand	2,949,348
Intangibles - distributor and customer relationships	167,543
Intangibles - licenses	10,136
Accounts payable and accrued liabilities	(1,755,537)
Lease liabilities	(241,467)
Deferred tax liability	(657,242)
Total identifiable net assets	$2,563,708
Goodwill on acquisition	**$1,982,548**

As consideration for the LBA membership interests, the Company issued 3,921,852 restricted voting shares which were estimated at $0.60 per share on the date of acquisition using an option pricing model. A discount of 29% was applied to the restricted voting shares due to voting restrictions placed on these shares.

The following pre-existing relationship was effectively settled on the acquisition date at fair value:

Convertible loan

The Company had a previous convertible loan from LBA, which was effectively settled at its fair value of $2,206,098 on the date of acquisition.

5. Business combinations, continued

Identifiable intangible assets

The identifiable brands, and customer and distributor relationships have been valued using an income approach. Specifically, the Squibs and Tangos brands were valued using the multi-period excess earnings method, while the Lunchbox Alchemy brand was valued using the relief from royalty method. The customer and distributor relationships were valued using a discounted cash flow method. Furthermore, the identifiable licenses have been valued using a cost approach. All methods applied a 30.6% discount rate.

Customer and distributor relationships and brands are considered definite useful life intangible assets and are being amortized over their remaining useful lives of 5 years. Licenses were estimated to have a useful life of 10 years.

Goodwill

Goodwill of $1,982,548 is primarily related to growth expectations, particularly driven by integrated manufacturing and distribution capabilities. Goodwill recognized will not be deductible for income tax purposes.

Acquisition costs amounted to $85,712 for the year ended December 31, 2020 and are included in professional fees in the consolidated statement of loss and comprehensive loss.

(Prepared in Canadian dollars)

5. Business combinations, continued

Peoria Partners LLC ("Peoria") Acquisition

Peoria is a licensed cannabis producer and distributor of the Company's District Edibles brand in the state of Colorado. On September 1, 2020, the Company acquired 100% of the outstanding membership interests of Peoria and renamed the entity to Slang Colorado Distribution, Inc. ("SCD").

The following tables summarize the purchase price allocation for the Peoria acquisition:

Fair value of consideration transferred	
Cash paid	$312,055
Fair value of identifiable net assets	
Cash	$31,822
Accounts receivable	470,623
Inventory	214,030
Intangibles - license	195,630
Accounts payable	(203,104)
Total identifiable net assets	709,001
Gain on bargain purchase	**$396,946**

As consideration for the Peoria membership interests, the Company paid $312,055 in cash on September 1, 2020.

Identifiable intangible assets

The retail marijuana infused product manufacturing license has been valued using a relief from royalty valuation method using a 25% discount rate and 2.5% royalty rate. The license is being amortized over an estimated useful life of 10 years.

Gain on bargain purchase

The accounting for the acquisition of Peoria generated a gain of $396,946 as the fair value of the net assets was in excess of the aggregate consideration of $312,055 because the purchase consideration was finalized prior to the acquisition date.

(Prepared in Canadian dollars)

6. Asset acquisitions

Cultivate Brands Corp.

On May 1, 2020, the Company completed the acquisition of the assets of Cultivate Brands Corp ("Cultivate"). Under IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, and therefore, it was accounted for as an asset acquisition. The acquisition was completed by way of a three-cornered amalgamation pursuant to which 1241306 B.C. Ltd., a newly incorporated subsidiary of the Company, amalgamated with Cultivate to form a newly amalgamated company which operates under the name "Cultivate Brands Corp." as a wholly owned subsidiary of the Company. In exchange for all the issued and outstanding shares of Cultivate, the Company issued 4,715,704 common shares at an estimated value of $1.275 per share and paid cash of $337,418. On March 18, 2021, the Company renamed the entity to Slang Investments, Inc.

The following table summarizes the Cultivate asset acquisition:

Consideration transferred	
Common shares	$6,010,773
Cash payable	337,418
Transaction costs	132,992
	$6,481,183
Net assets acquired	
Cash	$3,995,377
Other receivables	22,328
Inventory	61,021
Prepaid & deposits	1,486,281
Notes receivable	479,584
Investments at fair value	500,000
Machinery & equipment	22,084
Accounts payable & accrued liabilities	(85,492)
	$6,481,183

7. Restricted cash

On November 15, 2021, the Company entered into a loan transaction for aggregate gross proceeds of US$17,319,588 (Note 30, SAI Convertible Debenture). Under the terms of the agreement, the Company shall maintain a minimum aggregate cash balance of US$3,000,000 (CAD$3,803,400) until maturity. The balance has been recorded as a non-current asset on the consolidated statement of financial position at December 31, 2021 because the cash is restricted from being used to settle the Company's liabilities for at least 12 months after the reporting period.

(Prepared in Canadian dollars)

8. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2021	December 31, 2020
Accounts receivable	**$10,241,815**	$9,094,624
Expected credit losses	**(7,731,790)**	(6,500,469)
	$2,510,025	$2,594,155

Expected credit losses increased by $1,231,321, which is attributable to a net increase in expected credit losses of $1,244,935 and gain on translation of foreign operations of $13,614 recorded in other comprehensive loss.

9. Other receivables

Other receivables consist of the following:

	December 31, 2021	December 31, 2020
Indirect tax receivable	**$210,149**	$368,544
Other receivables	**219,104**	169,092
	$429,253	$537,636

10. Inventories

The following comprise inventories:

Category	**December 31, 2021**	December 31, 2020
Finished goods - cannabis	**$1,299,761**	$629,895
Finished goods - non-cannabis	**1,274,044**	2,260,668
Raw materials - cannabis	**5,771,033**	1,156,455
Raw materials - non-cannabis	**358,136**	794,104
Work-in-progress - cannabis	**18,665**	21,483
Work-in-progress - non-cannabis	**8,278**	4,717
Reserve for obsolete inventory	**-**	(284,363)
	$8,729,917	$4,582,959

(Prepared in Canadian dollars)

10. Inventories, continued

The Company classifies slow-moving inventory, not expected to be consumed or realized in cash in its normal operating cycle, as a non-current asset. At December 31, 2021 and 2020, no slow-moving inventory was recognized. Inventory is periodically reviewed for potential obsolescence, and the Company writes down inventory based on its assessment of market conditions. During the year ended December 31, 2021, the Company assessed that the net book value of inventory related to non-cannabis raw materials exceeded the net realizable value and thus recorded a write-down of $48,133 in the consolidated statement of loss and comprehensive loss.

Inventory is net of a reserve for obsolete inventory of $Nil (2020 - $284,363), of which the decrease of $284,363 relates to the write-off of inventory at December 31, 2021 (2020 – recovery of $88,665).

During the year ended December 31, 2021, the total inventory expensed through cost of goods sold was $17,948,724 from continuing operations (2020 - $12,089,612). Realized fair value adjustments included in inventory sold was $886,103 for the year ended December 31, 2021 (2020 - $Nil).

11. Biological assets

The Company's biological assets consist of 791 (2020 – 3,167 cannabis plants and clones) cannabis plants and clones at December 31, 2021. The reconciliation of biological assets is as follows:

	December 31, 2021	December 31, 2020
Opening balance	**$84,421**	$-
Additions on business combinations (Note 5)	**697,638**	64,962
Increase in fair value less cost to sell due to biological transformation	**1,547,338**	-
Capitalized costs	**1,084,169**	11,780
Transferred to inventories upon harvest	**(2,811,247)**	(21,299)
Discontinued operations (Note 33)	**57,713**	29,973
Currency translation	**8,117**	(995)
Ending balance	**$668,149**	$84,421

The Company's biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The fair value measurements for biological assets have been categorized as Level 3 in the fair value hierarchy based on the inputs to the valuation technique used. The fair value was determined using an income approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at the point of harvest is adjusted based on the plants' stage of growth, which is determined by reference to days remaining to harvest over the average growth cycle.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

(Prepared in Canadian dollars)

11. Biological assets, continued

Dry Bud

The dry bud valuation model utilizes the following significant assumptions.

	Inputs as on	
Significant assumptions	**December 31, 2021**	December 31, 2020
Estimated selling price	**$11.34/gram**	NA
Expected yields for cannabis plants (average grams per plant)	**84.75**	NA
Post-harvest cost to complete and sell (per gram)	**$3.92/gram**	NA

Bud for Extraction

The bud for extraction valuation model utilizes the following significant assumptions.

	Inputs as on	
Significant assumptions	**December 31, 2021**	December 31, 2020
Estimated selling price	**$11.39/gram**	$0.39/gram
Expected yields for cannabis plants (average grams per plant)	**117.03**	150
Post-harvest cost to complete and sell (per gram)	**$5.01/gram**	$0.08/gram

The average selling price per gram, expected yield per plant, and post-harvest cost to complete and sell reflect the associated selling price, the conversion of cannabis plant into flower and concentrated products and the selling and other fulfillment costs of flower and concentrated products for the year ended December 31, 2021.

The following table presents the potential effect of a 10% change on the fair valuation of biological assets at December 31, 2021 and 2020 which would be reported as part of the gross profit (loss) on the statement of loss and comprehensive loss:

	December 31, 2021	December 31, 2020
Estimated selling price	**$105,600**	$3,002
Expected yields for cannabis plants (average grams per plant)	**63,410**	2,965
Post-harvest cost to complete and sell (per gram)	**41,923**	741

12. Prepaid and other deposits

	December 31, 2021	December 31, 2020
Prepaid expenses	**$1,895,542**	$3,203,392
Equipment deposit	**-**	1,351,392
	1,895,542	4,554,784
Reclassification to assets held for sale (Note 32)	**(59,369)**	-
	$1,836,173	$4,554,784

(Prepared in Canadian dollars)

12. Prepaid and other deposits, continued

Prepaid Expenses

At December 31, 2021, prepaid expenses constitute deposits on future purchases of inventory and deposits for goods and services, primarily related to insurance, rent, and software subscriptions, that have yet to be received at year end.

Equipment Deposit

Prior to the acquisition of Slang Investments, Inc. by the Company, Slang Investments, Inc. had made certain non-refundable deposits towards the purchase of specialized equipment to be utilized for extraction and product formulation. This equipment deposit was classified as a long-term asset as of December 31, 2020. During the year ended December 31, 2021, the Company impaired the equipment deposit to $Nil, recognizing an impairment loss of $1,321,522 and foreign exchange loss of $29,870 recorded in the consolidated statement of loss and comprehensive loss. An impairment loss was recognized because the Company does not have the capacity to use the equipment in existing operations.

13. Notes receivable

A summary of the Company's loans and notes receivable is as follows:

	December 31, 2021	December 31, 2020
NS Holdings, LLC ("NSH"), net of allowance	**$4,699,129**	$4,580,926
Slang Investments, Inc. loan	**1,021,064**	-
Euflora	**-**	370,152
	5,720,193	4,951,078
Less: current portion	**(5,720,193)**	(370,152)
	$-	$4,580,926

On March 21, 2019, the Company entered into a promissory note with NSH, a related entity, in the amount of US$3,206,188 (CAD - $4,285,267), which is secured by substantially all of the assets of NSH, bears interest at 12% per annum and is due in full in February 2022. NSH has common management with the Company and is a related party because management has the ability to direct the activities of the entities. Further advances of US$1,957,072 (CAD – $2,601,669) and US$336,740 (CAD – $458,232) were made by the Company in 2019 and 2020, respectively, under the same terms of the original note. During the year ended December 31, 2021, interest accrued and included in the principal amounted to $209,355 (2020 - $852,333). In April 2021, the Company ceased recognizing interest income on the note receivable from NSH due to the high uncertainty of collection of any additional interest. An unrealized foreign exchange loss of $34,642 was recognized in the year ended December 31, 2021 (2020 – $210,402). Previously, on December 31, 2019, the Company estimated an expected credit loss of $3,547,439. During the year ended December 31, 2021, the Company estimated an increase in expected credit loss of $56,510 (2020 - $Nil). The loan remains outstanding at the date of these consolidated financial statements.

13. Notes receivable, continued

Prior to the acquisition of Slang Investments, Inc. in 2020, Slang Investments, Inc. loaned a principal amount of $1,000,000 to two third party individuals. The loan matured in October 2018, bearing interest at 5% per annum, and was unsecured. Slang Investments, Inc. had recognized an impairment loss on the loan, bringing the outstanding value to $Nil on acquisition date. During the year ended December 31, 2021, a settlement agreement was entered into between Slang Investments, Inc. and the two third party individuals, whereby a payment schedule was put in place for the outstanding balance of the loan plus accrued and unpaid interest. As such, the Company recognized a recovery on the loan of $1,000,000 which was recorded in fair value adjustment on financial instruments (Note 34). Additionally, interest income of $181,744 was recorded and principal repayments of $160,680 were made, consistent with the terms of the settlement agreement.

Prior to the acquisition of ACG in 2020, ACG entered into a promissory note agreement with Euflora, Inc. (“Euflora”) in the amount of US$434,678, which is unsecured, bears interest at 8% per annum with monthly principal and interest payments of US$49,591. In the event that payment is not received as scheduled, interest accruing on the unpaid balance increases to 18%. The loan matured on June 1, 2021. Immediately prior to the acquisition of ACG, the carrying value of the principal and interest due was US$290,725 (CAD - $370,152). During the year ended December 31, 2021, principal repayments of US$290,725 (CAD - $364,424) were made, and a loss of $5,728 was recorded on the translation of foreign operations in other comprehensive income.

Prior to the acquisition of Slang Investments, Inc. in 2020, Slang Investments, Inc. held a secured promissory note from Attis Extracts LLC, bearing interest at 9% per annum, and maturing April 20, 2020. Subsequent to the acquisition date, the Company received full payment in the amount of US$340,953 (CAD - $479,584).

On November 8, 2017, the Company loaned $750,000 (“Original Promissory Note”) to Pine River Consulting Ltd. (controlled by the Company’s Chairman of the Board) (“Pine River”). The loan was pursuant to a credit facility in the amount of $1,000,000. Pine River and the Company subsequently amended and restated the Original Promissory Note on July 30, 2018, and again on October 15, 2018. The maturity date of the loan was extended to November 8, 2020, at 15% interest for up to $1,500,000. During the year ended December 31, 2019, the Company advanced an additional $26,497 to Pine River. Ten percent of the quarterly interest shall be payable by Pine River to the Company and the remaining five percent of the quarterly interest payment shall be added to the principal amount. On April 1, 2020, by way of a Novation Agreement, the promissory note from Pine River Consulting Ltd. (“PRC”) was transferred to Pleasant Valley Ranch (“PVR”). Immediately prior to the acquisition of PVR, the carrying value of the principal and interest due was $2,034,577. This note was settled as a pre-existing relationship at its fair value on the acquisition of PVR (Note 5).

On October 23, 2019, the Company entered into a promissory note with Pleasant Valley Ranch in the amount of US$165,659 (CAD - $215,158), which is unsecured, bears interest at 15% per annum and was due in full on December 31, 2020. Immediately prior to the acquisition of PVR, the carrying value of the principal and interest due was $213,833. This note was settled as a pre-existing relationship at its fair value on the acquisition of PVR (Note 5).

(Prepared in Canadian dollars)

13. Notes receivable, continued

On February 26, 2020, the Company entered into a promissory note with Pleasant Valley Ranch in the amount of US$1,300,000 (CAD - $1,734,330), which is unsecured, bears interest at 15% per annum with monthly principal and interest payments of US$30,927. The loan matures on February 1, 2025. In 2020, principal repayments of US$44,583 (CAD - $57,548) were made. Immediately prior to the acquisition of PVR, the carrying value of the principal and interest due was US$1,255,417 (CAD - $1,620,492). This note was settled as a pre-existing relationship at its fair value on the acquisition of PVR (Note 5).

On July 9, 2021, the Company entered into a promissory note with High Fidelity, Inc., an unrelated third party at the time, in the amount of US$300,000 (CAD - $376,323), which is unsecured, and bears interest at 10% per annum. The note matures on the earliest of i) one year from the effective date of the promissory note, ii) August 11, 2021, and iii) June 25, 2022. Immediately prior to the acquisition of High Fidelity, Inc., the carrying value of the principal and interest due was US$302,154 (CAD - $377,874). This note was settled as a pre-existing relationship at its fair value on the acquisition of High Fidelity, Inc. (Note 5).

14. Deposit on acquisition

On June 8, 2021, the Company, NSH, TC Colorado Holdings, LLC, and Slang Oregon Holdings, Inc., entered into an agreement and plan of merger. NSH holds medical and recreational cannabis licenses in the state of Oregon through its subsidiary, GNT Oregon, LLC. Pursuant to the merger, the Company will issue consideration of 1,062,492 common shares and 1,593,739 restricted voting shares as consideration in exchange for all of the issued and outstanding shares of NSH. The NSH acquisition has not closed at December 31, 2021 (Note 42).

Upon the execution of the merger agreement, on June 8, 2021, the Company issued 338,477 common shares and 507,715 restricted voting shares at a value of $497,561 and $529,740, respectively. An additional 15,689 common shares and 23,534 restricted voting shares were issued at a value of $24,005 and $25,558, respectively, on June 29, 2021. These shares were recorded as a deposit on acquisition on the consolidated statement of financial position. Subsequent to December 31, 2021, the acquisition of NSH was completed (Note 42).

15. Investments, at fair value

Investments held at fair value is comprised of:

	December 31, 2021	December 31, 2020
10663522 Canada Inc. (a)	**$-**	$33,333
Graffiti Games Ltd. - Convertible loan (b)	**-**	500,000
	-	533,333
Less: current portion	**-**	(500,000)
	$-	$33,333

15. Investments, at fair value, continued

a) 10663522 Canada Inc.

On May 31, 2018, the Company acquired 1,111,111 shares of 10663522 Canada Inc., a private company; therefore, no quoted market prices are available for its shares. In September 2021, the Company disposed of its 1,111,111 shares for no consideration. The Company recognized a loss on disposal of the investment of $33,333, which was recorded in realized loss on sale of investments in the consolidated statement of loss and comprehensive loss.

b) Graffiti Games – Convertible Loan

Prior to the acquisition of Slang Investments, Inc., Slang Investments, Inc. had loaned $500,000 to Graffiti Games Ltd., an unrelated third party. The loan is guaranteed by a shareholder of Graffiti Games Ltd., and carries interest at 10% per annum. On April 30, 2020, Graffiti Games and Slang Investments, Inc. amended the original convertible loan to extend the maturity date to April 30, 2021. Interest accrued and receivable during the year ended December 31, 2021 amounted to $16,713 (2020 – $33,425). The loan is convertible at the Company's option, and it is measured at fair value through profit or loss. The Company did not exercise its conversion option and upon maturity, the loan and interest accrued was repaid by Graffiti Games Ltd.

c) NSH Warrants

At December 31, 2021 and December 31, 2020, the Company held warrants which entitle the Company to acquire 339,930 shares of NSH at an exercise price of US$0.001 per share until March 20, 2028. Had the warrants been exercised before or on December 31, 2021 and December 31, 2020, the Company would have owned 7.5% outstanding common shares of NSH. The warrants were re-valued on December 31, 2021, and there was no change to the fair value of the investment of $Nil during the year ended December 31, 2021 (2020 - $Nil).

d) Duby Inc.

Prior to the acquisition of NCG by the Company, NCG had invested a total of $180,000 in a private company, Duby Inc. ("Duby"), representing a 2.6% ownership interest. Duby provides a network for people to gain and share knowledge around their cannabis experiences. NCG invested in Duby for a strategic marketing purpose. Duby is a private company; therefore, no quoted market prices are available for its shares. The Company has estimated no changes to the fair value of the investment of $Nil during the year ended December 31, 2021 (2020 – loss of CAD $61,306).

e) Bak Festivals Inc. (dba Grupo Flor Inc.)

Prior to the acquisition of Slang Investments, Inc., Slang Investments, Inc. had invested US$500,000 in 174,529 Series A Preferred Stock of Grupo Flor Inc., a private company; therefore, no quoted market prices are available for its shares. Prior to the acquisition of Slang Investments, Inc., the entity had recognized an impairment loss on the investment, bringing the net investment value to $Nil. The Company has estimated no change in the value of the investment during the year ended December 31, 2021.

(Prepared in Canadian dollars)

15. Investments, at fair value, continued

f) Greenleaf

Prior to the acquisition of Slang Investments, Inc., the entity had entered into a Limited Liability Company Agreement (the "Operating Agreement") for Greenleaf with Graffiti Games Ltd., Mega Cat Studios LLC, and Double Barrel LLC. Slang Investments, Inc. had provided an initial contribution of US$75,000, representing 15% of the fully diluted and capitalized ownership interest in Greenleaf. Prior to the acquisition, Slang Investments, Inc. had recognized an impairment loss on the investment, bringing the net investment value to $Nil. The Company estimated no change in the value of the investment during the year ended December 31, 2021.

The Operating Agreement has a cash-call clause, which requires members to contribute additional capital to Greenleaf from time-to-time relative to their respective membership interests (Note 39).

16. Investment in associate

Prior to the acquisition of NCG by the Company, NCG received a 20% ownership share in Agripharm Corp. (“Agripharm”), a licensed producer located in Creemore, Ontario, for the use of intellectual property (“IP”), over a period of 30 years plus two 5-year renewal periods, valued on initial recognition at $19,200,000 (US$15,083,520). As such, the consideration transferred has been recorded as deferred revenue and will be amortized over the 30-year period (Note 28). For the year ended December 31, 2021, the Company recognized its share of loss of $Nil (2020 - $2,022,854) in the consolidated statement of loss and comprehensive loss.

The investment in Agripharm can be summarized as follows:

	December 31, 2021	December 31, 2020
Opening balance	**$-**	$2,027,142
Share of loss	**-**	(2,022,854)
Downstream elimination	**-**	(570)
Foreign exchange loss	**-**	(70,065)
Currency translation	**-**	66,347
Closing balance	**$-**	$-

The amount of cumulative unrecognized losses is $2,470,036 at December 31, 2021.

(Prepared in Canadian dollars)

16. Investment in associate, continued

The aggregated financial information for Agripharm is summarized below:

	December 31, 2021	December 31, 2020
Current assets	**$6,683,408**	$5,935,696
Non-current assets	**18,542,872**	23,962,197
Total assets	**$25,226,280**	$29,897,893
Current liabilities	**16,169,972**	10,291,990
Non-current liabilities	**20,759,880**	19,371,946
Total liabilities	**$36,929,852**	$29,663,936
Net assets	**$(11,703,572)**	$233,957
Revenue	**$5,861,160**	$4,154,420
Net loss	**$(11,937,529)**	$(10,529,200)
Total comprehensive loss for the year	**$(11,937,529)**	$(10,529,200)

17. Due from related parties

The Company's wholly owned subsidiary, NCG, routinely conducts business with GNT Oregon LLC ("GNT"). GNT has common management with the Company and is considered to be a related party because management has the ability to direct the activities of the entity. GNT operates labs that manufacture branded cannabis products sold to dispensaries.

Balances due from GNT are unsecured, non-interest bearing, have no specific repayment terms. At December 31, 2021 and December 31, 2020, the outstanding balance was $2,018,131 and $1,480,315, respectively. At December 31, 2021, the Company estimated an expected credit loss of $2,018,131 (2020 - $1,177,919).

Expected credit losses increased by $840,212 (2020 - $1,285,023) for the year ended December 31, 2021 due to an increase in expected credit losses of $868,472 (2020 - $1,710,733) and a gain of $28,260 (2020 - $425,710) due to the translation of foreign operations recorded in other comprehensive income.

(Prepared in Canadian dollars)

18. Investment properties

At December 31, 2021 and December 31, 2020, investment properties were $Nil. The Company's investment properties held during 2020, in Denver and Carbondale Colorado, USA, were transferred to property, plant, and equipment at net book value on the acquisitions of SCD and SCC (Note 19).

	Building and land improvements	Land	Total
Cost			
Balance, December 31, 2019	$3,089,138	$2,013,140	$5,102,278
Transfers to property, plant and equipment (Note 19)	(3,076,542)	(2,000,740)	(5,077,282)
Currency translation	(12,596)	(12,400)	(24,996)
Balance, December 31, 2020	**$-**	**$-**	**$-**
Accumulated depreciation			
Balance, December 31, 2019	$154,685	$-	$154,685
Depreciation expense	135,971	-	135,971
Transfers to property, plant and equipment (Note 19)	(284,886)	-	(284,886)
Currency translation	(5,770)	-	(5,770)
Balance, December 31, 2020	$-	$-	$-
Net book value, December 31, 2020	**$-**	**$-**	**$-**

(Prepared in Canadian dollars)

19. Property, plant and equipment

	Office equipment	Equipment & machinery	Computer equipment and fixtures	Leasehold improvements	Vehicles	Building & improvements	Land	Construction in progress	Total
Cost									
Balance, December 31, 2020	$185,856	$2,147,498	$46,487	$1,039,132	$50,079	$3,028,249	$1,973,460	$-	$8,470,761
Additions on business combinations (Note 5)	-	154,366	-	313,653	26,126	-	-	184,294	678,439
Additions	20,753	274,018	15,735	26,635	-	45,544	-	455,656	838,341
Disposals	-	(83,938)	-	-	-	-	-	-	(83,938)
Impairment (Note 32)	(2,954)	(52,156)	-	(680,551)	(5,447)	(2,075,258)	(1,378,850)	(641,660)	(4,836,876)
Discontinued operations (Note 33)	-	(14,397)	-	-	-	-	-	-	(14,397)
Currency translation	(586)	(5,429)	(18)	(7,553)	85	(35,999)	(24,100)	1,710	(71,890)
Balance, December 31, 2021	**$203,069**	**$2,419,962**	**$62,204**	**$691,316**	**$70,843**	**$962,536**	**$570,510**	**$-**	**$4,980,440**
Accumulated depreciation									
Balance, December 31, 2020	$54,598	$545,606	$29,698	$9,174	$23,433	$280,684	$-	$-	$943,193
Depreciation expense	48,540	510,272	14,412	133,247	15,515	127,810	-	-	849,796
Discontinued operations (Note 33)	-	183,058	1,880	7,359	5,014	-	-	-	197,311
Disposals	-	(99,337)	-	-	-	-	-	-	(99,337)
Currency translation	322	4,212	60	1,445	90	268	-	-	6,397
Balance, December 31, 2021	**$103,460**	**$1,143,811**	**$46,050**	**$151,225**	**$44,052**	**$408,762**	**$-**	**$-**	**$1,897,360**
Reclassification to assets held for sale (Note 32)	**$-**	**$742,769**	**$4,278**	**$88,377**	**$6,762**	**$-**	**$570,510**	**$-**	**$1,412,696**
Net book value, December 31, 2021	**$99,609**	**$533,382**	**$11,876**	**$451,714**	**$20,029**	**$553,774**	**$-**	**$-**	**$1,670,384**

During the year ended December 31, 2021, impairment of $4,195,216 is related to assets held for sale (Note 32) and $641,660 is related to the discontinuation of certain construction projects.

(Prepared in Canadian dollars)

19. Property, plant and equipment, continued

	Office equipment	Equipment & machinery	Computer equipment and fixtures	Leasehold improvements	Vehicles	Building & improvements	Land	Total
Cost								
Balance, December 31, 2019	$159,683	$1,006,962	$24,679	$39,707	$37,665	$-	$-	$1,268,696
Additions on acquisitions (Note 5 & 6)	20,526	1,269,852	7,002	1,001,806	13,784	-	-	2,312,970
Additions	9,266	37,544	16,449	-	-	-	-	63,259
Disposals	-	(120,139)	-	-	-	-	-	(120,139)
Transfers from investment properties (Note 17)	-	-	-	-	-	3,076,542	2,000,740	5,077,282
Currency translation	(3,619)	(46,721)	(1,643)	(2,381)	(1,370)	(48,293)	(27,280)	(131,307)
Balance, December 31, 2020	**$185,856**	**$2,147,498**	**$46,487**	**$1,039,132**	**$50,079**	**$3,028,249**	**$1,973,460**	**$8,470,761**
Accumulated depreciation								
Balance, December 31, 2019	$27,928	$186,305	$16,428	$1,895	$13,189	$-	$-	$245,745
Depreciation expense	28,681	396,491	13,820	5,738	9,726	-	-	454,456
Discontinued operations (Note 33)	-	44,387	489	1,913	1,303	-	-	48,092
Disposals	-	(60,144)	-	-	-	-	-	(60,144)
Transfers from investment properties (Note 17)	-	-	-	-	-	284,886	-	284,886
Currency translation	(2,011)	(21,433)	(1,039)	(372)	(785)	(4,202)	-	(29,842)
Balance, December 31, 2020	**$54,598**	**$545,606**	**$29,698**	**$9,174**	**$23,433**	**$280,684**	**$-**	**$943,193**
Net book value, December 31, 2020	**$131,258**	**$1,601,892**	**$16,789**	**$1,029,958**	**$26,646**	**$2,747,565**	**$1,973,460**	**$7,527,568**

(Prepared in Canadian dollars)

20. Intangible assets

	Proprietary technology & know how	Brands	Distributor and customer relationships	Licenses	Software	Total
Cost						
Balance, December 31, 2020	$10,426,956	$44,916,967	$11,320,233	$2,463,648	$-	$69,127,804
Additions on business combinations (Note 5)	-	726,190	-	860,055	-	1,586,245
Additions	-	-	-	-	207,415	207,415
Disposals	(85,410)	-	-	-	-	(85,410)
Impairment	(936,414)	(9,566,531)	-	(725,180)	-	(11,228,125)
Discontinued operations (Note 33)	-	(340,323)	(34,043)	(1,175,269)	-	(1,549,635)
Currency translation	(55,881)	(293,111)	(48,401)	(20,301)	-	(417,694)
Balance, December 31, 2021	**$9,349,251**	**$35,443,192**	**$11,237,789**	**$1,402,953**	**$207,415**	**$57,640,600**
Accumulated amortization						
Balance, December 31, 2020	$5,966,464	$14,327,290	$4,633,645	$9,825	$-	$24,937,224
Amortization expense	1,431,696	3,921,696	1,011,218	144,433	-	6,509,043
Discontinued operations (Note 33)	-	90,753	9,078	131,890	-	231,721
Disposals	(40,380)	-	-	-	-	(40,380)
Currency translation	(9,433)	(15,389)	(8,013)	2,875	-	(29,960)
Balance, December 31, 2021	**$7,348,347**	**$18,324,350**	**$5,645,928**	**$289,023**	**$-**	**$31,607,648**
Reclassification to assets held for sale (Note 32)	**$-**	**$158,862**	**$-**	**$78,808**	**$-**	**$237,670**
Net book value, December 31, 2021	**$2,000,904**	**$16,959,980**	**$5,591,861**	**$1,035,122**	**$207,415**	**$25,795,282**

During the year ended December 31, 2021, impairment of $2,362,111 is related to assets held for sale (Note 32). Additionally, $8,866,014 of impairment is related to the discontinuation of certain brands and related proprietary technology & know how, which resulted from the carrying value exceeding the recoverable amount using a value in use approach.

(Prepared in Canadian dollars)

20. Intangible assets, continued

	Proprietary technology & know how	Brands	Distributor and customer relationships	Licenses	Total
Cost					
Balance, December 31, 2019	$10,636,609	$42,948,365	$5,666,125	$-	$59,251,099
Additions on business combinations (Note 5)	-	2,949,348	5,773,414	2,487,144	11,209,906
Currency translation	(209,653)	(980,746)	(119,306)	(23,496)	(1,333,201)
Balance, December 31, 2020	**$10,426,956**	**$44,916,967**	**$11,320,233**	**$2,463,648**	**$69,127,804**
Accumulated amortization					
Balance, December 31, 2019	$4,602,995	$10,947,761	$4,408,938	$-	$19,959,694
Amortization expense	1,532,206	3,762,021	328,724	6,540	5,629,491
Discontinued operations (Note 33)	-	24,070	2,359	3,482	29,911
Currency translation	(168,737)	(406,563)	(106,376)	(197)	(681,873)
Balance, December 31, 2020	**$5,966,464**	**$14,327,289**	**$4,633,645**	**$9,825**	**$24,937,223**
Net book value, December 31, 2020	**$4,460,492**	**$30,589,678**	**$6,686,588**	**$2,453,823**	**$44,190,581**

(Prepared in Canadian dollars)

21. Goodwill

The Company's goodwill balance is summarized as follows:

	CBD CGU grouping	CHC CGU grouping	SCM CGU grouping	SCC CGU grouping	CVD & Ceres CGU grouping	Total
Balance, December 31, 2019	$-	$-	$-	$-	$-	$-
Additions from business combinations (Note 5)	1,662,650	319,898	25,183,638	4,577,570	-	31,743,756
Discontinued operations (Note 33)	-	-	-	(4,122,056)	-	(4,122,056)
Currency translation	(75,706)	(14,558)	-	(6,260)	-	(96,524)
Balance, December 31, 2020	$1,586,944	$305,340	$25,183,638	$449,254	$-	$27,525,176
Additions from business combinations (Note 5)	-	-	-	-	11,971,405	11,971,405
Impairment	(1,265,865)	-	(24,455,302)	-	(10,152,153)	(35,873,320)
Discontinued operations (Note 33)	-	(300,617)	-	(442,301)	-	(742,918)
Currency translation	(21,172)	(4,723)	(385,798)	(6,953)	119,605	(299,041)
Balance, December 31, 2021	**$299,907**	**$-**	**$342,538**	**$-**	**$1,938,857**	**$2,581,302**

SCC CGU goodwill impairment

At December 31, 2021, management determined there are events and circumstances that indicate goodwill is impaired for the SCC CGU. Management entered a plan to sell certain assets and abandon the operations of SCC's CGU, resulting in the results of SCC's CGU presented as discontinued operations (Note 33). During the year ended December 31, 2021, the Company recorded an impairment loss of $422,301 in the consolidated statement of loss and comprehensive loss (Note 32).

CHC CGU goodwill impairment

At December 31, 2021, management determined there are events and circumstances that indicate goodwill is impaired for the CHC CGU. Management entered a plan to sell certain assets and abandon the operations of CHC's CGU, resulting in the results of CHC's CGU presented as discontinued operations (Note 33). During the year ended December 31, 2021, the Company recorded an impairment loss of $300,617 in the consolidated statement of loss and comprehensive loss (Note 32).

(Prepared in Canadian dollars)

21. Goodwill, continued

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. The Company allocated goodwill to its businesses based on the business units segregated by geographical location of the entity to which the goodwill is attributable, as this represented the lowest level at which management monitored goodwill. The recoverable amount of the CGUs was determined using the value in use approach, using level 3 inputs in a discounted cash flow ("DCF") model. The significant assumptions applied in the determination of the recoverable amount are described as follows:

- Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends;
- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Pre-tax discount rate: The pre-tax discount rate is reflective of current market assessments of the time value of money and the risks specific to the CGU.

The key assumptions used in the estimation of the recoverable amount for each CGU are set out in the schedules below:

December 31, 2021	NCG CGU grouping	CBD CGU grouping	SCM CGU grouping	CVD & Ceres CGU grouping
Discount rate	24.00%	27.00%	26.00%	30.00%
Terminal value growth rate	2.00%	2.00%	2.00%	2.00%
Forecasted sales growth rate (average)	4.85%	8.64%	10.50%	29.20%

December 31, 2020	NCG CGU grouping	CBD CGU grouping	CHC CGU grouping	SCM CGU grouping	SCC CGU grouping
Discount rate	17.00%	31.00%	31.00%	19.21%	30.60%
Terminal value growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Forecasted sales growth rate (average)	40.62%	40.00%	20.57%	20.64%	25.05%

21. Goodwill, continued

CBD CGU goodwill impairment

At December 31, 2021, the carrying value of CBD's CGU exceeded its recoverable amount, resulting in management recognizing an impairment loss of $1,265,865 in the consolidated statement of loss and comprehensive loss. An increase (decrease) of 1% to the discount rate used would have resulted in an increase (decrease) of $52,775 ($62,409) in impairment on the CGU.

SCM CGU goodwill impairment

At December 31, 2021, the carrying value of SCM's CGU exceeded its recoverable amount, resulting in management recognizing an impairment loss of $24,455,302 in the consolidated statement of loss and comprehensive loss. An increase (decrease) of 1% to the discount rate used would have resulted in an increase (decrease) of $409,172 ($445,734) in impairment on the CGU.

CVD & Ceres CGU goodwill impairment

Although management identified two separate CGU's, goodwill is monitored for internal management purposes at a combined level and for impairment analysis the goodwill was allocated to a combined level of both CGUs. At December 31, 2021, the carrying value of the CGUs exceeded its recoverable amount, resulting in management recognizing an impairment loss of $10,152,153 in the consolidated statement of loss and comprehensive loss. An increase (decrease) of 1% to the discount rate used would have resulted in an increase (decrease) of $279,029 ($299,777) in impairment on the CGU.

(Prepared in Canadian dollars)

22. Right-of-use assets

Right of use assets are comprised of the Company's leased premises and offices and are depreciated on a straight-line basis over each respective lease term. During the year ended December 31, 2021, the Company and lessor signed a lease amendment for its Boulder property, extending the lease term to July 31, 2026. The amendment was treated as a lease modification in accordance with *IFRS 16 – Leases*. In addition, the leases under CHC's CGU were subject to a change in the expected lease term, both resulting in shortening the term to December 31, 2022. Because CHC's CGU is a discontinued operation, it was determined the extension options would not be exercised. The amendments were treated as a lease modification in accordance with *IFRS 16 – Leases.* The associated lease liabilities are outlined in Note 27. The Company's right-of-use assets are as follows:

	December 31, 2021	December 31, 2020
Opening balance	**$3,489,462**	$-
Additions	**-**	3,365,055
Additions from business combinations (Note 5)	**2,599,070**	506,831
Net additions due to modification	**260,584**	-
Depreciation	**(490,096)**	(232,653)
Discontinued operations (Note 33)	**(245,980)**	(63,923)
Currency translation	**16,533**	(85,848)
	5,629,573	3,489,462
Reclassification to assets held for sale (Note 32)	**(1,142,447)**	-
Closing balance	**$4,487,126**	$3,489,462

23. Options to acquire ACG and NSH

As part of the acquisition of NCG, the Company acquired an option to acquire 92.5% of the outstanding equity interests of ACG and NSH. Under the terms of the option agreements, the Company can choose to acquire either or both ACG and NSH ("call options"), in exchange for the issuance of an additional 5.5 million and 8.25 million of the Company's shares, respectively. These call options expire 36 months after closing of the NCG acquisition. During a 120-day period, commencing on the 13th month after closing of the NCG acquisition, the shareholders of ACG and NSH also had the right to sell 92.5% of the outstanding equity ("put rights") of ACG or NSH, to the Company, on the same terms as the call options. In May 2020, the ACG and NSH put option rights expired without being exercised by the shareholders in accordance with the terms of the option agreements.

(Prepared in Canadian dollars)

23. Options to acquire ACG and NSH, continued

On February 26, 2020, the Company delivered notice of its intent to exercise its option to acquire ACG pursuant to the option purchase agreement between SLANG, ACG and the shareholders of ACG. On December 31, 2020, the Company obtained control of ACG (Note 5). On December 31, 2020, a Merger Agreement between ACG, SLANG, SCM, and Shareholder Representative Services LLC was signed which outlined a purchase price of 4,300,324 common shares and 6,450,487 restricted shares. This effectively modified the existing call option immediately prior to the date the Company gained control of ACG, and the option was determined to be at-the-money. A fair value of $Nil was attributed to the option on acquisition and a realized fair value loss of $7,165,428 was recorded in the consolidated statement of loss and comprehensive loss (Note 34). Subsequently, on June 9, 2021, the Company closed its acquisition of ACG.

The call option related to the NSH option was remeasured at fair value on December 31, 2020. The revaluation at December 31, 2020 resulted in an option asset of $Nil as the option can only be exercised in exchange for 8,250,000 shares of the Company's stock. Separately, on June 8, 2021, the Company signed a merger agreement to acquire NSH, without modifying the existing NSH option agreement. Pursuant to the merger, the Company will issue 1,062,492 common shares and 1,593,739 restricted voting shares as consideration in exchange for all of the issued and outstanding shares of NSH. In June 2021, the Company issued 354,166 common shares and 531,249 restricted voting shares to the shareholders of NSH as a deposit on signing the merger agreement (Note 14). The NSH option remains outstanding at December 31, 2021 and it will be terminated on closing of the acquisition. The NSH option was re-valued on December 31, 2021, and there was no change to the fair value during the year ended December 31, 2021 (2020 – gain of $21,353,308). The fair value of the NSH option was determined to be $Nil at December 31, 2021 since the merger agreement permits the acquisition of all the issued and outstanding stock of NSH for 2,656,231 common and restricted shares of the Company whereas the call option permits the acquisition of 92.5% of NSH for 8,250,000 common shares of the Company. Given the revised merger agreement consideration, the NSH call option is significantly out-of-the-money and has a fair value of $Nil at December 31, 2021. Subsequent to December 31, 2021, the acquisition of NSH was completed (Note 42).

24. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2021	December 31, 2020
Accounts payable	**$4,191,252**	$4,510,890
Accrued liabilities	**2,188,297**	5,325,865
Government remittances	**386,105**	1,278,313
	$6,765,654	$11,115,068

(Prepared in Canadian dollars)

24. Accounts payable and accrued liabilities, continued

Included within accrued liabilities is an amount of $114,102 (2020 - $2,275,954) owed to Green House Holdings North America Inc. ("GHNA"), a company partially owned by one of the Company's directors. On October 29, 2021, the rights agreement with GHNA was amended and the outstanding compensation of US$2,000,000 was replaced with the issuance of 1,543,468 common shares and cash payments totalling US$150,000. This resulted in a gain on modification of $994,527 recorded in fair value adjustment on financial instruments in the consolidated statement of loss and comprehensive loss (Note 34). On November 2, 2021, the Company issued all the common shares at a price of $0.84 per share and paid US$50,000 under the amended agreement. The remaining cash liability is payable in 10 equal monthly instalments starting January 1, 2022. During the year ended December 31, 2021, accretion of $199,958 was recorded in the consolidated statement of loss and comprehensive loss (2020 - $368,467) (Note 34).

During the year ended December 31, 2021, the Company recognized a gain on extinguishment of payables amounting to $76,130 recorded in the consolidated statement of loss and comprehensive loss.

The comparative amount in connection with accrued liabilities owed to GHNA has been reclassified (previously presented as loan payable) in these consolidated financial statements to conform to the current period accounting presentation.

25. Contract liability

	December 31, 2021	December 31, 2020
Opening balance	**$697,301**	$293,190
Additions on business combination (Note 5)	**-**	286,439
Increase due to cash received, excluding amounts recognized in revenue	**886,944**	548,505
Revenue recognized, included in opening balance	**(686,512)**	(411,629)
Currency translation	**(671)**	(19,204)
Closing balance	**$897,062**	$697,301

At December 31, 2021, the contract liability is a result of contracts with customers whereby the Company has an obligation to transfer goods to the customers for which consideration has been received. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract. The obligation specifically relates to the sale of hardware and packaging drop shipped from a Company partner overseas, which had not been delivered to the customer by December 31, 2021. As such, there remains a performance obligation related to the recognition of revenue.

(Prepared in Canadian dollars)

26. Notes payable

The following transactions occurred on the notes for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Opening balance	**$2,252,442**	$1,385,297
Notes assumed on business combinations (Note 5)	**845,709**	1,730,655
Repayments	**(1,318,238)**	(525,702)
Currency translation	**(12,807)**	6,241
Termination on sale of Magic Buzz trademark	**-**	(344,049)
	1,767,106	2,252,442
Less: current portion	**(686,914)**	(1,444,305)
	$1,080,192	$808,137

Estimated principal repayments are as follows:

Less than 1 year	**$686,914**
One year	**282,015**
Two years	**121,493**
Three years	**672,711**
Four years and beyond	**3,973**
	$1,767,106

NCG

On November 18, 2016, prior to acquisition of NCG by the Company, NCG entered into a promissory note agreement with a third party for a total principal amount of US$1,750,000. The note is secured, bears interest at 15% per annum and has a term of 60 months, with repayments made on a monthly basis. All assets of NCG have been pledged as security. During the year ended December 31, 2021, the Company paid interest of $39,758 (2020 - $127,058) and made principal payments of $513,640 (2020 - $525,702).

Prior to acquisition of NCG by the Company, NCG acquired the assets from the owner-operator SC-GH Holdings, LLC, ("SC-GH") the Colorado trade name "The Magic Buzz" from Inspired Specialty Products, LLC and the related registered trademark from an individual. The trade name and trademark are associated with the preparation, manufacture, assembly and creation of non-THC infused drinks, drink formulas, and recipes to be sold to producers and thereafter infused with THC.

As part of the purchase price, NCG provided a note payable to SC-GH for US$319,000 maturing January 1, 2020, with an option to extend the note for an additional year at a penalty cost of US$5,000. Payments on the note are to be made monthly and are variable based on the total revenue made by the Company on the sales made associated with the trademark acquired. In February 2020, the Company sold the Magic Buzz trademark which resulted in the termination of the note payable with no further payments being required. The sale of the Magic Buzz trademark resulted in a gain on sale of $363,525 recorded in the consolidated statement of loss and comprehensive loss.

26. Notes payable, continued

ACG

On June 30, 2017, prior to the acquisition of ACG by the Company, ACG entered into a promissory note agreement with a third party for a total principal amount of US$1,700,000. The note is secured, bears interest at 12% per annum from issuance to June 30, 2020 and 15% per annum from July 1, 2020 to maturity. The maturity date of the note is June 30, 2022. All assets of ACG have been pledged as security. During the year ended December 31, 2021, the Company prepaid the full balance of the note without penalties. The Company incurred principal payments of $782,640 and interest of $75,576.

On March 27, 2019, prior to the acquisition of ACG by the Company, ACG entered into a promissory note agreement with NS Holdings Inc. for a total principal amount of US$734,931. The note is unsecured, bears interest at 15% per annum and has a term of 60 months with repayments made on a monthly basis. If there shall be any default in the making of any payment or performance of the terms, then the entire principal amount together with all accrued interest, at the election of NS Holdings Inc., shall bear interest at 18% per annum. The maturity date of the note is April 1, 2024. During the year ended December 31, 2021, interest expense of $91,513 was recorded in the consolidated statement of loss and comprehensive loss.

HiFi

Prior to the acquisition of HiFi by the Company, the Acquired Companies entered into various note agreements, which were assumed by the Company on the acquisition of HiFi (Note 5). These notes are outlined below:

Convertible promissory note agreements with two third parties for a total principal amount of US$50,000. The conversion options expired March 12, 2021. The notes are unsecured, bear interest at 10% per annum, and mature on March 9, 2025. During the year ended December 31, 2021, interest expense of $1,440 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $52,288.

Convertible promissory note agreement with a third party for a total principal amount of US$50,000. The conversion option expired March 12, 2021. The note is unsecured, bears interest at 10% per annum, and matures March 11, 2026. During the year ended December 31, 2021, principal repayments of US$3,393 (CAD - $4,283) were made and interest expense of $2,421 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $59,260.

Promissory note agreement with a third party for a total principal amount of US$50,000. The note is secured, bears interest at 10% per annum, and matures July 1, 2023. During the year ended December 31, 2021, principal repayments of US$3,585 (CAD - $4,525) were made and interest expense of $839 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $26,605.

Promissory note agreement with a third party for a total principal amount of US$41,456. The note is secured, bears interest at 6% per annum, and matures June 14, 2023. During the year ended December 31, 2021, principal repayments of US$2,725 (CAD - $3,439) were made and interest expense of $350 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $16,414.

26. Notes payable, continued

Promissory note agreement with a third party for a total principal amount of US$40,400. The note is secured, bears interest at 6% per annum, and matures October 20, 2022. During the year ended December 31, 2021, principal repayments of US$3,659 (CAD - $4,618) were made and interest expense of $284 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $13,978.

Promissory note agreement with a third party for a total principal amount of US$27,232. The note is unsecured, bears interest at 3.75% per annum, and matures June 15, 2025. During the year ended December 31, 2021, principal repayments of US$1,804 (CAD - $2,277) were made and interest expense of $362 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $27,208.

Promissory note agreement with a third party for a total principal amount of US$25,213. The note is secured, bears interest at 2.99% per annum, and matures August 30, 2023. During the year ended December 31, 2021, principal repayments of US$2,172 (CAD - $2,741) were made and interest expense of $107 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $11,607.

On November 11, 2021, the Company amended four unsecured promissory note agreements with a former majority shareholder of HiFi and current director of the Company. The amendment combined the outstanding balance to one agreement and modified various loan terms. Under the new terms of the note, the maturity date is extended to June 30, 2025 and the outstanding interest and principal amount is due at maturity. On amendment, the outstanding principal and interest was US$510,435 and US$9,219, respectively. From amendment date to December 31, 2021, interest expense of $10,591 was recorded in the consolidated statement of loss and comprehensive loss. The following summarizes the terms and activity related to the four unsecured promissory notes from acquisition date to amendment date:

> Unsecured promissory note agreement with a director of the Company for a total principal amount of US$252,083. The note bears interest at 10% per annum and matures August 5, 2022. During the year ended December 31, 2021, interest expense of $2,330 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $315,255.
>
> Unsecured promissory note agreement with a director of the Company for a total principal amount of US$55,081. The note bears interest at 10% per annum and matures August 5, 2022. During the year ended December 31, 2021, interest expense of $164 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $68,884.

(Prepared in Canadian dollars)

26. Notes payable, continued

Unsecured promissory note agreement with a director of the Company for a total principal amount of US$31,210. The note bears interest at 10% per annum and matures August 5, 2022. During the year ended December 31, 2021, interest expense of $93 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $39,031.

Promissory note agreement with a director of the Company for a total principal amount of US$172,061. The note is unsecured, bears interest at 10% per annum, and matures May 1, 2028. During the year ended December 31, 2021, interest expense of $4,775 was recorded in the consolidated statement of loss and comprehensive loss. On the acquisition of HiFi, the total principal balance assumed amounted to $215,179.

27. Lease liabilities

The lease liabilities associated with the right-of-use assets (Note 22) for the Company's leases are summarized below:

	December 31, 2021	December 31, 2020
Opening balance	**$3,795,829**	$-
Additions	**-**	3,333,934
Additions from business combinations (Note 5)	**2,599,070**	551,100
Additions due to modification	**260,584**	-
Lease payments for the year	**(1,199,000)**	(408,842)
Accretion expense for the year	**497,741**	365,315
Discontinued operations (Note 33)	**271,628**	54,449
Currency translation	**18,381**	(100,127)
	6,244,233	3,795,829
Reclassification to liabilities held for sale (Note 32)	**(1,291,938)**	-
Closing balance	**$4,952,295**	$3,795,829

Current and long-term portions of the lease liabilities and the contractual undiscounted maturity analysis at December 31, 2021 are as follows:

Current	$437,380
Long-term	$4,514,915
Maturity Analysis - Undiscounted Cash Flows	
Less than one year	$1,562,257
One year	$1,409,944
Two years	$1,428,315
Three years	$1,370,719
Four years	$1,022,132
Five years and beyond	$3,066,077
Total	$9,859,444

(Prepared in Canadian dollars)

28. Deferred revenue

Prior to the acquisition of NCG by the Company, NCG received a 20% ownership share in Agripharm Corp. (Agripharm), a licensed producer located in Creemore, Ontario, for the use of intellectual property (“IP”), over a period of 30 years plus two 5-year renewal periods, valued on initial recognition at $19,200,000 (US - $15,083,520). As such, the fair value of consideration transferred was recorded as deferred revenue and amortized over the 30-year period. On December 15, 2021, the Company terminated the license and distribution agreement with Agripharm. Given this termination, the Company no longer has an obligation with respect to Agripharm and the full amount of deferred revenue has been recognized in termination of licensing agreement and extinguishment of financial liabilities in the consolidated statement of loss and comprehensive loss.

Deferred revenue can be summarized as follows:

	December 31, 2021	December 31, 2020
Opening balance	**$17,230,559**	$18,230,026
Recognized as license revenue	**(603,133)**	(674,485)
Termination of licensing agreement	**(16,360,820)**	-
Currency translation	**(266,606)**	(324,982)
Closing balance	**-**	17,230,559
Less: current portion	**-**	(640,145)
Long-term portion	**$-**	$16,590,414

29. Due to related parties

Balances due to related parties consist of the following:

	December 31, 2021	December 31, 2020
NS Holdings Inc.	**$3,468,850**	$3,483,707
Other	**5,385**	132,284
	$3,474,235	$3,615,991

NS Holdings Inc. has common management with the Company and is considered to be a related party because management has the ability to direct the activities of the entities. All balances are non-interest bearing and have no specified terms of repayment.

During the year ended December 31, 2021, the Company recognized a gain on extinguishment of $62,341 recorded in the consolidated statement of loss and comprehensive loss.

(Prepared in Canadian dollars)

30. Derivative liabilities

Purple Note 1

On April 30, 2018, the Company issued a 4-year, 4% unsecured convertible promissory note to The Purple Company Inc. (controlled by a Board Member of the Company – Note 38) in the amount of US$1,843,031 (CAD $2,364,849) (the "Purple Note 1") to exchange an existing loan to Purple Organization, Inc. The Company has the right to prepay all or a portion of the amount due under the Purple Note 1 any time. The Purple Company Inc. has the right to convert the principal amount outstanding under the Purple Note 1 into common shares of the Company, at a conversion price of CAD$1.20 per share, on thirty (30) days' written notice.

The conversion option represents an embedded derivative which meets the definition of a financial liability as the note and the common shares are denominated in different currencies.

Accordingly, the embedded derivative was bifurcated and recorded at fair value on initial recognition and at the end of each reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

On November 1, 2021, the Company entered into an amended agreement to modify Purple Note 1. Under the terms of the agreement, the maturity date is extended to January 31, 2025, and all amounts owing, including interest, is due at maturity. The amendment met the definition of a substantial modification, resulting in the extinguishment of the original loan and derivative liability with a fair value of $383,159 and $220,693, respectively, and recognition of the new loan and derivative liability with a fair value of $1,389,354 and $890,106, respectively. The modification loss of $1,675,608 is recorded in fair value adjustment on financial instruments in the consolidated statement of loss and comprehensive loss (Note 34).

The Company estimated the fair value of the derivative liability as $303,993 (2020 - $2,135,184) at December 31, 2021. The amortized cost of the host contract at December 31, 2021 is $1,457,946 (2020 - $18,068). The loan is accreted using an effective interest rate of 20.87% (2020 – 428.94%). The fair value adjustment to the derivative liability for the year ended December 31, 2021 resulted in a fair value gain of $2,500,604 (2020 – $2,086,818) recorded in financing cost and fair value adjustment in the consolidated statement of loss and comprehensive loss (Note 34).

Interest and accretion expense on the convertible note for the year ended December 31, 2021 of $92,409 and $398,882, respectively, (2020 - $98,851 and $15,217) was recorded in the consolidated statement of loss and comprehensive loss (Note 34). At December 31, 2021, accrued interest totaled $15,399. The fair value of the derivative liability at December 31, 2021 and 2020 was estimated using Black-Scholes valuation model based on the following assumptions:

	December 31, 2021	December 31, 2020
Share price	**$0.42**	$1.92
Stock price volatility	**93%**	100%
Expected life of the derivative liability	**3.09 years**	1.33 years
Risk free rate	**1.02%**	0.25%

30. Derivative liabilities, continued

Inter-relationship between key unobservable inputs and fair value measurement at December 31, 2021:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $46,323 ($48,276)
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $53,038 ($51,562).

Purple Note 2

On August 26, 2020, the Company entered into a consulting agreement with The Purple Company Inc. ("Purple Co.") and a Board Member of the Company (Note 38). As consideration, the Company issued a three-year, unsecured convertible promissory note to Purple Co. in the amount of US$807,000 (CAD $1,061,609) (the "Purple Note 2"), bearing interest at the U.S. Prime Rate. The expiry of the Purple Note 2 is August 26, 2023. Purple Co. had the right to convert the outstanding principal, in whole or in part, into common shares in the capital of the Company at a conversion price of the greater of i) the volume-weighted average price of a common share on the CSE for the 30-day period ending on the date prior to the date on which the conversion notice is delivered and ii) the minimum price permitted by the CSE. At the Company's option, the outstanding principal of the Purple Note 2 could be converted into common shares in the capital of the Company at the conversion price if i) the 30-day volume weighted average price of the common shares on the CSE is above CAD $4.50 and ii) the average volume of the common shares traded across such 30-day period is at least 83,333. The conversion option represents an embedded derivative which meets the definition of a financial liability as it is denominated in a currency other than the Company's functional currency and the conversion price varies in relation to the volume-weighted average price of the common shares. Accordingly, the embedded derivative was bifurcated and recorded at fair value on initial recognition and at the end of the reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

On December 1, 2020, Purple Co. exercised its right to convert the outstanding principal, in whole, resulting in the issuance of 726,580 common shares of the Company. The fair value of the derivative liability as at August 26, 2020 (the issuance date) and December 1, 2020 (conversion date) was estimated using a Binomial valuation model. On issuance, the valuation consisted of the following key inputs: stock price: $0.75; risk-free rate: 0.18%; credit spread: 10.12%; volatility: 115.64%; DLOM: 20%; and term: 3 years. The estimated fair value of the derivative liability on August 26, 2020 (the issuance date) and December 1, 2020 (conversion date) was $Nil and $414,150, respectively. The Company assigned a fair value of $874,476 to the host contract on August 26, 2020. The fair value of the host contract was recorded in consulting and subcontractors expense on initial recognition in the consolidated statement of loss and comprehensive loss.

The amortized cost of the host contract at December 1, 2020 (conversion date) was $875,394. The loan was accreted using an effective interest rate of 10.06%. The fair value adjustment to the derivative liability for the year ended December 31, 2020 resulted in a fair value loss of $414,150 recorded in financing cost and fair value adjustment in the consolidated statement of loss and comprehensive loss (Note 34). On December 1, 2020, upon conversion of Purple Note 2, the carrying amount of $1,289,544 was recognized in share capital.

Interest expense and accretion expense on the convertible note for the year ended December 31, 2020, of $12,329 and $14,637, respectively, was recorded in the consolidated statement of loss and comprehensive loss.

(Prepared in Canadian dollars)

30. Derivative liabilities, continued

Convertible Note Financing

On November 15, 2021, the Company entered into a convertible note for aggregate gross proceeds of US$17,319,588. The convertible note is subject to an original issue discount of 3% and will have a three-year term and a PIK interest rate of 9.75%, compounded quarterly, with the entire outstanding balance, including interest, becoming due and payable on third anniversary of the transaction. Additionally, the Company will pay the lenders a maturity fee in an amount equal to US$3,637,113 on the earlier of: (i) the maturity date; and (ii) any date of prepayment of the initial loan amount. In addition, the Company has granted the lenders an option to, at any time on or prior to the maturity date, convert any portion of the convertible note or maturity fee into common shares at a price per common share equal to US$0.7638. The convertible note is secured by a first secured ranking on the assets of the Company, guaranteed on a senior secured basis by certain Company subsidiaries.

The conversion option represents an embedded derivative which meets the definition of a financial liability as the transaction is denominated in a currency other than the Company's functional currency. Additionally, the anti-dilution provision represents a separate embedded derivative which meets the definition of a financial liability as the anti-dilution feature allows for a repricing of the conversion option in the event of a subsequent dilutive financing. Accordingly, the embedded derivatives were bifurcated and recorded at fair value on initial recognition and at the end of the reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

The Company estimated the fair value of the conversion option as $15,402,032 on November 15, 2021 (issuance date) and assigned a value of $5,626,537 to the host contract, net of debt issuance costs of $236,466. The Company estimated the fair value of the anti-dilution derivative liability as $Nil on the issuance date and at year end. The amortized cost of the host contract at December 31, 2021 is $5,729,842. The loan is accreted using an effective interest rate of 77.69%. During the year ended December 31, 2021, a fair value gain of $10,838,790 was recorded in financing cost and fair value adjustments in the consolidated statement of loss and comprehensive loss, bringing the fair value of the derivative to $4,563,242 at December 31, 2021 (Note 34). Interest and accretion expense on the convertible note for the year ended December 31, 2021 amounted to $270,263 and $270,883, respectively. At December 31, 2021, accrued interest totaled $269,910. The fair value of the derivative liability at November 15, 2021 (issuance date) and December 31, 2021 was estimated using Black-Scholes valuation model based on the following assumptions:

	December 31, 2021	November 15, 2021
Share price	**$0.42**	$0.96
Stock price volatility	**94%**	92%
Expected life of the derivative liability	**2.88 years**	3 years
Risk free rate	**1.02%**	1.10%

Inter-relationship between key unobservable inputs and fair value measurement at December 31, 2021:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $691,026 ($718,901)
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $711,653 ($685,941).

(Prepared in Canadian dollars)

31. Share capital

Authorized

Unlimited number of Class A preferred shares

Unlimited number of common shares

Unlimited number of restricted voting shares

There are no outstanding Class A preferred shares at December 31, 2021 and 2020.

Each restricted voting share may be converted to one common share, without payment of additional consideration if the following conditions are met: (a) conversion is not during a restricted period as determined by the Board; (b) following the date that is the three-year anniversary of the date of issuance of such restricted voting shares; and (c) with the consent of the Board.

Common share continuity

	Number of shares	Share capital
Balance, December 31, 2019	42,954,765	$219,119,332
Issued pursuant to business combinations and asset acquisitions (Note 5 & 6)	4,715,704	6,010,773
Shares issued to employees	525,639	520,383
Issued pursuant to conversion of RSUs	497,087	3,582,494
Issued pursuant to conversion of Purple Note 2	726,580	1,289,544
Issued pursuant to private placement	3,086,419	4,980,791
Options exercised	16,666	48,896
Balance, December 31, 2020	**52,522,860**	**$235,552,213**
Reduction of stated capital	-	(235,552,213)
Issued pursuant to private placement	5,201,093	11,858,493
Issued pursuant to business combinations (Note 5)	4,295,405	8,256,386
Share exchange of restricted voting shares to common shares	2,287,877	2,981,815
Issued pursuant to settlement of liabilities (Note 24)	1,543,468	1,296,513
Issued pursuant to conversion of RSUs	1,277,552	2,101,633
Issued pursuant to consulting agreements	922,120	1,588,045
Options exercised	486,183	2,578,444
Advances to acquisition target (Note 14)	354,166	521,566
Shares issued to employees	237,667	140,058
Balance, December 31, 2021	**69,128,391**	**$31,322,953**

(Prepared in Canadian dollars)

31. Share capital, continued

Restricted share continuity

	Number of shares	Share capital
Balance, December 31, 2019	3,985,973	$26,800,983
Issued pursuant to consulting agreements	3,360,270	4,347,279
Issued pursuant to business combinations and asset acquisitions (Note 5 & 6)	4,005,185	2,455,521
Balance, December 31, 2020	**11,351,428**	**33,603,783**
Issued pursuant to consulting agreements	2,428,001	4,038,320
Issued pursuant to business combinations (Note 5)	11,730,498	13,192,630
Share exchange of restricted voting shares to common shares	(2,287,877)	(2,981,815)
Advances to acquisition target (Note 14)	531,249	555,298
Balance, December 31, 2021	**23,753,299**	**$48,408,216**

2021

On January 20, 2021, the Company issued 493,487 restricted voting shares under a consulting agreement with a third party. The shares had been recorded as shares to be issued totalling $1,021,520 at December 31, 2020. An equal amount was recorded as share-based payments in the consolidated statement of loss and comprehensive loss for the year-ended December 31, 2020.

On April 30, 2021, July 13, 2021, and October 15, 2021, the Company issued 364,492, 635,589, and 934,433 restricted voting shares under the same consulting agreement at a fair value of $1,006,000, $991,520, and 1,019,280, respectively. The shares were recorded as share based payments in the consolidated statement of loss and comprehensive loss. On December 31, 2021, the Company recorded 851,158 restricted voting shares at a fair value of $507,120 as share capital to be issued under the same consulting agreement. These shares were issued subsequent to year end (Note 42).

On February 8, 2021, pursuant to the closing of a non-brokered private placement offering of common shares, the Company issued 5,201,093 common shares at a price of $2.28 per share. The Company raised gross proceeds of $11,858,493 in connection with the offering.

Under a brand services agreement dated February 2, 2021, an unrelated third party is entitled to share-based compensation with a maximum aggregate value of $2,000,000 U.S. in Company common shares based upon achievement of specific performance conditions. On February 10, 2021, the Company issued 192,257 common shares at $3.30 for the completion of a performance condition under the agreement. The shares were recorded as share-based payments in the consolidated statement of loss and comprehensive loss.

31. Share capital, continued

On June 9, 2021, pursuant to an agreement with a director of the Company, the Company issued 18,672 common shares for consulting services received at a value of $62,740. The shares were recorded as share based payments in the consolidated statement of loss and comprehensive loss.

On July 6, 2021, pursuant to the settlement of a deferred fee payment under a consulting agreement with a third party, the Company issued 101,845 common shares at a fair value of $155,824. Subsequently, on August 26, 2021, the Company issued an additional 509,266 common shares at a fair value of $641,153. This deferred fee was previously accrued for and recorded in share-based payments in the consolidated statement of loss and comprehensive loss for the year-ended December 31, 2020.

On August 25, 2021, the Board of Directors approved a reduction of the stated capital account maintained in respect of the common shares by an aggregate of $235,552,213. The reduction of stated capital has been added to accumulated deficit and did not result in any change to total equity.

On September 3, 2021, pursuant to a share exchange agreement, various shareholders exchanged 2,164,904 restricted voting shares to an equal amount of common shares at a value of $2,908,437.

On November 24, 2021, pursuant to a share exchange agreement, a shareholder exchanged 122,973 restricted voting shares to an equal amount of common shares at a value of $73,378.

On November 15, 2021, pursuant to a consulting agreement, the Company issued 100,080 common shares for consulting services received at a value of $93,878. The shares were recorded as share-based payments in the consolidated statement of loss and comprehensive loss.

2020

On February 5, 2020, the Company issued 390,044 restricted voting shares under a consulting agreement with a third party. The shares had been recorded as shares to be issued totaling $1,053,120 at December 31, 2019. An equal amount was recorded as share-based payments in the consolidated statement of loss and comprehensive loss for the year-ended December 31, 2019.

On April 15, 2020, July 23, 2020, and October 16, 2020, the Company issued 743,097, 889,886, and 1,337,243 restricted voting shares under the same consulting agreement, respectively. $3,294,159 was recorded as share-based payments in the consolidated statement of loss and comprehensive loss.

On December 1, 2020, the Company issued 726,580 common shares in connection with the conversion of Purple Note 2 (Note 30). The conversion of Purple Note 2 was recognized in share capital at its carrying amount of $1,289,544.

31. Share capital, continued

On December 2, 2020, pursuant to the closing of a private placement offering of common shares, the Company issued 3,086,419 common shares at a price of $1.62 per share. The Company raised gross proceeds of $5,000,000 and incurred issue costs of $19,209 in connection with the offering.

Shares issued for business combinations and asset acquisitions

On May 1, 2020, the Company issued 4,715,704 common shares at a fair value of $1.272 per share in connection with its Slang Investment, Inc. asset acquisition outlined in Note 6.

On October 2, 2020, the Company issued 3,921,852 restricted voting shares at a fair value of $0.60 per share in connection with its acquisition of LBA outlined in Note 5.

On December 22, 2020, the Company issued 83,333 restricted voting shares at a fair value of $1.38 per share in connection with its acquisition of Pleasant Valley Ranch outlined in Note 5.

On June 15, 2021, pursuant to the closing of the acquisition of ACG outlined in Note 5, the Company issued 4,295,405 common shares and 6,443,109 restricted voting shares at $8,256,386 and $8,790,356, respectively. The shares had been recorded as shares to be issued at December 31, 2020.

On June 8, 2021, NS Holdings Inc., TC Colorado Holdings Inc., Slang Oregon Holdings Inc., and the Company entered into an agreement and plan of merger ("Merger Agreement") outlined in Note 14. As a deposit on signing of the agreement, the Company issued 354,166 common shares and 531,249 restricted voting shares at a fair value of $521,566 and $555,298, respectively.

On August 11, 2021, the Company issued 5,287,389 restricted voting shares at a fair value of $0.834 per share in connection with its acquisition of High Fidelity outlined in Note 5. In addition, on the date that is 18 months following the date of the Merger Agreement, being June 25, 2021, the Company will issue 109,649 restricted voting shares at a fair value of $88,670, as determined on the acquisition date.

Share-based payments

On July 9, 2020, the Company issued 525,639 common shares to employees at a value of $520,383 to settle a bonus award for the services received for the year-ended December 31, 2019. The bonus award was accrued in fiscal year 2019.

On June 9, 2021, the Company issued a bonus award of 52,541 common shares to employees at a value of $43,343, net of withholding taxes of $51,093, for services received in the three months ended March 31, 2021.

On August 3, 2021, the Company issued a bonus award of 122,156 common shares to employees at a value of $70,267, net of withholding taxes of $85,698, for services received in the three months ended June 30, 2021.

(Prepared in Canadian dollars)

31. Share capital, continued

On December 31, 2021, the Company issued 62,970 common shares to a former executive in lieu of 2020 deferred salaries at a value of $26,448. The former executive was terminated in November 2021 and the issuance was in accordance with the former executive's termination and severance agreement. In addition, on December 31, 2021, the Company recorded 23,017 common shares in share capital to be issued at a value of $9,667. These shares were issued subsequent to year end (Note 42).

During 2017, the shareholders of the Company approved the stock option plan (the Plan). Stock options granted under the Plan (options) are equity settled, are non-transferable and will be exercisable for a period not to exceed ten years. Stock options vest evenly over the related service period between one to four years. Under the Plan the maximum number of shares of the Company that are reserved pursuant to the Plan is limited to 10% of all issued and outstanding common shares of the Company at any given time.

The following provides a summary of the status of the Plan at December 31, 2021:

	Options	**Weighted average exercise price**
Balance outstanding, December 31, 2019	1,891,569	$6.66
Forfeited	(570,300)	7.92
Modified	(1,036,569)	7.14
Granted	2,135,777	0.90
Exercised	(16,667)	0.90
Balance outstanding, December 31, 2020	2,403,810	1.20
Forfeited	(180,416)	1.11
Granted	1,482,353	2.06
Exercised	(486,185)	0.84
Balance outstanding, December 31, 2021	**3,219,562**	**$1.66**

(Prepared in Canadian dollars)

31. Share capital, continued

Grant date	Expiry date	Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable
Nov 2, 2017	Nov 2, 2027	$0.30	83,333	0.15	83,333
Nov 2, 2017	Nov 15, 2022	$0.30	83,333	0.02	83,333
Jul 6, 2018	Jul 6, 2023	$4.50	66,667	0.03	65,625
Jul 16, 2018	Jul 16, 2023	$4.50	16,667	0.01	16,667
Jan 28, 2019	Jan 28, 2024	$9.00	16,667	0.01	16,667
Jan 28, 2019	Nov 15, 2022	$9.00	33,333	0.01	33,333
Nov 26, 2019	Nov 26, 2024	$2.94	66,667	0.06	33,333
Jul 7, 2020	Jul 7, 2022	$1.32	83,333	0.01	83,333
Aug 14, 2020	Jul 6, 2023	$0.90	104,167	0.05	78,125
Aug 14, 2020	Nov 15, 2022	$0.90	8,333	0.00	8,333
Aug 14, 2020	Jan 28, 2024	$0.90	263,333	0.17	131,667
Aug 14, 2020	Nov 15, 2022	$0.90	59,755	0.02	59,755
Aug 14, 2020	Nov 26, 2024	$0.90	58,333	0.05	29,167
Aug 14, 2020	Aug 14, 2025	$0.90	196,667	0.22	49,167
Aug 14, 2020	Nov 15, 2022	$0.90	55,491	0.02	55,491
Aug 14, 2020	Aug 14, 2030	$0.90	125,177	0.34	125,177
Aug 14, 2020	Nov 15, 2022	$0.90	397,620	0.11	397,620
Oct 1, 2020	Oct 1, 2025	$0.78	61,667	0.07	15,417
Feb 2, 2021	Aug 2, 2023	$3.03	675,287	0.33	675,287
Mar 8, 2021	Mar 8, 2026	$2.76	41,667	0.05	-
Aug 3, 2021	Aug 3, 2026	$1.26	113,333	0.16	-
Aug 3, 2021	Aug 3, 2031	$1.26	217,590	0.65	72,530
Aug 3, 2021	Nov 15, 2022	$1.26	197,809	0.05	197,809
Nov 24, 2021	Nov 24, 2026	$0.72	193,333	0.29	-
			3,219,562	2.89	2,311,168

Included in the options granted during the year ended 2020, 1,036,569 were modifications of stock options granted in prior years.

The options granted on November 2, 2017 vest over 4 years annually. During the year ended December 31, 2021, 41,667 options were exercised at a price of $0.30 and 83,333 options were modified to amend the expiry of the options to November 15, 2022.

31. Share capital, continued

The options granted in July 2018 vest over the period between 1 and 4 years. The fair value of each of the 2018 options was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: risk free interest rate: 1.57%; stock price: $3.36; volatility: 102%; Dividend yield: 0%; and expected life: four years. In July 2020, the Company modified 243,333 of these options in two tranches. In the first tranche, the Company modified 112,500 options to reduce the exercise price to $0.90. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.29%; stock price: $0.90; volatility: 99%; Dividend yield: 0%; and expected life: 3 years. The incremental fair value of $32,665 will be recognized as an expense over the period from the modification date to the end of the vesting period. During the year ended December 31, 2021, 8,333 options of this first tranche was modified again to accelerate the vesting and amend the expiry of the options to November 15, 2022. In the second tranche, the Company modified an additional 130,833 options to reduce the exercise price to $0.90, to accelerate the vesting to modification date, and to amend the expiry date to February 14, 2021. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.28%; stock price: $0.90; volatility: 116%; Dividend yield: 0%; and expected life: 0.61 years. The incremental fair value of $37,889 was recognized as an expense on modification date as the options were fully vested. During the year ended December 31, 2021, 80,833 options were exercised at a price of $0.15.

On January 22, 2019, the Company approved the grant of options to various employees, advisors and contractors. A total of 555,393 options were granted which will vest over a period between 1 and 2 years. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.83%, stock price: $9; volatility: 108%; Dividend yield: 0%; and expected life: five years. In July 2020, the Company modified 110,981 of these options in two tranches. In the first tranche, the Company modified 55,490 options to reduce the exercise price to $0.90. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.51%; stock price: $0.90; volatility: 99%; Dividend yield: 0%; and expected life: 8.55 years. The incremental fair value of $11,575 was recognized as an expense on modification date as the options were fully vested. During the year ended December 31, 2021, this first tranche was modified again to amend the expiry of the options to November 15, 2022. In the second tranche, the Company modified 55,491 options to reduce the exercise price to $0.90 and to amend the expiry date to February 14, 2021. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.28%; stock price: $0.90; volatility: 116%; Dividend yield: 0%; and expected life: 0.61 years. The incremental fair value of $17,269 was recognized as an expense on modification date as the options were fully vested. All options in the second tranche were exercised at a price of $0.90 during the year ended December 31, 2021.

31. Share capital, continued

On January 28, 2019, the Company approved the grant of options to various employees, advisors and contractors. 653,921 options were granted which will vest over a 4-year period and 116,666 options were granted which vest on a monthly basis over 1 year. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.83%; stock price: $9; volatility: 108%; Dividend yield: 0%; and expected life: five years. During the year ended December 31, 2021, no options were forfeited (2020 - 20,000 options forfeited) and 33,333 options were modified to amend the expiry of the options to November 15, 2022. Further, in July 2020, the Company modified 548,921 of these options in two tranches. In the first tranche, the Company modified 365,588 options to reduce the exercise price to $0.90. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.29%; stock price: $0.90; volatility: 99%; Dividend yield: 0%; and expected life: 3.56 years. The incremental fair value of $137,736 will be recognized as an expense over the period from modification date to the end of the vesting period. During the year ended December 31, 2021, 31,250 options were forfeited, 11,250 options were exercised at a price of $0.90, and 59,754 options were modified again to accelerate the vesting and amend the expiry of the options to November 15, 2022. In the second tranche, the Company modified an additional 183,333 options to reduce the exercise price to $0.90, accelerate the vesting to modification date, and to amend the expiry date to February 14, 2021. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.28%; stock price: $0.90; volatility: 116%; Dividend yield: 0%; and expected life: 0.61 years. The incremental fair value of $57,053 was recognized as an expense on modification date as the options were fully vested. All options related to the second tranche were exercised at a price of $0.90 during the year ended December 31, 2021.

On November 26, 2019, the Company approved the grant of options to various employees, advisors and contractors. A total of 201,250 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.58%; stock price: $2.64; volatility: 100%; Dividend yield: 0%; and expected life: four years. In July 2020, the Company modified 133,334 of these options in two tranches. In the first tranche, the Company modified 116,667 options to reduce the exercise price to $0.90. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.35%; stock price: $0.90; volatility: 99%; Dividend yield: 0%; and expected life: 4.39 years. The incremental fair value of $20,635 will be recognized as an expense over the period from modification date to the end of the vesting period. During the year ended December 31, 2021, 22,500 options were forfeited and 35,833 options were exercised at a price of $0.90. In the second tranche, the Company modified 16,667 options to reduce the exercise price to $0.90, accelerate the vesting to modification date, and to amend the expiry date to February 14, 2021. The fair value of the modified options was determined using the same models and principles described previously, with the following model inputs: risk free interest rate: 0.28%; stock price: $0.90; volatility: 116%; Dividend yield: 0%; and expected life: 0.61 years. The incremental fair value of $4,221 was recognized as an expense on modification date as the options were fully vested. All options related to the second tranche were exercised at a price of $0.90 in the year ended December 31, 2020.

On July 7, 2020, the Company approved the grant of 83,333 options to a consultant, which will vest quarterly over a 12-month period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.28%; stock price: $0.90; volatility: 99%; Dividend yield: 0%; and expected life: two years. All options remain outstanding at December 31, 2021.

31. Share capital, continued

On August 14, 2020, the Company approved the grant of 44,444 options to a director of the Company, which vested immediately. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.30%; stock price: $0.90; volatility: 122%; Dividend yield: 0%; and expected life: 0.50 years. During the year ended December 31, 2021, all the options were exercised at a price of $0.90.

On August 14, 2020, the Company approved the grant of options to various employees, advisors and contractors. A total of 260,000 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.42%; stock price: $0.90; volatility: 97%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2021, 46,666 options were forfeited and 16,667 options were exercised at a price of $0.90.

On August 14, 2020, the Company approved the grant of options to various employees, advisors and contractors. A total of 522,796 options were granted which will vest monthly over a 12-month period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.61%; stock price: $0.90; volatility: 97%; Dividend yield: 0%; and expected life: 10 years. During the year ended December 31, 2021, 397,620 options were modified to amend the expiry of the options to November 15, 2022.

On October 1, 2020, the Company approved the grant of options to various employees, advisors and contractors. A total of 98,333 options were granted which will vest over a 4-year period and 16,666 options were granted which vested immediately. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.35%; stock price: $0.84; volatility: 96%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2021, 36,667 options were forfeited and 16,667 options were exercised at a price of $0.90.

On February 2, 2021, under a brand services agreement, an unrelated third party was granted 675,287 stock options, vesting immediately, with an exercise price of $3.03, expiring 30 months after the grant date. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.16%; stock price: $2.76; volatility: 94%; Dividend yield: 0%; and expected life: 2.5 years. All options remain outstanding at December 31, 2021.

On March 8, 2021, the Company approved the grant of options to various employees, advisors and contractors. A total of 63,333 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.92%; stock price: $2.76; volatility: 95%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2021, 21,666 options were forfeited.

On August 3, 2021, the Company approved the grant of options to various employees, advisors and contractors. A total of 123,333 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.75%; stock price: $1.32; volatility: 94%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2021, 10,000 options were forfeited.

31. Share capital, continued

On August 3, 2021, the Company approved the grant of options to various directors of the Company. A total of 415,400 options were granted which will vest monthly over a 12-month period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 0.75%; stock price: $1.32; volatility: 94%; Dividend yield: 0%; and expected life: 10 years. During the year ended December 31, 2021, 197,809 options were modified to accelerate the vesting and amend the expiry of the options to November 15, 2022.

On November 24, 2021, the Company approved the grant of options to various employees, advisors and contractors. A total of 205,000 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.56%; stock price: $0.66; volatility: 93%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2021, 11,667 options were forfeited.

Compensation expense related to stock options is recognized over the years in which entitlement to the compensation vests. During the year ended December 31, 2021, the Company recorded $2,060,537 in share based payments in its consolidated statement of loss and comprehensive loss (2020 - $1,452,553).

The expected volatility is based on the historical volatility of the Company and comparable companies, which may not necessarily be the actual outcome.

Restricted share units

On January 15, 2019, the Board approved the Company’s restricted share unit plan (the RSU Plan). RSUs granted under the RSU Plan are equity settled and non-transferable. The maximum number of shares of the Company that are reserved pursuant to the RSU Plan is limited to 5,000,000 shares (2020 – 3,333,333), provided that the aggregate number of shares available for issuance under this RSU Plan together with all other share compensation arrangements may not exceed 10% of all issued and outstanding common shares at any given time.

On January 22, 2019 and November 26, 2019, the Company provided key management personnel with Restricted Share Units (“RSU”) to vest in equal annual amounts over a two-year period and contingent on continued employment at the Company. There was a total of 1,008,333 RSUs issued. During the year ended December 31, 2020, 695,833 of the RSUs vested. This resulted in the issuance of 497,087 common shares issued at a value of $3,582,494 during the year ended December 31, 2020, and the issuance of 83,333 common shares at a value of $220,000 during the year ended December 31, 2021. An additional 312,500 of the RSUs vested during the year ended December 31, 2021, resulting in the issuance of 213,650 common shares issued at a value of $975,068, net of withholding taxes of $114,932.

On August 31, 2020, the Company provided key management personnel with 375,000 RSUs to vest in equal annual amounts over a two-year period and contingent on continued employment at the Company. During the year ended December 31, 2021, 250,000 of the RSUs vested, resulting in the issuance of 162,357 common shares issued at a value of $111,230, net of withholding taxes of $83,770. Of these vested RSUs, 62,500 were subject to accelerated vesting on the termination of a member of management. In addition, 625,000 RSUs were issued to those same personnel to vest equally in 5 tranches with a vesting schedule based entirely on the attainment of both operational milestones (performance conditions) and market conditions.

31. Share capital, continued

In December 2020, 1/5 of the RSUs vested upon achievement of a performance milestone whereby the Company finalized the acquisitions of i) Pleasant Valley Ranch LLC and ii) LBA Global LLC. This resulted in the issuance of 65,271 common shares issued in January 2021 at a value of $Nil, net of withholding taxes of $123,638.

In January 2021, 1/5 of the RSUs vested upon achievement of a performance milestone whereby the Company was able to i) maintain an average market capitalization in excess of $80,000,000 over a period of thirty (30) trading days and, ii) maintain an average share price that is at least 50% higher than the share price on the award date over a period of thirty (30) trading days. This resulted in the issuance of 78,372 common shares issued at a value of $12,337, net of withholding taxes of $97,917.

In May 2021, 1/5 of the RSUs vested upon achievement of a performance milestone whereby the Company reported consolidated revenues in excess of $30MM in a trailing 12-month period. This resulted in the issuance of 79,695 common shares issued at a value of $29,543, net of withholding taxes of $67,957.

In September 2021, 1/5 of the RSUs vested upon achievement of a performance milestone whereby the Company expanded its market presence to include three new territories. This resulted in the issuance of 78,613 common shares issued at a value of $40,973, net of withholding taxes of $56,527. In November 2021, the vesting of an additional 41,667 RSUs were related to the termination and severance of a member of executive management. This resulted in the issuance of 29,624 common shares issued at a value of $24,552, net of withholding taxes of $7,948.

On August 31, 2020, the Company issued 300,000 RSUs to a consultant of the Company. The RSUs vest over a period of one-year from grant date. In August 2021, upon vesting of the RSUs, 300,000 common shares were issued at a value of $234,000.

On December 31, 2020, the Company provided key management personnel with 685,279 RSUs to vest one-year from grant date, contingent on continued employment at the Company. During the year ended December 31, 2021, 685,279 of the RSUs vested, resulting in the issuance of 186,637 common shares issued at a value of $453,931, net of withholding taxes of $50,070, and 237,755 common share capital to be issued at a value of $722,616, net of withholding taxes of $89,121. The vesting of 262,500 of these RSUs were related to the termination and severance of a member of executive management.

On March 8, 2021, the Company provided employees with 41,666 RSUs to vest in equal amounts over a two-year period, contingent on continued employment at the Company.

On August 3, 2021, the Company provided key management personnel and employees with 58,333 RSUs to vest in equal amounts over a two-year period, contingent on continued employment at the Company.

During the year ended December 31, 2021, the Company recorded a share-based payments expense of $2,148,383 for the RSUs in its consolidated statement of loss and comprehensive loss (2020 - $2,812,365), based on the vesting period and fair values ranging from $0.78 to $9 per share. Fair values are determined by the Company's share price on the RSU grant date.

(Prepared in Canadian dollars)

31. Share capital, continued

Agents' options and compensation warrants

Warrant continuity

	Number of warrants	Total
Outstanding - December 31, 2019	10,048,257	$15,736,929
Warrants expired	(45,076)	(145,968)
Outstanding - December 31, 2020	10,003,181	15,590,961
Warrants expired	(4,196,480)	(8,396,189)
Outstanding - December 31, 2021	**5,806,701**	**$7,194,772**

During the year ended December 31, 2018, the Company issued 545,833 units of share purchase warrants to XIB Consulting Inc. in exchange of services. The warrants can be exercised at a price of $4.5 per share until the date on the later of (i) September 30, 2020; or (ii) the date that is 24 months from the date of a Liquidity Event. During year ended December 31, 2021, the warrants were expired unexercised.

On September 26, 2018, pursuant to the terms of an agency agreement as between the Company and the Agents ("Agency Agreement"), the Company issued 244,241 broker warrants and 162,411 corporate finance warrants (together "Compensation Options"). Each compensation option will entitle the holder to acquire one unit at the subscription price of $9 for the period of 24 months from the listing date as defined in the Agency Agreement. Each compensation option will be comprised of one common share ("compensation share") and one half of one common share purchase warrant (each whole common share purchase warrant, a "compensation warrant"). Each compensation warrant entitles the holder to acquire one common share ("compensation warrant share") at an exercise price of $13.5 per warrant for the period of 24 months following the listing date. During the year ended December 31, 2021, 405,120 compensation options and 766 compensation warrants expired unexercised. No compensation options or compensation warrants remain outstanding at December 31, 2021.

On January 29, 2019, pursuant to an advisory services agreement, PowerOne Management & Advisory Services Limited agreed to provide corporate and financial advisory services to the Company in exchange for 73,330 compensation options with the same terms as those issued under the September 26, 2018, Agency Agreement, above. During the year ended December 31, 2021, these compensation options expired unexercised.

On September 26, 2018, Subscription Receipts were sold at a price of $9 per Subscription Receipt. Each receipt entitles the holder to receive one unit of the Company upon satisfaction of the escrow requirements. Each Subscription Receipt entitles the holder thereof to receive, upon satisfaction or waiver of the escrow release conditions prior to the escrow release deadline and without payment of additional consideration or further action, one unit (the "Unit") of the Company.

31. Share capital, continued

Each Unit is comprised of one common share in the capital of the Company (a "Underlying Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company (each, a "Warrant Share") at an exercise price of $13.5 for a period of twenty-four (24) months from the date the common shares of the Company are listed for trading on the Canadian Securities Exchange. The warrants will be subject to an accelerated expiry in the event that the closing price of the common shares of the Company is above $21 for ten (10) consecutive trading days.

On September 26, 2018, the Company closed the Subscription Receipt Offering and issued 7,333,098 Subscription Receipts for total gross proceeds to the Company of approximately $65,997,885 (net $63,929,156 after agents' fees paid in cash and net $59,041,705 after closing costs and agents' fees paid in cash and compensation options and to be paid in cash).

Each Subscription Receipt was automatically converted, without payment of any additional consideration and without any further action by the holder and subject to adjustment, for one Common Share and one-half of one Warrant on the satisfaction of the following escrow release conditions (the "Escrow Release Conditions").

The Escrow Release Conditions were satisfied on January 29, 2019 and the Subscription Receipts were converted into Underlying Shares and Underlying Warrants. During year ended December 31, 2021, these warrants expired unexercised.

(Prepared in Canadian dollars)

32. Held for Sale

The following provides a summary of assets and liabilities classified as held for sale at December 31, 2021:

	CHC	Purple	SCM	NCG	Total
Assets held for sale					
Prepaid and other deposits (Note 12)	59,369	-	-	-	59,369
Right of use assets (Note 22)	794,193	-	348,254	-	1,142,447
Property, plant and equipment (Note 19)	512,162	570,510	330,024	-	1,412,696
Intangible assets (Note 20)	8,430	-	70,378	158,862	237,670
Total assets held for sale	**$1,374,154**	**$570,510**	**$748,656**	**$158,862**	**$2,852,182**
Liabilities held for sale					
Lease liabilities (Note 27)	923,234	-	368,704	-	1,291,938
Total liabilities held for sale	**$923,234**	**$-**	**$368,704**	**$-**	**$1,291,938**

CHC CGU

In connection with management's plan to reduce its Oregon operations and consolidate production to its Colorado facility, the Company committed to sell the capital assets, lease rights, and licenses associated with the CHC CGU. As a result, these assets and liabilities have been reclassified in assets held for sale (Notes 12, 19, 20 & 22, & 27) at December 31, 2021. The fair value of the capital assets and licenses were estimated using a market approach and it was determined that the carrying value approximated fair value. The fair value of the right-of-use assets associated with the lease rights was determined to equal the carrying value as the balance is based on the present value of lease payments, amortized over the lease term.

SCC and Purple CGU

In connection with management's plan to reduce its Colorado cultivation operations, the Company committed to sell the land and capital assets of Purple's CGU, and license associated with SCC's CGU. Purple leases its land and capital assets to SCC for operations. As a result, these assets have been reclassified in assets held for sale (Note 19 & 20) at December 31, 2021. The fair value of the land, capital assets and licenses were estimated using a market approach. An impairment loss of $3,529,063 was recorded in the consolidated statement of loss and comprehensive loss associated with property, plant and equipment.

32. Held for Sale, continued

ACG and NCG CGU

In November 2021, the Company listed for sale certain assets in Colorado which includes its lease rights, capital assets, and licenses in Boulder. In addition to these assets, the Company is committed to sell its rights to the Bakked brand included in NCG CGU's intangible assets. As a result, these assets and liabilities have been reclassified in assets held for sale (Note 19, 20, 22 & 27) at December 31, 2021. The fair value of these assets were estimated using a market approach, resulting in an impairment loss of $680,551 and $2,362,111 recorded on property, plant and equipment and intangibles, respectively, during the year ended December 31, 2021.

(Prepared in Canadian dollars)

33. Discontinued Operations

During the year ended December 31, 2021, the Company entered a plan to sell certain assets and abandon the operations of SCC's and CHC's CGU. Revenues, expenses, and gains or losses relating to the discontinuance of SCC and CHC have been eliminated from net loss from continuing operations and are shown as a single line item in the consolidated statement of loss and comprehensive loss. As a result, the Company's prior period has been restated to present SCC's and CHC's CGU as a discontinued operation.

For the years ended,	**2021**	2020
Revenue	**$2,846,094**	$1,365,283
Cost of goods sold	**3,142,650**	1,263,599
Gross profit before fair value adjustment of biological assets	**(296,556)**	101,684
Realized fair value amounts included in inventory sold	**26,509**	-
Unrealized gain on changes in fair value of biological assets	**247,328**	29,973
Gross profit (loss)	**(22,719)**	131,657
Expenses		
Salaries and wages	**1,132,368**	56,180
Depreciation and amortization (Note 19, 20 & 22)	**326,354**	141,927
Selling, general, administrative (Note 35)	**377,670**	99,655
Insurance	**81,081**	26,394
Professional fees	**10,397**	-
Expected credit loss	**28,796**	18,882
Advertising and marketing	**85,598**	3,092
Consulting and subcontractors	**95,315**	1,222
Total expenses	**2,137,579**	347,352
Loss from operations	**(2,160,298)**	(215,695)
Loss on sale of capital and intangible assets	**-**	691
Financing cost and fair value adjustment (Note 34)	**289,038**	59,337
Impairment of long-lived assets (Notes 19, 20 & 21)	**2,306,950**	-
Net loss before income taxes	**(4,756,286)**	(275,723)
Deferred tax recovery	**-**	(349,377)
Net income (loss) from discontinued operations	**(4,756,286)**	73,654

(Prepared in Canadian dollars)

34. Financing cost and fair value adjustment

The Company's financing cost and fair value adjustment for the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021	December 31, 2020
Fair value adjustment on derivative liabilities (Note 30)	**$(13,339,394)**	$(1,672,668)
Accretion on lease liabilities (Note 27)	**497,741**	365,315
Accretion expense (Note 26 & 30)	**869,723**	383,104
Interest on convertible notes (Note 30)	**362,672**	126,387
Other interest expense	**294,723**	115,432
Foreign currency exchange loss (gain)	**(51,951)**	84,860
Fair value adjustment on financial instruments (Note 5, 13, 24 & 30)	**949,764**	-
Fair value adjustment on option asset and liability (Note 23)	**-**	(14,187,880)
Fair value adjustment on investments	**-**	2,455,169
	(10,416,722)	(12,330,281)
Discontinued operations (Note 33)	**289,038**	59,337
	$(10,127,684)	$(12,270,944)

35. Expenses by nature

Expenses are presented on the face of the consolidated statement of loss and comprehensive loss using a classification based on the functions "Cost of goods sold", "Advertising and marketing", and "Selling, general, and administrative". The Company also presents other material operating expenses separately as they were deemed to be items of dissimilar function. Included within cost of goods sold for the year ended December 31, 2021 were direct production staff costs amounting to $3,707,320 (2020 - $425,926) and depreciation and amortization charges amounting to $601,770 (2020 - $116,754).

The Company's selling, general and administrative expenses for the years ended December 31, 2021 & 2020 were as follows:

	December 31, 2021	December 31, 2020
Office and general	**$1,550,824**	$990,695
Software and subscriptions	**793,273**	673,463
Rent and variable lease payments	**356,557**	250,007
Product development	**89,622**	107,951
	2,790,276	2,022,116
Discontinued operations (Note 33)	**377,670**	99,655
	$3,167,946	$2,121,771

(Prepared in Canadian dollars)

36. Insurance

During the year ended December 31, 2021, the Company entered into a group captive insurance policy, whereby a series was formed to insure certain enterprise risks of the Company. Under the insurance policy, the Company entered into a Surplus Note and a Demand Promissory Note to address obligations arising from any self-insured retention losses incurred if the Company has a covered claim under the policy.

Under the Surplus Note, the series promises to pay to the Company the principal sum of US$2,000,000 bearing interest of 2.5% per annum. Under the Demand Promissory Note, the Company promises to pay to the series the principal sum of US$2,000,000, bearing interest at 2.5% per annum. The Company has a legally enforceable right to set off the amounts under both agreements and the amounts are intended to be settled on a net basis. As such, the net amount presented in the consolidated statement of financial position is $Nil. For the year ended December 31, 2021, the insurance expense associated with this group captive insurance policy amounted to $509,725 recorded in insurance expense in the consolidated statement of loss and comprehensive loss.

37. Income taxes

The reconciliation of the expected income tax recovery at the combined US federal and state statutory income tax rate of 27.6% (2020 – 23.9%) to the amounts in the consolidated statement of loss and comprehensive loss is as follows:

	December 31, 2021	December 31, 2020
Net loss from continuing operations, before recovery of income taxes	**$(51,864,171)**	$(16,696,194)
Expected income tax recovery	**(14,309,325)**	(3,990,390)
Share based compensation and non-deductible expenses	**682,547**	1,290,580
IRC 280E non-deductible expenses	**3,343,140**	259,460
Goodwill impairment	**9,399,612**	1,023,867
Fair value adjustment on derivative liabilities	**9,732**	(3,790,671)
Permanent items	**732,060**	-
Tax rate changes and other adjustments	**284,627**	(47,927)
Change in tax benefits not recognized	**(677,097)**	2,620,218
Income tax recovery	**$(534,704)**	$(2,634,863)
The Company's income tax recovery is allocated as follows:		
Current taxes	**$7,170**	$3,249
Deferred tax recovery	**$(541,874)**	$(2,638,112)

(Prepared in Canadian dollars)

37. Income taxes, continued

Deferred taxes

The following summarizes the components of deferred taxes in the consolidated statement of financial position:

USA	**December 31, 2021**	December 31, 2020
Deferred tax assets		
Net operating losses carried forward - US	**$1,020,300**	$3,099,399
Investments, at fair value	**4,809,300**	-
Reserves and other	**3,140,250**	4,497,390
Deferred tax liabilities		
Property, plant and equipment	**(1,044,120)**	(676,508)
Intangible assets	**(4,911,002)**	(6,920,281)
Derivatives and other	**(3,014,728)**	-
Net deferred tax asset	**$-**	$-

Canada	**December 31, 2021**	December 31, 2020
Deferred tax assets		
Non-capital losses carried forward	**$3,983,813**	$-
Deferred tax liabilities		
Derivatives	**(3,667,833)**	-
Intangibles and other	**(315,980)**	-
Net deferred tax asset	**$-**	$-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	December 31, 2021	December 31, 2020
Movement in net deferred tax liabilities		
Balance at beginning of the year	**$-**	$-
Recognized in business combination	**(541,874)**	(2,638,112)
Recognized in net loss	**541,874**	2,638,112
Balance at the end of the year	**$-**	$-

(Prepared in Canadian dollars)

37. Income taxes, continued

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2021	December 31, 2020
USA		
Net operating losses carried forward - US	**$23,082,328**	$39,891,724
Investments	**3,662,393**	22,894,903
Provisions	**7,342,964**	-
Property, plant and equipment	**2,949,320**	-
Right-of-use assets	**193,012**	-
Deferred revenue	**-**	17,230,559
Other temporary differences	**-**	11,287
Unrecognized deductible temporary differences	**$37,230,017**	$80,028,473

	December 31, 2021	December 31, 2020
Canada		
Intangible assets	**$8,026,987**	$8,026,987
Derivatives	**8,580,927**	-
Unrealized foreign exchange losses	**1,678,553**	510,183
Share issuance costs	**2,885,660**	2,351,840
Net operating losses carried forward	**13,863,307**	38,788,377
Net capital losses	**16,701,568**	16,701,568
Prepaid expenditures	**558,103**	-
Provision for related party debt	**3,634,930**	3,547,439
Investments at fair value	**5,327,697**	5,294,364
Unrecognized deductible temporary differences	**$61,257,732**	$75,220,758

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.

The Company's US net-operating losses carry forward indefinitely.

The Company's Canadian non-capital losses expire between 2040 and 2041.

(Prepared in Canadian dollars)

37. Income taxes, continued

Inversion

The Corporation is treated as a U.S corporation for U.S. federal income tax purposes under U.S. Internal Revenue Code ("IRC") Section 7874 and is subject to U.S. federal income tax. However, for Canadian tax purposes, the Corporation is expected, regardless of any application of IRC Section 7874, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that the Company's activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

IRC Section 280E

As the Company operates in the cannabis industry and taking into account the potential impact of ongoing US tax cases that interpret the application of IRC Section 280E, the Company may be subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed unallowable under IRC Section 280E.

38. Related party transactions

The Company routinely conducts business with GNT, and prior to the acquisition of ACG, the Company routinely conducted business with ACG. GNT has common management with the Company and is considered to be a related party because management has the ability to direct the activities of the entities. GNT and ACG operate labs that manufacture branded cannabis products to be sold to dispensaries in the state of Oregon and Colorado, respectively. NCG provides all packaging and marketing materials for their operations.

The Company's product and licensing revenue from GNT (2020 – ACG and GNT) for the years ended December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
GNT	**$556,353**	$1,803,083
ACG	**-**	7,941,325
	$556,353	$9,744,408

Additionally, the Company made purchases of inventory from GNT amounting to $1,410,579 for the year ended December 31, 2021 (2020 - $547,894).

GNT accounted for approximately 1.5% of the Company's revenue or the year ended December 31, 2021 (2020 – ACG – 30%; GNT – 6%).

At December 31, 2021, the Company held accounts receivable balances (net of provision) with GNT for sale of merchandise of approximately $Nil (2020 – $631,256). This balance was included in accounts receivable.

(Prepared in Canadian dollars)

38. Related party transactions, continued

In addition to the transactions listed above, below is a summary of the significant related party relationships of the Company summarized elsewhere in the consolidated financial statements:

NSH, a company under common management, with transactions discussed in Notes 13, 14, 15, and 23.

GNT, a company under common management, with transactions discussed in Note 17.

The Purple Company Inc., a company controlled by a board member of the Company, with transactions discussed in Note 30.

A board member of the Company, with transactions discussed in Note 26.

Key Management Compensation

Key management compensation includes the Company's directors and members of the executive team. Key management compensation for the years ended December 31, 2021 and 2020 is detailed below.

Type of expense	**December 31, 2021**	December 31, 2020
Management compensation and directors' expense	**$2,078,968**	$3,535,182
Restricted share unit compensation expense	**2,071,284**	2,351,189
Stock-based compensation expense	**816,712**	224,898
	$4,966,964	$6,111,269

Management compensation and directors' expense are included in salaries and wages and consulting and subcontractors expense, and restricted share unit and stock-based compensation expense are included in share-based payments in the consolidated statement of loss and comprehensive loss.

In November 2021, Drew McManigle was appointed as Interim CEO and Chairman of the Board. McManigle is the founder and CEO of MACCO Restructuring Group, LLC ("MACCO"), which provides financial advisory and consulting services to the Company. For the year ended December 31, 2021, MACCO provided financial advisory and consulting services amounting to $897,305 recorded in consulting & subcontractors expense in the consolidated statement of loss and comprehensive loss.

39. Commitments

The Greenleaf Operating Agreement has a cash-call clause, which requires members to contribute additional capital to Greenleaf from time-to-time relative to their respective membership interests (Note 15f). Management estimates that no significant cash-call will be required within the next 12 months.

On October 7, 2021, the Company entered into a share purchase agreement with 2869337 Ontario Inc., Agripharm Corp. and TREC Brands Inc., whereby the Company has agreed to sell its share of the equity of Agripharm in exchange for 1,050,000 common shares of TREC Brands Inc. The consideration for the sale of the Company's investment is subject to certain adjustments based on the working capital of Agripharm to be finalized 90 days after the closing of the transaction.

39. Commitments, continued

On July 9, 2018, the Company entered into a rights agreement with GHNA (a company partially owned by a Board Member of the Company), pursuant to which the Company has the right to license certain intellectual property of GHNA for use in certain territories. The Company and GHNA agreed on a future revenue share model based on a 60/40 split in favor of the Company, but subject to adjustment based on market conditions and potential opportunity for a particular territory. In consideration of the grant of rights, the Company owes GHNA US$2,000,000 (CAD $2,728,400) and issued 1,666,666 common shares at estimated price of $3.36 per share. On October 29, 2021, the rights agreement with GHNA was amended and the outstanding compensation of US$2,000,000 was replaced with the issuance of 1,543,468 common shares and cash payments totalling US$150,000. The amount owed has been recorded in accounts payable and accrued liabilities (Note 24). The remaining cash liability is payable in 10 equal monthly instalments starting January 1, 2022.

On June 30, 2021, the Company entered into a Cloud Agreement for SAP ByDesign, a cloud subscription service, with Navigator Business Solutions, Inc. The initial term of the agreement is for 5 years. Under the agreement, the Company has agreed to pay consideration of $1,038,551 across the term of the agreement.

Pursuant to a merger agreement dated June 8, 2021 between the Company, NSH, TC Colorado Holdings, LLC, and Slang Oregon Holdings, Inc., the Company is obligated to pay the first US$200,000 of transaction costs remaining unpaid at closing of the acquisition (Notes 14 & 42).

40. Segmented information

Operating Segment

The Company operates in 2 reportable segments, which include 1) Core Markets, and 2) Emerging Markets, Distribution, and CBD, plus corporate & other. The Company defines core markets as those with the following characteristics: i) mature regulatory structure, ii) favorable tax regime, iii) low capital barrier to entry and access to licenses iv) demonstrated supply of raw material, v) multiple point of (retail) distribution, vi) demonstrated operational leadership in place and vii) a demonstrable ROI. Emerging Markets is defined as those that the Company views as markets with regulatory or commercial environments in which profitability and high-margin sales are more challenging for consumer product-focused companies currently, or barriers to entry are too cost prohibitive or onerous. Distribution and CBD include non-plant touching hardware and CBD sales to distributors and through e-commerce platforms.

Information related to each operating segment is set out below. Operating segment revenue and net income (loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Asset information by segment is not provided to, or reviewed by, the Company’s chief operating decision maker as it is not used to make strategic decisions, allocate resources, or assess performance

(Prepared in Canadian dollars)

40. Segmented information, continued

The following tables presents the Company's operating segments for the years ended December 31, 2021 and 2020, respectively:

2021	Core markets	Emerging markets, CBD, and distribution	Corporate & other	Total
Revenue	$41,271,938	$23,896,972	$3,726,719	$68,895,629
Inter-segment revenue	(18,575,646)	(9,228,007)	(3,314,656)	(31,118,309)
Net revenue	22,696,292	14,668,965	412,063	37,777,320
Share based payments	-	-	8,849,416	8,849,416
Depreciation and amortization	1,259,488	5,987,677	-	7,247,165
Expected credit losses	41,270	2,073,673	109,007	2,223,950
Impairment of long-term assets	40,230,356	11,707,965	1,321,522	53,259,843
Financing cost and fair value adjustment	389,053	369,391	(11,175,166)	(10,416,722)
Termination of licensing agreement and extinguishment of financial liabilities	(76,130)	(16,423,161)	-	(16,499,291)
Net loss from continued operations	(38,039,156)	(5,900,277)	(7,390,034)	(51,329,467)
Loss on discontinued operations, net of tax	(4,756,286)	-	-	(4,756,286)
Net loss	$(42,795,442)	$(5,900,277)	$(7,390,034)	$(56,085,753)

2020	Core markets	Emerging markets, CBD, and distribution	Corporate & other	Total
Revenue	$4,636,366	$19,765,499	$8,214,972	$32,616,837
Inter-segment revenue	-	(382,930)	(6,779,613)	(7,162,543)
Net revenue	4,636,366	19,382,569	1,435,359	25,454,294
Share based payments	-	-	9,415,189	9,415,189
Depreciation and amortization	42,925	6,292,893	-	6,335,818
Expected credit losses	20,989	(90,764)	(192,240)	(262,015)
Impairment of long-term assets	-	-	4,122,056	4,122,056
Financing cost and fair value adjustment	1,469	(13,663,738)	1,331,988	(12,330,281)
Net loss from continued operations	2,896,709	6,975,111	(24,006,805)	(14,134,985)
Income on discontinued operations, net of tax	73,654	-	-	73,654
Net loss	$2,970,363	$6,975,111	$(24,006,805)	$(14,061,331)

(Prepared in Canadian dollars)

40. Segmented information, continued

Geographical Information

The Company operates in two geographical locations: Canada and the USA. The following tables present the Company's revenues for the year ended December 31, 2021 and 2020, and non-current assets by location on December 31, 2021 and December 31, 2020.

	December 31, 2021	December 31, 2020
Revenue		
Canada	**$412,063**	$1,435,359
USA	**37,365,257**	24,018,935
	$37,777,320	$25,454,294

Non-current assets	**December 31, 2021**	December 31, 2020
Canada	**$207,415**	$33,500,163
USA	**38,130,079**	55,529,045
	$38,337,494	$89,029,208

41. Financial instruments and capital management

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

The table below summarizes the assets and liabilities that are included at their fair values in the Company's consolidated statement of financial position at December 31, 2021 and December 31, 2020.

(Prepared in Canadian dollars)

41. Financial instruments and capital management, continued

These assets and liabilities have been categorized into hierarchical levels, according to the reliability of the inputs used in determining fair value measurements. During the year ended December 31, 2021, no transfers between fair value hierarchy levels occurred. The fair value hierarchy has the following levels:

Level 1 – quoted prices
Represents unadjusted quoted prices for identical instruments exchanged in active markets.

Level 2 – significant other observable inputs
Includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.

Level 3 – significant unobservable inputs
Includes inputs that are not based on observable market data.

			At December 31, 2021	
	Level 1	Level 2	Level 3	**Total**
Cash	$17,027,648	$-	$-	**$17,027,648**
Restricted cash	$3,803,400	-	-	**3,803,400**
Investments	-	-	-	**-**
Option asset	-	-	-	**-**
Derivative liabilities	-	-	(4,867,235)	**(4,867,235)**
Contingent consideration	-	-	(7,140,250)	**(7,140,250)**
	$20,831,048	$-	$(12,007,485)	**$8,823,563**

			At December 31, 2020	
	Level 1	Level 2	Level 3	**Total**
Cash	$6,476,873	$-	$-	**$6,476,873**
Funds held in trust	131,705	-	-	**131,705**
Investments	-	-	533,333	**533,333**
Option asset	-	-	-	**-**
Derivative liability	-	-	(2,135,184)	**(2,135,184)**
	$6,608,578	$-	$(1,601,851)	**$5,006,727**

41. Financial instruments and capital management, continued

Foreign currency risk

The operating results and financial position of the Company are reported in CAD. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the CAD. The results of the Company's operations are subject to currency transaction and translation risks. The Company holds cash in US dollars. The Company's main risk is associated with fluctuations in the US dollar. Assets and liabilities are translated based on the foreign currency translation policy described in Note 3. At December 31, 2021 and 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. The Company has estimated that the effect of a 10% increase or decrease in the US dollar against the Company's functional currency (CAD) on the financial assets and liabilities, as at December 31, 2021, including cash, restricted cash, notes receivable, accounts payable, convertible debentures, and deferred cash consideration would result in an increase or decrease of approximately $102,000 (2020 - $886,000) in the net loss for the year ended December 31, 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk exposure is minimal because interest rates on notes receivable, notes payable, loan payable, convertible notes and amounts due to and from related parties are fixed.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company typically settles its financial obligations in cash. The ability to settle obligations in cash is dependent on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At December 31, 2021, the Company had a cash balance of $17,027,648, net of restricted cash of 3,803,400, (2020 - $6,476,873) and current liabilities of $14,754,577 (2020 - $17,842,729). All of the Company's current liabilities are expected to be settled within the next 12 months.

In addition to the commitments outlined in Note 39, the Company has the following estimated future contractual payment obligations, excluding interest payments, at December 31, 2021:

	< 1 year	1 to 2 years	3 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$6,765,654	$-	$-	$-	$6,765,654
Notes payable	$686,914	$282,015	$798,178	$-	$1,767,106
Lease liabilities	$1,562,257	$1,409,944	$3,821,166	$3,066,077	$9,859,444
Due to related parties	$3,474,235	$-	$-	$-	$3,474,235
Convertible debentures	$-	$-	$36,601,022	$-	$36,601,022
Deferred cash consideration	$2,535,600	$-	$-	$-	$2,535,600

(Prepared in Canadian dollars)

41. Financial instruments and capital management, continued

Credit risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, other receivables and notes receivable. The carrying amounts for these financial assets represent their maximum credit exposure to the Company. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company's objective with regard to credit risk in its operating activities is to reduce its exposure to losses. At December 31, 2021, the overdue accounts receivable balance, net of provision, is $1,193,430 (2020 - $1,400,914). The Company believes that the balance is collectable and that no additional allowance is required.

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

				December 31, 2021
	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged >60 days past due
Expected loss rate	2.25%	1.88%	4.48%	96.71%
Gross carrying amount	$1,062,383	$590,626	$164,127	$6,267,097
Loss allowance provision, end of year	$23,895	$11,121	$7,358	$6,060,760

				December 31, 2020
	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged >60 days past due
Expected loss rate	7.72%	12.21%	35.48%	90.35%
Gross carrying amount	$1,293,134	$667,108	$231,179	$6,903,203
Loss allowance provision, end of year	$99,893	$81,445	$82,014	$6,237,117

(Prepared in Canadian dollars)

41. Financial instruments and capital management, continued

The Company's total expected credit losses in the consolidated statement of loss and comprehensive loss can be summarized as follows:

	Accounts receivable	Notes receivable	Due from related parties	Total
Opening expected credit losses	$6,500,469	$3,547,439	$1,177,919	$11,225,827
Increase (decrease) in expected credit loss	1,244,935	56,510	868,472	2,169,917
Currency translation	(13,614)	-	(28,260)	(41,874)
Closing expected credit losses	$7,731,790	$3,603,949	$2,018,131	$13,353,870
Write off (recovery)	$54,033	$-	$-	$54,033
Increase in expected credit losses	1,244,935	56,510	868,472	2,169,917
Total expected credit losses	$1,298,968	$56,510	$868,472	$2,223,950

Concentration risk

Customers with 10% or more of the Company's total revenues consist of one customer. This customer contributes to 11% of total revenues (2020 – 10%).

Management of capital

The Company's objective of managing capital, comprising shareholders' equity of $38,168,229, is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions. With approval from the board of directors, management will adjust its capital structure through the issue of new shares, convertible debentures, debt or other activities deemed appropriate under the specific circumstances. Management and the board of directors review the Company's capital management approach on an ongoing basis and believe this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company's strategy with respect to capital risk management has not changed since the year ended December 31, 2020.

42. Subsequent events

The Company evaluated subsequent events through to April 27, 2022, the date these consolidated financial statements were issued.

On January 7, 2022, pursuant to the 2020 salary deferral agreement, the Company issued 23,017 common shares to officers of the Company.

On January 7, 2022, pursuant to a consulting agreement with a third party, the Company issued 851,158 restricted voting shares at a value of $507,120. These shares were recorded in share capital to be issued at December 31, 2021.

42. Subsequent events, continued

On January 11, 2022, the Company entered into a Grid Note in the amount of US$50,000 with Woah Flow, LLC, a New Jersey limited liability company (the "Borrower"). The Grid Note was amended on March 2, 2022, updating the loan amount to a maximum of US$3,000,000 (the "Amended Grid Note"). Under the Amended Grid Note, the Company will make available to the Borrower one or more advances in an aggregate amount not to exceed US$3,000,000. The Amended Grid Note bears interest at 10% per annum with all principal and interest maturing at the earlier of (i) the second anniversary of the Amended Grid Note; (ii) the conversion of the Amended Gride Note into 70% of the membership interests in the Borrower and an amended and restated operating agreement of the Borrower is finalized; and (iii) the six month anniversary date of a final, non-appealable determination by the New Jersey Cannabis Regulatory Commission approving or denying the proposed change of ownership contemplated in (ii). The Borrower was provisionally awarded a medical cannabis license for Trenton, New Jersey in December 2021.

On January 14, 2022, the Company terminated its Chief Revenue Officer. Under the severance agreement, the Company will pay US$153,627 in cash in 12 equal semi-monthly installments and accelerate the vesting of 41,666 RSUs and all outstanding stock options.

On January 14, 2022, pursuant to the vesting of 41,666 RSUs upon termination of an officer of the Company, the Company issued 27,417 common shares.

On January 24, January 31, February 4, and March 24, 2022, pursuant to share exchange agreements, various shareholders exchanged 244,528, 244,528, 489,056, and 23,042, respectively, restricted voting shares of the Company to common shares.

On February 2, 2022, pursuant to the vesting of 25,000 RSUs, the Company issued 14,755 common shares to an employee of the Company.

On February 28, 2022, the Company effected a one-for-six share consolidation of all outstanding common and restricted voting shares. The consolidation was approved by the Company's shareholders at the special shareholder meeting held on February 18, 2022. Immediately prior to the consolidation, a total of 422,457,742 common shares and 141,758,367 restricted voting shares were issued and outstanding. Immediately following the consolidation, a total of approximately 70,409,448 common shares and 23,626,345 restricted voting shares are issued and outstanding.

On March 11, 2022, pursuant to the vesting of 8,333 RSUs upon achievement of a performance milestone, the Company issued 3,729 common shares to an employee of the Company.

On April 12, 2022, pursuant to a consulting agreement with a third party, the Company issued 1,748,914 restricted voting shares at a value of $499,840.

On April 12, 2022, the Company completed its acquisition of NS Holdings, Inc. On close of the acquisition, the Company issued an additional 1,062,490 restricted voting shares and 708,326 common shares to the shareholders of NS Holdings, Inc. in exchange for all the issued and outstanding shares of NS Holdings, Inc. The Company is working to complete the initial accounting for this transaction and perform an allocation of the purchase price to the assets.