Cansortium Inc.

Consolidated Financial Statements

For the years ended
December 31, 2021 and 2020

(Expressed in thousands of United States Dollars unless otherwise stated)

Cansortium Inc. has amended and refiled its Consolidated Financial Statements for years ended December 31, 2021 and 2020 to correct the Independent Auditors' Report. All other information contained in the Consolidated Financial Statements remains unchanged.

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Independent Auditors' Report

To the Shareholders of Cansortium Inc.

Opinion

We have audited the consolidated financial statements of Cansortium Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the year 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Matter

The consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 30, 2021.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 auditors' report is Sam Salty.

Baker Tilly US, LLP

Irvine, California
June 10, 2022

Independent Auditor's Report

To the Shareholders of Cansortium Inc.:

Opinion

We have audited the consolidated financial statements of Cansortium Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of operations, changes in shareholders' equity and 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, 2020 and December 31, 2019, 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a net loss during the year ended December 31, 2020 and, as of that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in
the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 Shaila Rani Mehta.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

April 30, 2021

Licensed Public Accountants

MNP

Cansortium Inc.
Consolidated Statements of Financial Position
As of December 31, 2021 and 2020
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		$ 9,024	$ 3,392
Trade receivable		26	148
Inventory, net	*Note 3*	8,981	5,006
Biological assets	*Note 4*	3,297	1,914
Investment held for sale	*Note 7*	200	200
Prepaid expenses and other current assets	*Note 6*	2,007	1,365
Total current assets		23,535	12,025
Property and equipment, net	*Note 8*	34,160	19,517
Intangible assets, net	*Note 9*	95,822	97,035
Right-of-use assets, net	*Note 15*	19,169	19,094
Deposit	*Note 10*	2,727	1,050
Note receivable	*Note 5*	4,886	3,859
Goodwill	*Note 11*	1,526	1,526
Other assets		632	425
Total assets		**$ 182,457**	**$ 154,531**
Liabilities			
Current liabilities			
Trade payable		8,518	4,808
Accrued liabilities		5,846	7,614
Income taxes payable		2,120	8,925
Derivative liabilities	*Note 13*	3,960	7,412
Current portion of notes payable	*Note 14*	619	38,583
Current portion of lease obligations	*Note 15*	2,500	1,894
Total current liabilities		23,563	69,236
Notes payable	*Note 14*	53,674	13,182
Lease obligations	*Note 15*	21,091	20,811
Deferred tax liability	*Note 12*	21,563	23,471
Total liabilities		**119,891**	**126,700**
Shareholders' equity			
Share capital	*Note 16*	180,657	137,835
Share-based compensation reserve	*Note 16*	6,176	4,675
Equity conversion feature	*Notes 14, 16*	4,933	11,044
Warrants	*Note 16*	28,869	13,265
Accumulated deficit		(157,648)	(138,609)
Foreign currency translation reserve		(421)	(379)
Total shareholders' equity		62,566	27,831
Total liabilities and shareholders' equity		**$ 182,457**	**$ 154,531**

Nature of Operations (Note 1)
Summary of Significant Accounting Policies (Note 2)
Expense by Nature (Note 17)
Contingencies (Note 18)
Related-Party Transactions (Note 19)
Financial Instruments and Financial Risk Management (Note 20)
Capital Management (Note 21)
Subsequent Events (Note 22)
Discontinued Operations (Note 23)

Approved and authorized for issue on behalf of the Shareholders on June 9, 2022:

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

Cansortium Inc.
Consolidated Statements of Loss and Other Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the years ended December 31, 2021	2020
Revenue, net of discounts		$ 65,437	$ 52,388
Cost of goods sold		23,488	19,113
Inventory impairment	*Note 3 and 4*	-	1,918
Gross profit before fair value adjustments		41,949	31,357
Fair value adjustments on inventory sold		(21,015)	(18,998)
Unrealized gain on changes in fair value of biological assets	*Note 4*	14,853	17,516
Gross profit		35,787	29,875
Expenses			
General and administrative	*Note 17*	10,326	12,518
Share-based compensation		4,304	5,744
Sales and marketing	*Note 17*	15,416	13,855
Depreciation and amortization	*Notes 8, 9, 15*	6,384	6,173
Total expenses		36,430	38,290
Loss from operations		(643)	(8,415)
Other expense (income)			
Finance costs, net	*Note 14*	15,760	13,760
Gain on change in fair value of derivative liability	*Note 13*	(3,452)	(2,253)
Equity loss on investment in associate	*Note 10*	-	153
Loss on debt settlement	*Note 14*	(1,501)	8,065
Loss on disposal of assets		31	964
Expected credit loss on note receivable	*Note 5*	-	1,286
Other (income) expense		(123)	9
Total other expense		10,715	21,984
Loss before income taxes		(11,358)	(30,399)
Income tax expense	*Note 12*	7,646	6,336
Net loss from continuing operations		(19,004)	(36,735)
Net loss (income) from discontinued operations	*Note 23*	35	(115)
Net loss		$ (19,039)	$ (36,620)
Other comprehensive gain that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations and reporting currency		(42)	184
Comprehensive loss		$ (19,080)	$ (36,436)
Net loss per share			
Basic and diluted - continuing operations	*Note 16*	$ (0.08)	$ (0.18)
Basic and diluted - discontinued operations	*Note 16*	$ (0.00)	$ 0.00
Weighted average number of shares			
Basic number of shares		228,628,703	198,999,746
Diluted number of shares		275,231,404	262,143,398

Cansortium Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital			Reserves						
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants	Accumulated deficit	Non-controlling interests	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2019	**184,548,361**	**8,947,101**	**$ 149,322**	**$ 2,977**	**$ 7,613**	**$ 11,773**	**$ (123,785)**	**$ (159)**	**$ (563)**	**$ 47,178**
Founders shares return (Note 16 a.)	(14,215,385)	-	(10,970)	-	-	-	10,970	-	-	-
Note payable amendment (Note 16 b.)	14,215,385	-	5,743	-	3,431	-	-	-	-	9,174
Shares returns for sale of interest in subsidiaries (Note 16 c.)	(4,124,166)	-	(3,071)	-	-	-	1,056	159	-	(1,856)
Issuance of shares and warrants (Note 16 d.)	10,189,758	-	2,996	-	-	1,355	-	-	-	4,351
Shares issued for consulting services (Note 16 e.)	1,000,000	-	245	-	-	-	-	-	-	245
Shares returns for sale of interest in Canada subsidiary (Note 16 f.)	(1,500,000)	-	(1,080)	-	-	-	197	-	-	(883)
Shares issued for debenture consent (Note 16 f.)	1,492,854	-	575	-	-	-	-	-	-	575
Warrants and shares issued for professional services (Note 16 g.)	1,250,000		431	-	-	137	-	-	-	568
Shares return for settlement with former partner (Note 16 g.)	-	(4,836,364)		-	-	-	-	-	-	-
Shares issued for convertible debentures amendment (Note 16 h.)	4,626,895	-	1,550	-	-	-	-	-	-	1,550
Founders shares return (Note 16 i.)	(13,008,870)	-	(9,572)	-	-	-	9,572	-	-	-
Shares issued for professional services	408,286	-	155	-	-	-	-	-	-	155
Vesting of professional services shares	905,364	(905,364)	2,303	-	-	-	-	-	-	2,303
Cancellation of professional services shares	-	(1,078,104)	(713)	-	-	-	-	-	-	(713)
Vesting of employee compensation shares	-	-	51	-	-	-	-	-	-	51
Issuance of shares to acquire GSI (Note 10)	2,727,723	-	1,050	-	-	-	-	-	-	1,050
Return of shares from GSI (Note 10)	(2,727,723)	-	(1,180)	-	-	-	-	-	-	(1,180)
Issuance of options	-	-	-	1,698	-	-	-	-	-	1,698
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	-	184	184
Net loss	-	-	-	-	-	-	(36,619)	-	-	(36,619)
Balance, December 31, 2020	**185,788,482**	**2,127,269**	**$ 137,835**	**$ 4,675**	**$ 11,044**	**$ 13,265**	**$ (138,609)**	**$ -**	**$ (379)**	**27,831**
Balance, December 31, 2020	**185,788,482**	**2,127,269**	**137,835**	**$ 4,675**	**$ 11,044**	**$ 13,265**	**$ (138,609)**	**$ -**	**$ (379)**	**$ 27,831**
Issuance of warrants	-	-	-	-	-	45	-	-	-	45
Exercise of warrants	3,033,332	-	1,365	-	-	-	-	-	-	1,365
Issuance of options	-	-	-	1,501	-	-	-	-	-	1,501
Exercise of options	56,287	-	-	-	-	-	-	-	-	-
Shares issued for professional services (Note 16 j.)	1,505,344	-	1,174	-	-	-	-	-	-	1,174
Issuance of share and warrants for note payable extension (Note 16 k.	1,498,264	-	1,049	-	-	1,891	-	-	-	2,940
Private placement issuance of shares and warrants (Note 16 l.)	24,414,279	-	9,970	-	-	4,650	-	-	-	14,620
Issuance of warrants for term loan (Note 16 m.)	-	-	-	-	-	9,018	-	-	-	9,018
Shares issued for convertible debentures repayment (Note 16 n.)	21,555,483	-	17,312	-	(3,565)	-	-	-	-	13,747
Release of restricted stock to acquire GSI (Noe 16 o.)	1,727,269	(1,727,269)	1,705	-	-	-	-	-	-	1,705
Issuance of shares for note payable repayment (Note 16 j, 16p.)	8,426,574	-	7,640	-	(2,546)	-	-	-	-	5,094
Private placement issuance of shares (Note 16 q.)	3,571,428	-	2,607	-	-	-	-	-	-	2,607
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	-	(42)	(42)
Net loss	-	-	-	-	-	-	(19,039)	-	-	(19,039)
Balance, December 31, 2021	**251,576,742**	**400,000**	**180,657**	**6,176**	**4,933**	**28,869**	**(157,648)**	**-**	**(421)**	**62,566**

Cansortium Inc.
Consolidated Statements of Cash Flow
For the years ended December 31, 2021 and 2020
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the years ended December 2021	2020
Operating activities		
Net loss from continuing operations	$ (19,004)	$ (36,735)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Unrealized gain on changes in fair value of biological assets	(14,853)	(17,516)
Realized gain on changes in fair value of biological assets	21,015	18,998
Expected credit loss on note receivable	-	1,286
Inventory reserve	-	1,918
Share-based compensation	4,304	5,744
Depreciation and amortization	9,808	8,097
Accretion and interest of convertible debentures	8,901	7,344
Accretion and interest of term loan	2,700	-
Interest income on notes receivable	(266)	(242)
Loss on disposal of assets	(4)	828
Change in fair market value of derivative	(3,452)	(2,253)
Interest on lease liabilities	2,554	2,516
Loss on investment in associate	-	153
Loss on debt restructuring	-	8,066
Deferred tax expense	(836)	(2,692)
Changes in operating assets and liabilities:		
Trade receivable	122	(4)
Inventory	3,490	7,204
Biological assets	(14,127)	(6,856)
Prepaid expenses and other current assets	(641)	(476)
Other assets	(207)	(134)
Trade payable	3,710	(4)
Accrued liabilities	(1,435)	3,268
Income taxes payable	(6,805)	7,433
Other liabilities	-	149
Net cash provided by (used in) continuing operating activities	(5,026)	6,092
Net cash used in discontinued activities	-	574
Net cash provided by (used in) operating activities	(5,026)	6,666
Investing activities		
Purchases of property and equipment	(21,060)	(5,192)
Purchase of intangible assets	(319)	-
Payment of notes receivable	1,419	372
Advances for notes receivable	(2,180)	(1,405)
Net cash used in continuing investing activities	(22,140)	(6,225)
Net cash provided by discontinued investing activities	29	600
Net cash used in investing activities	(22,111)	(5,625)
Financing activities		
Proceeds from issuance of shares and warrants	17,228	4,351
Issuance of warrants for term loan	9,018	-
Proceeds from issuance of note payable	-	65
Proceeds from issuance of secure term loan	52,659	-
Payment of lease obligations	(4,544)	(4,278)
Exercise of warrants	1,365	-
Issuance of shares for note payable interest and extension expenses	1,049	-
Principal repayments of notes payable	(43,964)	(487)
Net cash provided by (used in) continuing financing activities	32,811	(349)
Net cash provided by (used in) financing activities	32,811	(349)
Effect of foreign exchange on cash and cash equivalents	(42)	184
Net increase (decrease) in cash and cash equivalents	5,632	876
Cash and cash equivalents, beginning of year	3,392	2,516
Cash and cash equivalents, end of year	$ 9,024	$ 3,392

1. NATURE OF OPERATIONS

Cansortium Inc. was incorporated under the laws of the Province of Ontario, Canada pursuant to the Ontario Business Corporations Act. ("OBCA") on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137.

On March 22, 2019, the Company acquired all outstanding units of Cansortium Holdings LLC ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF."

The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania.

The Company's medical cannabis products are offered in oral drops, capsules, topicals, syringes, dried flower, pre-rolls, cartridges, and edibles. All of its products are marketed under the Fluent™ brand name, which was launched in May 2019. Prior to the launch of the Fluent brand the Company had operated under the Knox Medical brand. In Pennsylvania, the Company's product portfolio is comprised of a variety of third-party branded medical cannabis products.

During the year ended December 31, 2019, the Company discontinued its operations in Puerto Rico, Canada and Colombia and, as a result, classified the assets and liabilities associated with these operations as held for sale and investment held for sale, measured at the lower of carrying amount and fair value less costs to sell, and has disclosed such assets separately in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the consolidated statements of loss and other comprehensive loss. The Company completed the sale of its Puerto Rican business on April 28, 2020, and completed the sale of its Canadian business on May 29, 2020. Additionally, on January 22, 2020, the Company reduced its ownership of Cansortium Colombia S.A.S (Cansortium Colombia) to 50% (see Notes 7 and 16 c.) and classified its Cansortium Colombia investment held for sale separately in the statement of financial position.

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the years ended December 31, 2021, and 2020, were generated in the United States.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due for the near future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on June 9, 2022.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial assets, liabilities and biological assets that are measured at fair value.

(c) Functional and Presentation of Currency

The consolidated financial statements are presented in thousands of United States ("U.S.") dollars unless otherwise stated. The functional currency of the Canadian subsidiaries is the Canadian dollar. The functional currency of the Brazilian subsidiary is the Brazilian Reais. The functional currency of the Australian subsidiary is the Australian dollar. The functional currency of the Colombian subsidiary is the Colombian peso.

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

(d) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are considered. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of loss and other comprehensive loss and in the consolidated statement of changes in stakeholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are included in these consolidated financial statements and the ownership interest held as of December 31, 2021 and 2020, respectively.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

	% Ownership December 31, 2021	% Ownership December 31, 2020
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC (Note 23)	100.00%	100.00%
Cansortium Texas, LLC	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
Fluent Servicing, LLC	100.00%	100.00%
Cansortium Brazil Ltda.	100.00%	100.00%
Cansortium Australia Pty. Ltd[1]	—%	50.00%
Cansortium Health Partners, LLC[2]	—%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S. (Notes 7, 16 c.)[3]	50.00%	50.00%
Spirit Lake Road Nursery, LLC	100.00%	100.00%
16171 Slater Road Investors LLC	100.00%	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cloud Nine Capital, LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Fluent Hemp LLC	100.00%	100.00%
Cansortium Beverage Company Inc.	100.00%	100.00%
Cansortium International Inc.	100.00%	100.00%

[1] Cansortium Australia Pty. Ltd was divested during the year ended December 31, 2021 and the Company recognized a nominal gain/loss on the divestment.
[2] Cansortium Health Partners, LLC was dissolved during the year ended December 31, 2021.
[3] Cansortium Colombia S.A.S. was 50% divested in the year ended December 31, 2020 and the Company does not have significant influence over the entity.

(e) Cash and cash equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, and cash held at retail locations.

(f) Inventory

Inventory of harvested work-in-progress and finished goods are valued at the lower of cost or net realizable value. Cost is determined using the average cost method.

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, labor 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 statements of loss and other 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 consolidated statements of loss and other comprehensive loss.

Inventory is measured at lower of cost or net realizable value on the statement of financial position. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs to sell. The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory is written down to net realizable value.

(g) Biological Assets

The Company's biological assets consist of medical cannabis plants which are not yet harvested. In accordance with *IAS 41 "Agriculture"*, the Company is required to record its biological assets at fair value. During the main growth phase, the cost of each plant is accumulated over the grow period after the seed state and until the plant reaches the vegetative state. For the remainder of the growing period, in accordance with *IAS 2 "Inventories"*, the cost of each plant is accumulated, including both direct and indirect costs of production. Pre-harvest costs are capitalized to biological assets and include all direct and indirect costs including labor related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation.

At the point of harvest, the biological assets are transferred to inventory at their fair value less costs to sell. Unrealized and realized gains or losses arising from changes in fair value less cost to sell during the year are included in the consolidated statements of loss and other comprehensive loss. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

(h) Business Combinations

Acquisition of subsidiaries and 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 remeasured 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 statements of loss and other comprehensive loss immediately as a gain or loss on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with *IFRS 9 "Financial Instruments"*, with the corresponding gain or loss being recognized in the consolidated statements of loss and other comprehensive loss.

(i) Property and Equipment, net

Property and equipment are stated at cost (including capitalized borrowing costs), net of accumulated depreciation and impairment losses, if any. Expenditures and costs incurred to acquire or construct an item of property, plant, or equipment or costs subsequently incurred to add to, replace part of, or service it are capitalized. Ordinary repairs and maintenance are expensed as incurred. Property, Plant and Equipment are tangible assets that are held for use in the production or supply of the company's goods and services, for rental to others, or for administration purposes and are expected to be used during more than one period. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

Land	Not depreciated
Furniture and fixtures	7 Years
Computer equipment	3-7 Years
Manufacturing equipment	7 Years
Leasehold improvements	Straight line over the lesser of useful life and term of the lease
Buildings	20 Years
Vehicles	10 Years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and other comprehensive loss in the year the asset is derecognized.

Costs incurred by the Company for tangible assets of Property, Plant, and Equipment that are under construction are capitalized to Property, Plant, and Equipment as incurred. Depreciation on tangible assets under construction does not commence until the assets are ready for use, that is, when the assets are in the location and condition capable of operating in the manner intended by management. Depreciation on Property, Plant and Equipment ceases when the asset is no longer available for use, or when management has determined a plan for sale that is highly probable, and the assets are available for sale in their present condition and subject to terms that are usual and customary for the sale of such assets.

The Company's policy on impairment of Property, Plant and Equipment is included in 2(p) Impairment of Non-Financial Assets.

(j) Right of Use Assets and Lease Obligations

The right-of-use asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, along with any lease payments made to the lessor before the lease commencement date, in addition to any initial direct costs incurred, excluding any lease incentives received.

Lease obligations are calculated as present value of the lease payments at the lease commencement date that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

After the commencement date, the Company recognizes depreciation and impairment of the right-of-use asset and the interest on the lease liability in the consolidated statement of loss and other comprehensive loss. Depreciation on Right of Use Assets is calculated based on the shorter of the lease term and the estimated useful life, range from 5 to 12 years. Lease payments that are not fixed and vary based on a variable other than an index or rate are expensed as incurred.

(k) Non-controlling Interests

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original acquisition plus the non-controlling interests' share of changes in equity since the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

(l) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of loss and other comprehensive loss as incurred.

Cannabis licenses and intellectual property acquired in a business combination are recognized initially at fair value at the acquisition date and have an indefinite useful life. The cannabis license in Florida has an indefinite useful life. Cannabis license fees in Texas are capitalized and amortized on a straight-line basis over the term of the license. Trademarks and brands acquired in a business combination are recognized initially at fair value at the acquisition date and amortized on a straight-line basis, using the following amortization terms:

Trademarks and brands	5 years
Licenses Fees (Texas)	2 years

The estimated useful life and amortization method are reviewed at the end of each reporting year with the effect of any changes in estimate being accounted for on a prospective basis.

(m) Goodwill

Goodwill represents the excess of the purchase price paid for business combination acquisitions over the fair value of the net tangible and intangible assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(n) Impairment of Non-Financial Assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortization and, in accordance with the Company's policy, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

(o) Derivative Liabilities

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are re-measured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Black-Scholes model or the Monte-Carlo simulation model. Critical estimates and assumptions used in the model are discussed in Note 13.

(p) 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.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for 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 differences in the tax based and accounting cost base that will not resolve between ordinary and necessary business expenses deemed unallowable under IRC Section 280E.

Current Tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue

The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has paid for the goods.

The Company has a loyalty rewards program (the “Loyalty Program”) that allows customers to earn loyalty points to be used on future purchases. The Company estimates the stand-alone selling price of the loyalty points awarded under the Loyalty Program. The stand-alone selling price is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points. In estimating the redemption rate the Company considers breakage which represents the portion of the points issued that will never be redeemed. The redemption rate is updated on a quarterly basis and the liability for unredeemed loyalty points is adjusted accordingly. In estimating the fair value of the loyalty points issued the Company considers the products available to customers in exchange for loyalty points and customers’ preferences. The Company ensures the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption.

The Company has implemented an expiry date for unredeemed loyalty points with the first date loyalty points expired being March 10, 2022 for all points earned on or before March 10, 2021. As a result, all loyalty points issued after March 10, 2021 expire after one year.

(r) Share Based Compensation

The Company measures equity settled share-based payments based on their fair value at the grant date based on the Black-Scholes model and recognizes compensation expense over the vesting period based on the Company’s estimate of equity instruments that will eventually vest. The impact of the revision of the original estimate is recognized in the consolidated statements of loss and other comprehensive loss. For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Basic and Diluted Net Loss per Share

Basic (loss) earnings per share ("EPS") is calculated by dividing the net (loss) income attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted EPS is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted (loss) earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. When a loss is incurred during a period, basic and diluted loss per share are the same because the exercise of share equivalents is then considered to be "anti-dilutive."

(t) Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred, using the effective interest method. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use.

(u) Financial Instruments *(See also Note 20)*

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 ("FVTPL"), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured FVTPL are expensed in the consolidated statement of loss and other comprehensive loss when incurred.

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 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 the consolidated statements of loss and other comprehensive loss when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- 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.
- 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 based on 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company assesses whether 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. For the years ended December 31, 2021 and 2020, the Company had no credit-impaired financial assets.

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

A financial asset not carried at fair value is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or, in the case of amounts receivable, are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expires, or when a transaction qualifies as a transfer.

Financial Liabilities

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.

Classification and Subsequent Measurement

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

Derecognition of financial liabilities

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

Classification of financial assets and financial liabilities
The Company's financial assets and liabilities are classified as outlined below:

	Classification
Cash and cash equivalents	FVTPL
Trade receivable	Amortized cost
Investment held for sale	FVTPL
Note receivable	Amortized cost
Trade payable	Amortized cost
Accrued liabilities	Amortized cost
Derivative liabilities	FVTPL
Notes payable	Amortized cost
Other current liabilities	Amortized cost
Other long-term liabilities	Amortized cost

(v) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. 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 review affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

(i) Biological Assets and Inventory

In calculating the value of biological assets and inventory, management is required to make several estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, average or expected selling prices and expected yields for the plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. Further information on estimates used in determining the fair value of biological assets is included in Note 4.

(ii) Estimated Useful Lives and Depreciation of Property and Equipment, and Intangible Assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives based on management's judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts considering factors such as economic and market conditions and the useful lives of assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill and indefinite life intangible asset impairment testing require management to make estimates in the impairment testing model. Annually, the Company tests whether goodwill and indefinite life intangible assets are impaired. Impairment of definite long-lived assets is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of goodwill, indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

(iii) Customers Loyalty Program

In calculating the customers loyalty points liability, the Company used historical and industry forfeiture rates. The key assumptions used for the rate is based on 3 years lookback of the Company's customers behavior in comparison to Florida as well as the national forfeiture rates.

(iv) Derivative Liabilities

In calculating the fair value of its derivative liabilities, the Company uses either the Black-Scholes option-pricing model or the Monte-Carlo simulation model, for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the models are similar and include the expected future volatility in the price of the Company's shares, the fair value of the price of the Company's shares and the expected life of the underlying instrument.

(v) Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(vi) Business Combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition and in determining date of acquisition. Estimates including market based values and appraisal values are used in determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration. The contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with *IFRS 9 "Financial Instruments"*, or *IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured based on the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred, and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control and the amount of any noncontrolling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(vii) COVID-19 outbreak

Since February 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. As a result, the Governments of Canada and the U.S. have instituted various recommendation and laws to help limit its spread. The duration and impact of the COVID-19 pandemic is unknown at this time. The Company continues to monitor COVID-19 developments and its production facilities have continued operations.

(viii) Convertible debentures

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ix) Expected credit loss on note receivable

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

(x) Going concern

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

(xi) Control over Green Standard LLC (collectively, "Green Standard" or "GSI")

The Company does not have any joint control over GSI or the ability to exert significant influence due to the following reasons:

i. The Company does not exert power over the investee
ii. The Company is not exposed or have rights to variable returns from involvement with investee; and
iii. The Company does not have the ability to use power over the investee to affect the amount of those returns.

The Company leases property (the "Bangor Facility") to GSI that is used for cultivation and production of medical cannabis. The net profit generated by GSI are allocated based on the following restrictions:

(a) 65% of the net profit shall be used to reduce the aggregate principal amount outstanding under the Green Standard Note until it is reduced to zero. The remaining 35% of the net profit shall be eligible for distribution to the GSI shareholders
(b) Following the note repayment, 50% of the net profit shall be eligible for distribution to the GSI shareholders.

In the event that the Company no longer wishes to continue funding the Green Standard Note:

- The Green Standard Note will be deemed as settled with no remaining obligations from GSI
- The Company will have no further obligations to make any future payments to GSI
- The escrowed shares shall be released to the GSI shareholders
- The Company shall convey to GSI for no additional consideration, the Bangor Facility and any other tangible assets of the Company or its affiliates located in the State of Michigan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

On May 19, 2021, the 1,727,269 restricted common shares to Green Standard shareholders were released from escrow resulting in an increase of $1,677 to its deposit to acquire Green Standard (see Notes 13 and 16 p.). The balance of the shares in deposit as December 31, 2021, representing the amount of the released restricted shares at $1.01 per share, was $2,727.

As at December 31, 2021, the Company has not completed the acquisition of GSI as the accumulated distributions made to the GSI shareholders totaled $277.

(xii) Income taxes and recoverability of potential deferred tax assets

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

(w) New, amended and future IFRS pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

The following is a brief summary of the new standards issued but not yet effective:

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (“Amendments to IAS 1”). The Amendments to IAS 1 aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of the adoption of this amendment has not yet been determined.

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

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The extent of the impact of the adoption of this amendment has not yet been determined.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

3. INVENTORY

As of December 31, 2021 and December 31, 2020, inventory consisted of the following:

	December 31, 2021	December 31, 2020
Supplies, packaging and materials	$ 2,139	$ 711
Work in progress	4,489	1,824
Finished goods	2,353	2,471
Balance at end of year	**$ 8,981**	**$ 5,006**

Inventory material costs included in cost of goods sold during the years ended December 31, 2021 and 2020, were $9,302 and $7,667, respectively. Salaries and benefits charged to cost of goods sold for the years ended December 31, 2021 and 2020, were $7,204 and $4,761, respectively. Capitalized depreciation expensed to costs of sales for the years ended December 31, 2021 and 2020 was $3,424 and $1,925, respectively.

During the years ended December 31, 2021, and 2020, the Company recorded an impairment loss of $0 and $1,738, respectively, to reflect net realizable value adjustments related to its Texas inventory. As of December 31, 2021, and December 31, 2020, inventory was recorded net of impairment provision of $1,738.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the years ended December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of period	$ 1,914	$ 3,845
Cost incurred until harvest	14,127	6,856
Effect of unrealized change in fair value of biological assets	14,853	17,516
Transferred to inventory upon harvest	(27,597)	(26,303)
Balance at end of period	**$ 3,297**	**$ 1,914**

As of December 31, 2021, all biological assets were live plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 in the IFRS 13 fair value hierarchy as there is no actively traded commodity market for plants or dried product. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets which will affect the amount reflected in the gain or loss on biological assets in future periods.

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

Assumptions:	**As at December 31, 2021**		**As at December 31, 2020**	
	Input	**10% Change**	**Input**	**10% Change**
(i) Weighted average of expected loss of plants until harvest (a)	27%	$64	25%	$33
(ii) Expected yields for cannabis plants (average grams per plant) (b)	45	$330	13	$191
(iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end	27%	$330	50%	$191
(iv) Estimated selling price per gram (c)	$10.14	$338	$10.81	$94
(v) Cost to sell per gram per flower and trim, respectively	$6.88 | $2.09	$63	$4.83 | $8.22	$77

(a) Weighted average of expected loss of plants until harvest represents the expected loss of plants that will not survive to the point of harvest. It does not include any financial loss on a surviving plant.
(b) Expected average yields for cannabis plants vary based on the mix of strains existing at each reporting date.
(c) The estimated selling price per gram represents the actual sales price for the Company's various strains sold as retail products. The selling price is impacted by the mix of expected THC levels from the plants.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

4. BIOLOGICAL ASSETS *(Continued)*

The Company estimates the harvest yields for cannabis at various stages of growth. As of December 31, 2021, it is expected that the Company's biological assets will yield approximately 2,287,825 grams of dry cannabis when harvested (2020 – 1,345,701 grams).

As of December 31, 2021 and 2020, the Company had 69,627 and 85,268 plants that were classified as biological assets, respectively.

5. NOTE RECEIVABLE

In connection with the Company's agreement entered into in October 2018 with Green Standard Holdings LLC, Green Standard Cultivation LLC and Green Standard, Inc. (collectively, "Green Standard" or "GSI") to acquire the assets of Green Standard (see Notes 10 and 16 o.), the Company entered into a line of credit note with GSI (the "Green Standard Note"), pursuant to which the Company agreed to make advances to Green Standard in connection with the Michigan cultivation and operational expenses in an aggregate principal amount, not to exceed at any one time, up to $14,700.

The Green Standard Note initially bear interest at a rate of 2.7% per annum and is payable no later than the earlier of three years from the Green Standard Note issuance date.

On May 19, 2020, in conjunction with the amending agreement to acquire GSI, the Company amended the terms of the Green Standard Note to reduce the principal amount available not to exceed at any one-time outstanding balances of $7,500 and to increase the interest rate to 5% per annum.

A reconciliation of the beginning and ending balances of the Green Standard Note receivable for the years ended December 31, 2021 and 2020, is as follows:

		December 31, 2021		December 31, 2020
Balance at beginning of year	$	4,101		3,870
Advances		1,938		1,647
Payments		(1,419)		(372)
Interest		266		242
Reserve for expected credit losses		-		(1,286)
Balance at end of year	**$**	**4,886**	**$**	**4,101**

The expected loss rate is based on the likelihood of the completion of the acquisition of GSI, the recovery of the note receivable amount against the expected GSI net profit, and any historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as changes in market interest rates and market default rates in similar jurisdictions, for similar entities, with similar credit facilities affecting the ability to settle the Green Standard Note receivable. The Green Standard Note receivable was considered to have low credit risk, and the loss allowance recognized during the year was therefore limited to 12 months' expected losses. Management considered an equivalent CCC rating for the Green Standard Note receivable.

During the years ended December 31, 2021 and 2020, the Company recorded expected credit loss adjustment of $0 and $1,286, respectively, related to the Green Standard Note receivable. Interest income for the years ended December 31, 2021 and 2020, was $266 and $188, respectively.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2021	December 31, 2020
Prepaid insurance	$ 588	$ 477
Prepaid rent	-	43
Prepaid consulting fee	510	-
Other prepaid expenses	100	821
Deposits	579	23
Other current assets	230	1
Balance at end of year	**$ 2,007**	**$ 1,365**

7. INVESTMENTS HELD FOR SALE

Cansortium Colombia S.A.S

On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Cansortium Inc. previously issued to acquire 100% of Cansortium Colombia (see Note 16 c.), thereby reducing its ownership of Cansortium Colombia to 50%. In connection with this change, the Company classified its non-controlling investment in Cansortium Colombia as investment held for sale on the Company's consolidated statement of financial position in the amount of $200 as of December 31, 2021 and December 31, 2020:

	Cansortium Colombia
Balance as of December 31, 2019 - Investment held for sale	$ 1,810
Disposal of 50% of investment	(905)
Loss on change in fair value of Investment held for sale	(705)
Balance as of Decemeber 31, 2021 and 2020 - Investment held for sale	**$ 200**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment for the years ended December 31, 2021 and 2020, is as follows:

	Land	Furniture and fixtures	Computer equipment	Manufacturing equipment	Leasehold improvements	Buildings	Construction in progress	Vehicles	Total
Cost									
Balance as of January 1, 2020	$ 211	$ 647	$ 629	$ 4,727	$ 13,511	$ 84	$ 2,176	$ 431	$ 22,416
Additions	-	92	78	467	-	-	4,649	93	5,379
Construction completed	-	177	8	538	3,834	-	(4,556)	-	-
Disposals	-	(77)	(1)	(107)	(1,808)	-	(142)	(101)	(2,236)
Balance as of December 31, 2020	211	838	714	5,625	15,537	84	2,127	423	25,560
Accumulated depreciation									
Balance as of January 1, 2020	-	106	284	693	2,140	(4)	-	69	3,288
Additions	-	111	196	732	2,898	-	-	53	3,989
Disposals	-	(12)	(1)	(29)	(1,160)	-	-	(33)	(1,235)
Balance as of December 31, 2020	-	205	479	1,396	3,878	(4)	-	89	6,043
Property and equipment, net	**$ 211**	**$ 633**	**$ 235**	**$ 4,229**	**$ 11,659**	**$ 88**	**$ 2,127**	**$ 334**	**$ 19,517**
Cost									
Balance as of January 1, 2021	211	838	714	5,625	15,537	84	2,127	423	25,558
Additions	1	63	959	2,381	8,033	(84)	9,593	130	21,076
Construction completed	-	135	101	1,299	8,723	-	(10,259)	-	-
Disposals	-	-	-	-	-	-	-	(164)	(164)
Balance as of December 31, 2021	212	1,036	1,774	9,305	32,293	-	1,462	389	46,471
Accumulated depreciation									
Balance as of January 1, 2021	-	205	479	1,396	3,878	(4)	-	89	6,043
Additions	-	142	246	1,080	4,813	4	-	43	6,328
Disposals	-	-	-	-	-	-	-	(61)	(61)
Balance as of December 31, 2021	-	347	725	2,477	8,692	-	-	70	12,310
Property and equipment, net	**212**	**689**	**1,049**	**6,829**	**23,602**	**-**	**1,462**	**319**	**34,160**

For the years ended December 31, 2021 and 2020, the Company charged $4,307 and $2,103 of depreciation to the production of biological assets and inventory. For the years ended December 31, 2021 and 2020, capitalized borrowing costs were $0 and $187, respectively.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

9. INTANGIBLE ASSETS

Intangible assets consist of cannabis licenses and trademarks and brands. The Company's Florida license was identified as having an indefinite life on the acquisition of Fluent as the Company determined that the license did not have any legal, regulatory, contractual, competitive, economic, or other factors to limit its useful life to the Company on acquisition date.

A reconciliation of the beginning and ending balances of intangible assets for the years ended December 31, 2021 and 2020, is as follows:

	Licenses	Trademarks and brands	Total
Balance as of January 1, 2020			
Cost	$ 94,169	$ 8,850	$ 103,019
Balance as of December 31, 2020	94,169	8,850	103,019
Balance as of January 1, 2020			
Accumulated amortization	568	3,884	4,452
Additions	168	1,364	1,532
Balance as of December 31, 2020	736	5,248	5,984
Intangible assets, net	**$ 93,433**	**$ 3,602**	**$ 97,035**
Balance as of January 1, 2021			
Cost	$ 94,169	$ 8,850	$ 103,019
Additions	319	-	319
Balance as of December 31, 2021	94,488	8,850	103,338
Balance as of January 1, 2021			
Accumulated amortization	736	5,248	5,984
Additions	168	1,364	1,532
Balance as of December 31, 2021	904	6,612	7,516
Intangible assets, net	**$ 93,584**	**$ 2,238**	**$ 95,822**

Amortization expense for the years ended December 31, 2021 and 2020, was $1,532 and $1,532, respectively.

10. DEPOSIT (INVESTMENT)

Green Standard

On October 8, 2018, Cansortium Holdings LLC, entered into an agreement with Green Standard Holdings, LLC and Green Standard, Inc., collectively ("Green Standard" or "GSI") to acquire the cultivation, production and retail licenses applied for by Green Standard Cultivation LLC, Green Standard Processing LLC and Green Standard Retail LLC, for a purchase price of $7,500 payable through the issuance of 2,727,273 units of Cansortium Holdings LLC at a price equal to $2.75 dollars per shares (see Notes 13 and 16) , subject to forfeiture as follows: (a) 1,000,000 shares would be forfeited if regulatory approval of the twelve Class C licenses is not received prior to December 31, 2019; (b) 727,273 units would be forfeited if $1,000 of retail sales are not achieved in Michigan by the Company or its affiliates on or before January 1, 2021; and (c) the remaining 1,000,000 units would be forfeited if $2,000 of retail sales are not achieved in Michigan by the Company and/or its affiliates on or prior to January 1, 2022; provided, however, that with respect to (b) and (c), if the Company and/or its affiliates fails to open one dispensary in Michigan prior to January 1, 2020, the sales threshold requirements would be based on wholesale sales in Michigan by the Company and/or its affiliates to third-party retail locations.

10. DEPOSIT (INVESTMENT) *(Continued)*

On May 19, 2020, the Company amended and restated the abovementioned agreement pursuant to which Cansortium Michigan, LLC, the Company's indirect wholly-owned subsidiary, intends to acquire 100% of the outstanding shares of Green Standard. Under the amended terms, Green Standard shareholders will receive $10 million in aggregate consideration to consist of common shares and proportionate voting shares exchangeable into an aggregate of 2,727,269 common shares of the Company, which were escrowed until May 15, 2021, plus cash consideration for the difference between the fair value of a common share (as valued per the agreement) and total purchase price of $10,000,000 to be generated by profits from Green Standard's Michigan business. The same number of shares of the Company that were previously issued to Green Standard shareholders and subject to vesting conditions were returned to treasury for cancellation and removal of the equity price guarantee that existed as through May 19, 2021. The balance of the shares in deposit as of December 31, 2020, representing the amount of restricted shares at $0.39 per share, was $1,050. During the year ended December 31, 2020, a loss of investment of $153 was recognized for the Company’s share of loss in Green Standard.

11. GOODWILL

Goodwill as of December 31, 2021 and 2020 was $1,526, respectively.

Annual impairment testing involves determining the recoverable amount of the CGU’s to which goodwill and indefinite life intangibles are allocated and comparing this to the carrying value of the CGU. The carrying value of the indefinite life intangibles as at December 31, 2021 is $93,256. The value in use of the CGU was calculated using a discounted cash flow model and level 3 inputs. The value in use was determined to be greater than the CGUs’ carrying value, therefore the Company did not further assess the fair value less costs of disposal of the CGU. The key assumptions used in the estimates of the recoverable amounts are described below:

- Cash flows were projected based on the Company's long-term business plan. The business plan contains forecasts based on actual operating results in conjunction with anticipated future growth opportunities, as well as industry and market trends. The forecasts were extended to a total of five years (with a terminal year thereafter). Revenue annual growth rate of 6% was based on new stores opening over the next few years (2020 – 5%).
- The terminal growth rate of 3% was based on historical and projected industry data (2020 – 2%).
- The pre-tax discount rate applied in determining the recoverable amount of the CGU was 25.5% (2020 – 28%). The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU, other competitors in the industry and adjusted for risks in the cash flow.

As of December 31, 2021 and 2020, the Company did not have an impairment to its goodwill and indefinite life intangibles.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

12. INCOME TAXES

Income tax for the years ended December 31, 2021 and 2020 consisted of the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Provision for income taxes:		
Current Tax Expense	$ 8,482	$ 9,028
Deferred Tax Expense	(836)	(2,692)
Total current income taxes	**$ 7,646**	**$ 6,336**

The income tax expense for the years can be reconciled to the accounting income (loss) as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Tax at U.S. statutory rate of 21%	$ (3,306)	$ (6,359)
State taxes, net of federal impact	1,275	901
Non-deductible items	9,709	10,816
Return-to-provision true-ups	(71)	-
Foreign tax rate differential	(11)	(250)
Change in statutory rates	39	-
Change in tax benefits not recognized	(54)	1,228
Other, net	65	-
Total	**$ 7,646**	**$ 6,336**

Cansortium Inc. intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax. However, for Canadian tax purposes, Cansortium Inc. is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the “ITA”) for Canadian income tax purposes. As a result, Cansortium Inc. will be subject to taxation both in Canada and the United States.

As a result of the acquisition of the units of Cansortium Holdings, LLC on March 22, 2019 the Company accounts for income taxes in accordance with IAS 12 - Income Taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases. As a result of the transaction, the Company recorded a deferred tax liability of $22,285 with a corresponding adjustment to equity during the year ended December 31, 2019.

All income prior to this acquisition was taxed directly to the unitholders of Cansortium Holdings, LLC, as a pass-through entity. Accordingly, no income tax assets or liabilities were recognized for the period from January 1, 2019 to March 22, 2019.

The Company has unused tax losses and other attributes of $7,481 and $7,673 in various foreign jurisdictions for the years ended December 31, 2021 and 2020, respectively, and $12,643 of capital loss carryforwards in the United States as of December 31, 2021 and 2020. No deferred tax asset has been recognized as the utilization of these losses and other tax attributes is not likely in the future.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

12. INCOME TAXES *(Continued)*

The tax effects of the temporary differences giving rise to the deferred tax liability are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Deferred income tax liabilities:		
Property and equipment	$ 2,528	$ 3,122
Intangible assets	18,613	18,479
Convertible debentures	—	1,666
Biological assets	422	204
Total deferred income tax liabilities	$ 21,563	$ 23,471

Movement in net deferred tax liabilities:

	Year ended December 31, 2021	Year ended December 31, 2020
Movement in net deferred tax liabilities:		
Balance at the beginning of the year	$ 23,471	$ 24,957
Recognized in profit/loss	(836)	(2,692)
Recognized in equity	(1,072)	1,206
Ending balance in deferred income tax liabilities	**$ 21,563**	**$ 23,471**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

13. DERIVATIVE LIABILITIES

A reconciliation of the beginning and ending balances of the equity price guarantee derivative liabilities from the time of issuance and during the years ended December 31, 2021 and December 31, 2020, is as follows:

		$
Balance as of January 1, 2019	$	10,810
Fair value of derivative liabilities on issuance date		8,417
Fair value change in derivative liability		(328)
Convertible debentures reclassified to equity		(5,701)
Balance as of December 31, 2019	**$**	**13,198**
Balance as of January 1, 2020		13,198
Fair value change from note payable amendment		(1,442)
Fair value change		(1,065)
Removal of GSI equity price guarantee		(3,279)
Balance as of December 31, 2020	**$**	**7,412**
Fair value change		(3,452)
Balance as of December 31, 2021	**$**	**3,960**

Price Guarantees are recorded as a liability measured at fair value on the consolidated statement of financial position. In determining the fair value of the price guarantee, these liabilities are marked–to–market at each reporting period with the change in fair value recorded in the consolidated statements of loss and other comprehensive loss.

Fluent Servicing Acquisition

In connection with the acquisition of the remaining interest of Fluent Servicing on August 15, 2018, the Company issued 4,400,000 membership interest units of Cansortium Holdings LLC that were exchanged into 4,400,000 common shares of Cansortium subject to a price floor of $2.75 (“Equity Price Guarantee”), expiring on March 21, 2021.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing (see Note 14 (b)), as well as the terms pertaining to the Equity Price Guarantee, reducing the price floor from $2.75 to $0.65 per share for the 4,400,000 common shares originally issued and agreeing to transfer to the seller, Can Endeavour LLC (“Can Endeavour”) an additional 14,215,385 common shares (or equivalent proportionate voting shares) that were previously returned by the Company’s founders, subject to a price floor of $0.65 per share which expires on May 23, 2023.

The Company used a Monte-Carlo simulation model to estimate the fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company’s shares and the expected life of the Equity Price Guarantee. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

13. DERIVATIVE LIABILITIES *(Continued)*

On May 6, 2021, the Company satisfied its obligations under the Amended Note payable dated January 16, 2020 (see Note 14 (b)), in the principal amount of $12,933 to Can Endeavour. Pursuant to the terms of the Amended Note, Can Endeavour elected to convert the principal amount of the Amended Note into 21,555,483 common shares of the Company at a price of $0.60 per share. The common shares have been issued by the Company to Can Endeavour and all accrued interest on the Amended Note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the Amended Note.

The following assumptions were used to value the Equity Price Guarantee derivative liability using the Monte-Carlo simulation model as of April 30, 2021, March 31, 2021 and December 31, 2021 and 2020:

	December 31, 2021	April 30, 2021	March 31, 2021	December 31, 2020
Volatility	75.00%	116.02%	117.46%	100.00%
Risk-free interest rate	0.91%	0.29%	0.23%	0.20%
Expected life (years)	1.4 years	2.1 years	2.2 years	2.5 years
Share price	$0.66	$1.07	$0.76	$0.76
Exercise price	$0.65	$0.65	$0.65	$0.65

During the years ended December 31, 2021 and 2020, the Company recorded a gain of $3,452 and $2,253, respectively, on the revaluation of the Equity Price Guarantee derivative liability.

Green Standard

In connection with the agreement to buy the shares of Green Standard on October 5, 2018, (see Note 16 o., Note 10) and amended on January 1, 2019, the Company issued 2,727,269 of shares of Cansortium Inc. valued at $2.75 per unit and subject to a price floor of $2.75 ("GSI Equity Price Guarantee"). The agreement was amended and restated on May 19, 2020, to, among other things, eliminate the GSI Equity Price Guarantee.

The Company used a Black-Scholes simulation model to estimate fair value of the GSI Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the GSI Equity Price Guarantee and recorded the change in fair value of the derivative liability of $2,596 in the consolidated statement of loss and other comprehensive loss at issuance date. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

The following range of assumptions were used to value the GSI Equity Price Guarantee derivative liability as of May 21, 2020:

	May 21, 2020
Volatility	100.00%
Risk-free interest rate	0.17%
Expected life (years)	0.61 years
Share price	$0.39
Exercise price	$3.67

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

13. DERIVATIVE LIABILITIES *(Continued)*

During the year ended December 31, 2020, the Company recorded a loss of $ $100 on the revaluation of the GSI Equity Price Guarantee derivative liability.

14. NOTES PAYABLE

As of December 31, 2021 and 2020, notes payable consisted of the following:

	December 31, 2021	December 31, 2020
Automobile loan (a)	$ 52	$ 81
Notes payable (b)	-	12,637
Convertible debentures - $10M Convertible Note (c)	-	10,000
Convertible debentures - $27M Convertible Note (d)	-	28,209
Senior Secured Term Loan (e)	53,317	-
Equipment loan (f)	924	838
Total notes payable	54,293	51,765
Less current portion of notes payable	(619)	(38,583)
Notes payable, net of current portion	**$ 53,674**	**$ 13,182**

(a) Automobile Loan

Notes payable collateralized by vehicles purchased, bearing interest ranging from 4.59% to 5.44% per annum, maturing through December 2025.

(b) Notes Payable

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition that was issued to Can Endeavour of Fluent Servicing units and amended on January 1, 2019 (the “Amended Note”) as well as the terms pertaining to the Equity Price Guarantee (see Note 13). The Amended Note extended the maturity date to December 1, 2022, including any principal payments and deferred cash payment of interest until April 1, 2020. In addition, at the option of the holder of the Amended Note, the Amended Note was convertible into common shares of the Company at any time at a price of $0.60 per share. The conversion option met the fixed-for-fixed criteria and as such was accounted for as an equity instrument.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

14. NOTES PAYABLE *(Continued)*

The amendment of the agreement was assessed to be a substantial modification and required immediate de-recognition of the loan and the recognition of a new loan. In connection with the January 16, 2020, promissory note restructuring, the Company recorded a loss on debt restructuring of $8,065 in the consolidated statement of loss and other comprehensive loss during the year ended December 31, 2020, as follows:

		December 31, 2020
Shares issuance (Note 16 b.)	$	5,743
Conversion feature		4,637
Accrued interest		(873)
Fair value change in derivative (Note 13)		(1,442)
Debt restructuring loss	**$**	**8,065**

On May 6, 2021, the Company satisfied its obligations under the Amended Note when Can Endeavour elected to convert the principal amount of the Amended Note into 21,555,483 common shares of the Company based on the conversion rate of $0.60 per share. The common shares have been issued by the Company to Can Endeavour and all accrued interest on the Amended Note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the Amended Note (See Note 13 and 16 n.). The carrying value of the notes payable at conversion was $12,675. This amount was transferred to common shares and $3,565 was reclassified from the equity conversion feature reserve.

(c) Convertible Debentures - $10M Convertible Debenture

On February 15, 2019, the Company issued a series of convertible notes in the aggregate principal amount of $10,000 in exchange for cash proceeds of $10,000 (the "$10M Convertible Note"). In connection with the issuance of the $10M Convertible Note, the Company paid cash of $600 for debt issuance fees. The debt issuance fees were subsequently expensed in the period.

On August 15, 2020, the Company extended the maturity date of the $10M Convertible Note to December 31, 2020, and issued 4,361,071 common shares of the Company at a deemed value in accordance with the convertible note agreement of $0.45 per common share in satisfaction of all unpaid interest on the $10M Convertible Note accrued up to August 15, 2020, in the amount of $1,962. The Company also agreed to pay an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the $10M Convertible Note as of August 15, 2020, satisfied by the Company through the issuance of 265,824 common shares of the Company at $0.45 per share to the noteholders on a pro-rata basis, recorded as interest expense in the statement of loss and other comprehensive loss (see Note 16 h.). The fair value of the shares issued were $0.33 per share on the date of the transaction.

On January 31, 2021, the Company extended the maturity date of the $10M Convertible Note to December 1, 2022, and issued 1,263,407 common shares of the Company in satisfaction of all accrued interest on the $10M Convertible Note accrued up to January 31, 2021, in the amount of $569. The Company paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the $10M Convertible Note as of January 31, 2021, satisfied by the Company through the issuance of 234,857 common shares of the Company and 5,000,000 warrants to the noteholders on a pro-rata basis (see Note 16 k.). The fair value of the shares on the date of grant was $0.70. Each warrant is exercisable at $0.60 until December 1, 2022 and valued at $0.38 each based on the following assumptions used in the Black-Scholes model: exercise price of $0.60, underlying share price of $0.70, risk-free interest rate of 0.11% and annualized volatility of 100%.

14. NOTES PAYABLE *(Continued)*

On May 7, 2021, the Company exercised its right to redeem the maximum of $5 million of the $10 million Convertible Notes. As a result of this redemption, the aggregate principal amount that remained outstanding on the $10M Convertible Notes was $5 million. The redemption resulted in a gain on early repayment of $42.

Under the terms of the $10M Convertible Note, the Company had the right to force the conversion of all amounts outstanding thereunder upon the Company share price closing at $0.96 or greater for thirty consecutive trading days with an average trading volume over that period of at least 100,000 shares. On June 28, 2021, the Company exercised its right under the $10M Convertible Note to force the conversion of the remaining outstanding balance of the $10M Convertible Note into common shares of the Company. As a result, all obligations under the $10M Convertible Note have been satisfied and are thus cancelled (See Note 16 p.). The carrying value of the remaining note was $5,094 on the date of conversion. This amount was transferred to common shares upon conversion along with $2,546 which was reclassified from the equity conversion feature reserve.

During the years ended December 31, 2021 and 2020, the Company recorded interest expense of $508 and $1,376 and accretion expense of $0 and $3,083, respectively.

(d) Convertible Debentures - $27M Convertible Debenture

On May 23, 2019, the Company issued secured convertible debentures ("Secured Convertible Debentures") in exchange for gross proceeds of $27,144, bearing interest of 12% per annum, with quarterly 6% interest payments of remaining accrued interest paid at the maturity date of 24 months from issuance. The holders of the Secured Convertible Debentures may convert the principal amount into shares of the Company at a price of $2.10 per share. At the subscription of the Secured Convertible Debentures, each investor was also issued 292 common share purchase warrants for each one thousand dollars of the principal amount from $25,144 of the total gross proceeds, to purchase of shares at an exercise price of $2.40 per share at any time prior to March 21, 2021.

At the subscription of the Secured Convertible Debentures, each investor was also issued a warrant ("Warrant Shares") to purchase shares of the Company. The total number of Subscription Warrants issued were 7,342,048. The holders of the Warrant Shares convert the principal amount into shares of the Company at a price of $2.40 per share. These Subscription Warrants were issued based on the original amount invested into the Secured Convertible Debentures. The Subscription Warrants expired on May 23, 2021.

In connection with the issuance of the Secured Convertible Debentures, the Company paid cash of $1,172 for debt issuance fees.

The Agent received a cash fee equal to 4% of the gross receipt of the debenture issued in the offering. The Agent received 478,933 options at an exercise price of $2.10 any time until May 23, 2021. Each broker warrant entitles the holder to acquire one conversion unit at an exercise price of $2.10 any time until May 23, 2021.

On April 29, 2021, with the proceeds from the $71 Million Senior Secured Term Loan, the Company repaid in full the Convertible Debenture. This early repayment resulted in the recognition of a loss on early repayment of $235.

14. NOTES PAYABLE *(Continued)*

(e) Senior Secured Term Loan (the "Term Loan")

On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of $71,000. The Term Loan bears interest of 13% per annum, payable quarterly, with a maturity date of April 29, 2025. In connection with the transaction, 12.5 million warrants with an exercise price of $1.20 were issued to certain participants in the Term Loan (See Note 16 m.). Subject to certain conditions of the Term Loan, the Company has the ability to prepay the Term Loan as well as to increase the Term Loan by up to $20 million. The Company assessed the prepayment option and determined that it is closely related as the exercise price of the option approximates the amortized cost of the note, and as such did not recognize a derivative instrument. The warrants had a down-round protection feature applicable for the first 60 days after the issuance of the warrants, which reduced the exercise price in the event the Company issued shares during the period for less than the exercise price. As a result, the warrants failed fixed-for-fixed criteria and were accounted for as a derivative liability for the first 60 days accounted for at FVTPL. The Company valued the warrants at $11,207 based on the following assumptions used in the Black-Scholes model: exercise price of $1.20, underlying share price of $1.20, expected life of 4 years, risk-free interest rate of 0.77% and annualized volatility of 113%.

The Company incurred a total of $4,944 of transactions in relation to the Term Loan. The Company allocated $4,164 of transaction costs to the debt and immediately expensed $780 allocated to the warrants. The fair value of the debt component was measured as the residual value of $52,659 following the deduction of the warrants value and the transaction costs from the total proceeds received of $68,030.

As part of the Term Loan, the Company is required to be in compliance with the following financial covenants:

- Minimum liquidity of $2,500 as at December 31, 2021.
- Minimum debt service coverage ratio of 2.0x.

On June 28, 2021, the down-round protection feature expired triggering the warrants to meet fixed-for-fixed criteria and the Company accounted for the warrants as equity instruments. The Company revalued the warrants at $9,018 with a gain of $2,189 recognized on the change in fair value and reclassified the outstanding balance to warrants in equity. The Company valued the warrants at $9,018 based on the following assumptions used in the Black-Scholes model: exercise price of $1.20, underlying share price of $1.01, expected life of 3.84 years, risk-free interest rate of 0.87% and annualized volatility of 113%.

As at December 31, 2021, the Company was in compliance with its covenants.

(f) Equipment Loan

Notes payable collateralized by equipment purchased, bearing interest of 12% per annum, maturing through July 2024.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

14. NOTES PAYABLE *(Continued)*

(g) Summary

A reconciliation of the beginning and ending balances of the Convertible debentures, derivative liability and warrants for the years ended December 31, 2021 and 2020, is as follows:

	Convertible debentures (c), (d)	Derivative liability (b)	Equity conversion feature	Warrants	Expense
Balance as of December 31, 2019	**$ 30,976**	**$ -**	**$ 7,613**	**$ 11,773**	**$ (5,578)**
Balance as of January 1, 2020	$ 30,976	$ 7,412	$ 7,613	$ 11,773	$ -
Fair value of equity conversion feature on issuance date	-	-	3,431	-	-
Issuance of warrants	-	-	-	137	-
Accretion expense	7,232	-	-	-	(7,232)
Fair value change in derivative liability	-	(1,551)	-	-	-
Fair value of private placement warrants on issuance date	-	-	-	1,355	-
Balance as of December 31, 2020	**$ 38,208**	**$ 5,861**	**$ 11,044**	**$ 13,265**	**$ (7,232)**
Accretion expense	2,193	-	-	-	(2,193)
Issuance of warrants	-	-	-	16,532	16,532
Issuance of shares for notes payable repayment	-	-	(6,111)	-	-
Fair value change in derivative liability	-	(1,901)	-	-	-
Payments	(40,401)	-	-	-	-
Balance as of December 31, 2021	**$ -**	**$ 3,960**	**$ 4,933**	**$ 29,797**	**$ 14,339**

The fair value of the equity conversion feature is presented in the table above net of deferred taxes in the amount of $1,206.

A reconciliation of the beginning and ending balances of the notes payable for the years ended December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of period	$ 51,765	$ 41,079
Proceeds from issuance of secure term loan	52,659	65
Interest and Accretion	11,601	7,344
Note amendment - Pre-amendment	-	3,764
Repayments of principal and interest	(61,732)	(487)
Balance at end of period	**$ 54,293**	**$ 51,765**

Finance costs for the years ended December 31, 2021 and December 31, 2020, is as follows:

	December 31, 2021	December 31, 2020
Interest income	(278)	(188)
Interest expenses	8,371	4,087
Accretion	2,284	7,344
Interest on right of use assets	2,554	2,517
Debt issuance costs	2,829	-
Finance expenses, net	**$ 15,760**	**$ 13,760**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

15. LEASES

The Company's leasing activities include the lease of cultivation and manufacturing facilities used in the production of cannabis and related products and office premises.

(a) Right-of-use assets

	December 31, 2021	December 31, 2020
Cost		
Balance at beginning of year	$ 26,686	$ 25,026
Additions	2,995	2,348
Modifications	-	443
Disposals	(91)	(1,132)
Balance at end of year	29,590	26,686
Accumulated Depreciation		
Balance at beginning of year	$ 7,591	$ 4,836
Additions	2,830	2,755
Balance at end of year	10,421	7,591
Right-of-use-assets, net	**$ 19,169**	**$ 19,094**

(b) Lease Liabilities

During the years ended December 31, 2021 and 2020, the Company incurred variable lease payments of $1,043 and $478, respectively.

	December 31, 2021	December 31, 2020
Balance at beginning of year	$ 22,705	$ 22,927
Additions	2,995	2,348
Modification	-	443
Disposals	(119)	(1,250)
Interest on lease liabilities	2,554	2,516
Interest payments on lease obligations	(2,554)	(2,516)
Principal payments on lease obligations	(1,990)	(1,762)
Balance at end of year	**$ 23,591**	**$ 22,705**
Less current portion of lease obligations	(2,500)	(1,894)
Lease obligations, net of current portion	**$ 21,091**	**$ 20,811**

The Company’s lease obligation maturity has been disclosed within Note 18(a).

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. SHAREHOLDERS' EQUITY

	Share capital		
	Number of unrestricted common shares	Number of restricted common shares	Amount
Balance, December 31, 2019	**184,548,361**	**8,947,101**	**$ 149,322**
Founders shares return (Note 16 a.)	(14,215,385)	-	(10,970)
Note payable amendment (Note 16 b.)	14,215,385	-	5,743
Shares returns for sale of interest in subsidiaries (Note 16 c.)	(4,124,166)	-	(3,071)
Issuance of shares and warrants (Note 16 d.)	10,189,758	-	2,996
Shares issued for consulting services (Note 16 e.)	1,000,000	-	245
Shares returns for sale of interest in Canada subsidiary (Note 16 f.)	(1,500,000)	-	(1,080)
Shares issued for debenture consent (Note 16 f.)	1,492,854	-	575
Warrants and shares issued for professional services (Note 16 g.)	1,250,000		431
Shares return for settlement with former partner (Note 16 g.)	-	(4,836,364)	
Shares issued for convertible debentures amendment (Note 16 h.)	4,626,895	-	1,550
Founders shares return (Note 16 i.)	(13,008,870)	-	(9,572)
Shares issued for professional services	408,286	-	155
Vesting of professional services shares	905,364	(905,364)	2,303
Cancellation of professional services shares	-	(1,078,104)	(713)
Vesting of employee compensation shares	-	-	51
Issuance of shares to acquire GSI (Note 10)	2,727,723	-	1,050
Return of shares from GSI (Note 10)	(2,727,723)	-	(1,180)
Issuance of options	-	-	-
Foreign currency gain/(loss) on translation	-	-	-
Net loss	-	-	-
Balance, December 31, 2020	**185,788,482**	**2,127,269**	**$ 137,835**
Issuance of warrants	-	-	-
Exercise of warrants	3,033,332	-	1,365
Issuance of options	-	-	-
Exercise of options	56,287	-	-
Shares issued for professional services (Note 16 j.)	1,505,344	-	1,174
Issuance of share and warrants for note payable extension (Note 16 k.	1,498,264	-	1,049
Private placement issuance of shares and warrants (Note 16 l.)	24,414,279	-	9,970
Issuance of warrants for term loan (Note 16 m.)	-	-	-
Shares issued for convertible debentures repayment (Note 16 n.)	21,555,483	-	17,312
Release of restricted stock to acquire GSI (Noe 16 o.)	1,727,269	(1,727,269)	1,705
Issuance of shares for note payable repayment (Note 16 j, 16p.)	8,426,574	-	7,640
Private placement issuance of shares (Note 16 q.)	3,571,428	-	2,607
Foreign currency gain/(loss) on translation	-	-	-
Net loss	-	-	-
Balance, December 31, 2021	**251,576,742**	**400,000**	**180,657**

Equity shares transactions

During the years ended December 31, 2021 and 2020, the following transactions were recorded in shareholders' equity:

a. On January 16, 2020, the Company recorded the receipt of 14,215,385 common shares returned by the Company's founders at a cost of \$0.77, reducing its share capital by the shares cost of \$10,970 with a corresponding adjustment to accumulated deficit. The Board had deemed that the founder shares originally issued to the founders of the Company to be excessive and an agreement was reached whereby some founder shares were returned to the Company (Note 16b).

16. SHAREHOLDERS' EQUITY *(Continued)*

b. On January 16, 2020, concurrently with the above transaction, the Company issued 14,215,385 common shares upon restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing (see Note 14(b)). The fair value of the shares issued and equity conversion featured recorded in connection with this transaction were $5,753 and $4,637, respectively.

c. On January 22, 2020, the Company took back 4,124,166 common shares previously issued to Vision Science and Technology, S.A.S representing 50% of the equity of Cansortium Colombia. As a result of the transaction, the Company recorded the related shares cost of $3,071 as a reduction of capital and recognized the difference of $1,056 between cost of investment and fair value of the units received to accumulated deficit and a reduction to non-controlling interest of $159. The fair value of the units was $1,856 based on the fair value of the shares on the transaction date. The shares have been returned to treasury and the Company, through its subsidiaries, is the 50% owner of Cansortium Colombia.

d. On February 7, 2020, the Company completed a non-brokered private placement offering of 10,189,758 equity units (each, a "Unit") at $0.45 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one common share purchase warrant which entitles holders to acquire one Share (a "Warrant Share") at an exercise price of $0.45 per Warrant Share. The Company allocated the net cash proceeds on a relative fair value basis with $2,996 and $1,355 to capital and warrants, respectively.

e. On May 5, 2020, the Company signed a Consulting Agreement with Zola Global Investors ("Zola") pursuant to which Zola received 1,000,000 shares at $0.245 per share, resulting in an increase to share capital of $245, and 3,000,000 stock options with a three-year expiration date and exercise price of $0.255 per share.

f. On May 29, 2020, the Company completed the sale of its Canadian Subsidiaries. As part of the consideration for the sale of its Canadian Subsidiaries, a total of 1,500,000 common shares were returned by 2638116 Ontario Inc. to the Company for cancellation. In connection with obtaining consent from the debenture holders to the Company's sale of its Canadian Subsidiaries, the Company issued 1,492,854 common shares to the debenture holders at a fair value of $0.385 per share to the debenture holders of the Secured Convertible Debenture issued on May 23, 2019. The issuance of shares issued in connection with this transaction was recorded as increase of $575 to share capital and expensed in the consolidated statement of loss and other comprehensive loss.

g. On August 11, 2020, the Company settled its dispute with Woodmere Health Partners LLC ("Woodmere"), the Company's former partner in Pennsylvania in its application for a clinical registrant license. Pursuant to the terms of the settlement, Woodmere returned the equivalent of 4,836,364 restricted common shares to the Company for cancellation and released the Company from any further obligations, in exchange for the issuance of 1,250,000 common shares and 750,000 common share purchase warrants with a term of three years and an exercise price of $0.53. The common shares' fair value was $431 based on the fair value per share of $0.345 on August 11, 2020. The purchase warrants were valued at $0.18 per warrant based on the following assumptions used in the Black-Scholes model: exercise price of $0.53, underlying share price of $0.345, risk-free interest rate of 0.11% and annualized volatility of 100%.

h. On August 15, 2020, the Company extended the maturity date of the $10M Convertible Note to December 31, 2020 and issued 4,361,071 common shares of the Company at a fair value of $0.34 per common share in satisfaction of all unpaid interest on the $10 million Convertible Note accrued up to August 15, 2020, in the amount of $1,962. The Company also paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the $10 million Convertible Note as at August 15, 2020, satisfied by the Company through the issuance of 265,824 common shares of the Company at $0.34 per share to the noteholders on a pro-rata basis resulting increase to share capital of $1,550.

16. SHAREHOLDERS' EQUITY *(Continued)*

i. On December 8, 2020, the Company recorded the receipt of 13,008,870 common shares returned by the Company's founders at a cost of $0.74, reducing its share capital by the shares cost of $9,572 with a corresponding adjustment to accumulated deficit.

j. On January 22, 2021, the Company issued to its Board of Directors members and certain members of senior management, 1,286,110 shares at $0.75 per share as compensation resulting in an increase to share capital of $965 (See Note 19). On January 31, 2021, in connection with the extension of the $10M Convertible Note, the Company issued 75,556 shares and 113,333 warrants to a consultant resulting in an increase to share capital and warrants of $53 and $44, respectively. On June 11, 2021, the Company issued a Board member, 143,678 shares at $1.09 per share as compensation resulting increase share capital of $156.

k. On January 31, 2021, the Company extended the maturity date of the $10M Convertible Note to December 1, 2022 and issued 1,263,407 common shares of the Company in satisfaction of all unpaid interest on the $10M Convertible Note accrued up to January 31, 2021, in the amount of $569. The Company also paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the $10M Convertible Note as of January 31, 2021, satisfied by the Company through the issuance of 234,857 common shares of the Company at $0.45 per share and 5,000,000 warrants to the noteholders on a pro-rata basis (see Note 14 (c)). Each warrant is exercisable at $0.60 until December 1, 2022, increasing share capital by the shares and warrants cost by $1,049 and $1,891, respectively.

l. On April 5 and 9, 2021, the Company issued 24,414,279 units at $0.76 and $0.83 per share, respectively, resulting in an increase to share capital of $19,080. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.90 for a period of 24 months from the issuance date, resulting in an increase to warrants of $4,650.

m. On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of $71 million (the "Term Loan") (Note 14 (e)). In connection with the transaction, 12.5 million warrants with an exercise price of $1.20 were issued to certain participants in the Term Loan with 60 day down-round protection and initial classification as derivative liability. On June 28, 2021, following the expiration of the down-round protection, the derivative liability was reclassified to equity at $9,018.

n. On May 7, 2021, the Company satisfied its obligations under the Amended Note dated January 16, 2020, in the principal amount of $12,933 to Can Endeavour. Pursuant to the terms, Can Endeavour elected to convert the principal amount of the Amended Note into 21,555,483 common shares of the Company at $0.60 per share, resulting in an increase to share capital of $23,173 and reduction to equity conversion reserve of $3,565 which is net of the deferred taxes in the amount of $1,072. The common shares have been issued by the Company to Can Endeavour and all accrued interest on the Amended Note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the Amended Note (See Note 14 (b)).

o. On May 19, 2021, the Company released the remaining of the 1,727,723 restricted common shares to GSI's shareholders resulting increase of $1,677 to its deposit and $28 share-based compensation expense (see Note 10).

p. On June 28, 2021, the Company exercised its right under the, $10M Convertible Note to force the conversion of the Notes into common shares of the Company. As a result, all obligations under the Notes have been satisfied and are thus canceled. Under the terms of the Notes, the Company had the right to force the conversion of all amounts outstanding thereunder upon the Company share price closing at $0.96 or greater for thirty consecutive trading days with an average trading volume over that period of at least 100,000 shares.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. SHAREHOLDERS' EQUITY *(Continued)*

As a result of the conversion, 8,426,574 common shares have been issued, resulting in an increase to share capital of $7,640 and reduction to the equity conversion feature of $2,546. Per the terms of the Notes, the remaining aggregate principal amount of each Note was converted into common shares at $0.60 and the accrued but unpaid interest under each Note was converted into common shares at $1.01, representing the closing price of the common shares on the trading day prior to the conversion (See Note 14 c.).

q. On December 6, 2021, the Company issued 3,571,428 shares at $0.70 per share resulting in an increase to share capital of $2,607.

Share Capital

As of December 31, 2021, the share capital of the Company is comprised of 224,404,812 common shares, 2,757,193 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 38,184,396 warrants and 16,990,500 stock options. For the purpose of the statement of changes in shareholders' equity, the proportionate voting shares have been included as part of common shares based on the 1 for 10 conversion ratio.

Earnings per share have been calculated using the weighted average number of shares outstanding during a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares. The weighted average number of basic and diluted shares are presented in the table below:

	December 31, 2021	December 31, 2020
Weighted Average Number of Shares - Basic	228,628,703	198,999,746
Weighted Average Warrants	30,349,785	33,586,992
Weighted Average Convertible Debt Allotment	-	17,933,011
Weighted Average Options	16,252,916	11,623,649
Weighted Average Number of Shares - Diluted	**275,231,404**	**262,143,398**

Warrant activity for the Company for the years ended December 31, 2021 and 2020, is as follows:

	Warrants
Balance as of December 31, 2019	27,038,138
Granted	10,939,758
Balance as of December 31, 2020	**37,977,896**
Expired	26,580,639
Exercised	3,033,331
Granted	29,820,470
Balance as of December 31, 2021	**38,184,396**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

Restricted Shares

Restricted shares are issued and outstanding shares that are subject to a Company escrow agreement requiring achievement of certain performance or service metrics to release such restrictions. Restricted shares activity for the Company for the years ended December 31, 2021 and 2020, is as follows:

	Restricted shares	Grant date fair value per unit		Aggregate intrinsic value	
Balance as of December 31, 2019	8,947,101	$	2.75	$	24,605
Vested	(905,364)		2.75	$	(2,490)
Forfeited	(4,914,468)		2.75		(13,515)
Balance as of December 31, 2020	**3,127,269**	**$**	**2.75**		**8,600**
Vested	(2,727,269)		2.75	$	(7,500)
Balance as of December 31, 2021	**400,000**	**$**	**2.75**		**1,100**

During the year ended December 31, 2021, 2,727,269 restricted stock were vested to Green Standard shareholders resulting in an increase of $1,677 to its deposit and $27 share based compensation expense (see Note 10).

Stock Option Plan

On March 14, 2019, the Board of Directors (the "Board") of the Company approved a Stock Option Plan (the "Plan"). Under the Plan, the Board may grant options to acquire common shares of the Company to officers, employees, and consultants, to a limit of 10% of the outstanding common shares of the Company, including proportionate voting shares. The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long-term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long-term investments.

The term of an option grant is determined by the Board up to a maximum of 5 years from the grant date. Stock options granted generally vest over two to five years.

The following is a summary of the Company's grant of options to its officers, directors, employees and consultants, including the assumptions used in the Black-Scholes option pricing model. The amount of options granted, their fair values and corresponding assumptions used through the years ended December 31, 2021, and December 31, 2020, were as follows:

	Jan 22, 2021	Feb 5, 2021	March 9, 2021	July 6, 2021	August 31, 2021	August 31, 2021
Options granted	1,700,000	255,000	250,000	250,000	500,000	250,000
Fair Value	$968	$141	$147	$172	$382	$382
Stock price	$0.77	$0.75	$0.79	$0.93	$0.71	$0.71
Exercise price	$0.77	$0.75	$0.79	$0.93	$0.83	$0.90
Original term	5 years	5 years	5 years	5 years	5 years	5 years
Dividend rate	0%	0%	0%	0%	0%	0%
US treasury rate	0.44%	0.47%	0.83%	0.81%	0.77%	0.77%
Volatility	100%	100%	100%	100%	100%	100%
Forfeiture rate	0%	0%	0%	0%	0%	0%

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. SHAREHOLDERS' EQUITY *(Continued)*

	Oct 6, 2020	**Jul 7, 2020**	**May 26, 2020**	**May 15, 2020**	**May 5, 2020**	**Feb 13, 2020**
Options granted	1,750,000	300,000	2,020	150,000	3,000,000	300,000
Fair Value	$289	$86	$657	$17	$251	$51
Stock price	$0.28	$0.30	$0.38	$0.41	$0.16	$0.36
Exercise price	$0.30	$0.32	$0.40	$1.00	$0.26	$0.45
Original term	3 years	5 years	5 years	3 years	3 years	2 years
Dividend rate	0%	0%	0%	0%	0%	0%
US treasury rate	0.17%	0.29%	0.35%	0.19%	0.24%	1.58%
Volatility	100%	100%	100%	100%	100%	100%
Forfeiture rate	0%	0%	0%	0%	0%	0%

Volatility rate for the above options estimated based on review of the historic volatility of publicly traded companies with similar operations. Fair value is for each option granted.

In connection with the May 5, 2020, grant, the Company signed a Consulting Agreement with Zola Global Investors pursuant to which Zola received one million common shares and three million stock options. The fair value of these options of $446 were measured at the date of grant using the Black-Scholes option pricing model.

In connection with May 15, 2020, grant, the Company signed Consulting Agreement for services to be rendered in connection with its Michigan cultivation and operation facilities of Green Standard pursuant to which the consultant received 150,000 options. The fair value of these options of $17 were measured at the date of grant using the Black-Scholes option pricing model.

On January 22, 2021, the Company issued to its Board of Directors members 1,700,000 options as compensation resulting increase to share capital $968 (See Note 19).

On August 31, 2021 the Company issued to its new Board of Directors members 750,000 options as compensation resulting increase to share capital $382 (See Note 19).

For the year ended December 31, 2021 and 2020, the Company recognized $1,501 and $1,698 as stock-based compensation, respectively.

These expenses were calculated based on the vesting conditions of each grant and recorded as stock-based compensation in the consolidated statements of loss and other comprehensive loss with a corresponding credit to equity (share-based compensation reserve).

As of December 31, 2021, there were 16,955,500 options outstanding, comprising of 16,368,833 options vested and 586,667 options non-vested, with remaining contractual lives 0.1 to 4.7 years.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. SHAREHOLDERS' EQUITY *(Continued)*

The following is a summary of the changes in the Company's Stock Options during the year ended December 31, 2021 and 2020:

	Number of Options	Weighted Average Exercise Price
Balance as of December 31, 2019	8,041,039	$ 0.77
Granted	7,900,000	$ 0.33
Forfeited	(1,010,000)	$ 0.90
Balance as of December 31, 2020	14,931,039	$ 0.53
Granted	3,205,000	$ 0.80
Forfeited	(1,063,873)	$ 1.48
Exercised	(116,666)	$ 0.44
Balance as of December 31, 2021	**16,955,500**	**$ 0.52**

The following is a summary of the outstanding options as of December 31, 2021:

Exercise prices	Outstanding as of December 31, 2021	Weighted average remaining contractual life (years)	Exercisable as of December 31, 2021	Weighted average remaining contractual life (years)
$ 0.26	3,000,000	1.3	3,000,000	1.3
$ 0.30	1,750,000	1.8	1,750,000	1.8
$ 0.32	100,000	3.5	100,000	3.5
$ 0.40	2,400,000	3.4	2,400,000	3.4
$ 0.44	5,383,834	2.9	5,383,834	2.9
$ 0.45	300,000	0.1	300,000	0.1
$ 0.75	255,000	4.1	85,000	4.1
$ 0.77	1,700,000	4.1	1,700,000	4.1
$ 0.79	250,000	4.2	41,667	4.2
$ 0.83	500,000	4.7	500,000	4.7
$ 0.90	250,000	4.7	250,000	4.7
$ 0.93	250,000	4.5	41,667	4.5
$ 1.00	150,000	1.4	150,000	1.4
$ 2.00	666,666	2.2	666,666	2.2
	16,955,500	**2.8**	**16,368,833**	**2.8**

The following is a summary of the outstanding options as of December 31, 2020:

Exercise prices	Outstanding as of December 31, 2020	Weighted average remaining contractual life (years)	Exercisable as of December 31, 2020	Weighted average remaining contractual life (years)
$ 0.26	3,000,000	2.3	3,000,000	2.3
$ 0.30	1,750,000	2.8	1,750,000	2.8
$ 0.32	300,000	4.5	100,000	4.5
$ 0.40	2,400,000	4.4	2,400,000	4.4
$ 0.44	5,670,000	3.9	5,330,100	3.9
$ 0.45	300,000	1.1	300,000	1.1
$ 1.00	150,000	2.4	150,000	2.4
$ 2.00	882,106	2.5	882,106	2.2
$ 2.00	478,933	0.4	478,933	0.4
	14,931,039	**3.3**	**14,391,139**	**3.3**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

17. EXPENSE BY NATURE

General and administrative expenses for the years ended December 31, 2021, and 2020, are as follows:

	For the twelve months December 31, 2021	2020
General and administrative		
Legal and professional fees	$ 4,246	$ 6,727
Salaries and benefits	2,536	2,813
Insurance	1,964	1,561
Variable rent expenses	107	240
Travel and entertainment	119	81
Other	1,354	1,096
Total general and administrative	**$ 10,326**	**$ 12,518**

Sales and marketing expenses for the years ended December 31, 2021 and 2020, are as follows:

	For the twelve months December 31, 2021	2020
Sales and marketing		
Salaries and benefits	$ 8,670	$ 7,184
Advertising expenses	2,454	2,266
Variable rent expenses	1,751	1,519
Legal and professional fees	206	857
Security	498	377
Supplies	435	129
Software	287	108
Other	1,115	1,415
Total sales and marketing	**$ 15,416**	**$ 13,855**

18. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of December 31, 2021, medical marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(b) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations, except for the claims disclosed below. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

On April 26, 2021, MXY Holdings, LLC and its affiliates (collectively "MXY") filed suit in Florida claiming breach by the Company of the Management Services Agreement ("MSA") in an amount not less than $2,500. The terms of the MSA provided MXY with a fee for management consulting services, which services were supposed to include the creation and implementation of management plans and solutions, the provision of MXY personnel with industry expertise, and intellectual property. MXY's refusal or inability to materially deliver on its obligations prompted the Company to consider termination of the MSA and the Company sent MXY a default notice on July 8, 2020.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

19. RELATED-PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the years ended December 31, 2021 and 2020, key management personnel compensation consisted of the following:

	For the years ended December 31, 2021	2020
Salary	$ 2,135	$ 917
Option-based compensation	1,815	975
Share-based compensation	1,255	-
All other compensation	646	740
Total	$ 5,851	$ 2,632

Transactions with related parties

The Company leases one of its cultivation and production facilities from Knox Nursery Inc., a company owned by a member of Fluent Servicing until August 15, 2018. The lease began October 2017 and terminated on August 15, 2020. The monthly rental fee was $2 per month.

On January 1, 2019, the Company entered into a consulting agreement with a third-party company for the provision of strategic and business advisory services for a total of $3,000, payable in equal monthly installments of $125 (the "2019 Consulting Agreement"). The company is owned 100% by the current Executive Chairman, who was elected as such on June 30, 2021. During 2021, the Company paid the $1,775 accrued but unpaid balance due satisfying the entire amount of the 2019 Consulting Agreement.

On January 1, 2020, the Company entered into a consulting agreement with a third-party company for the provision of financial consulting services in connection with potential new investment into the Company (the "2020 Consulting Agreement"). The company is owned 100% by the current Executive Chairman. Under the 2020 Consulting Agreement, the third-party company is entitled to a fee of five (5%) percent of the total value received by the Company in financings during the term of the 2020 Consulting Agreement, up to a cap of $1,100. During 2021, the Company paid $230 under the 2020 Consulting Agreement. As of December 31, 2021, the company owes $870 under the 2020 Consulting Agreement.

On February 1, 2020, two directors of the Company, participated on the non-brokered private placement offering (see Note 16 j.) contributing with $128 and $43 in satisfaction of a portion of accrued directors' fees, respectively.

On December 8, 2020, the Company recorded the receipt of 13,008,870 common shares returned by the Company's founders at a cost of $0.01 (one cent of a dollar) (See Note 16 i.).

During the three months ended March 31, 2021, the Company issued to its Board of Directors' members and senior management, 1,286,110 shares at $0.75 per share (See Note 16 j.) and 1,700,000 options as compensation resulting in an increase to share capital of $965 and $968, respectively.

19. RELATED-PARTY TRANSACTIONS *(Continued)*

During the three months ended June 30, 2021, the Company issued to a Board member 143,678 shares at $1.09 per share (See Note 16 j.) in exchange for accrued board of directors' fees, resulting in an increase to share capital of $157.

During the three months ended September 30, 2021, the Company issued to its Board of Directors' members and senior management, 1,250.000 options as compensation resulting in an increase to share capital of $382.

On April 29, 2021, two directors of the Company, participated as lenders in the $71 million Senior Secured Term Loan bears interest of 13% per annum (Note 14(e)), with a $6 million principal contribution, containing an original issuance discount of 7% on the principal amount loaned. Both individuals ceased to serve as directors of the Company following the Company's annual general meeting on June 30, 2021.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivable, note receivable, deposits, trade payable and accrued liabilities, derivative liabilities, lease obligations and notes payable.

Financial Assets

(i) Cash and cash equivalents are comprised of deposits held in financial institutions and cash on hand.

Financial Liabilities

(i) Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(ii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The liability component of the compound financial instruments is initially recognized as the difference between the fair value of the derivative liability (i.e., conversion feature) and the fair value of the convertible notes payable. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method and the derivate liability is re-measured with subsequent changes in fair value.

(iii) Other financial liabilities include the Company's trade payable and accrued liabilities, and notes payable. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the reliability of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

The carrying values of financial instruments at December 31, 2021 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash and cash equivalents	—	9,024	9,024
Trade receivable	26	—	26
Note receivable	4,886	—	4,886
Financial Assets			
Trade and other payables	16,484	—	16,484
Derivative liabilities	—	3,960	3,960
Notes payable	54,293	—	54,293
Lease obligations	23,591	—	23,591

The carrying values of financial instruments at December 31, 2020 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash and cash equivalents	—	3,392	3,392
Trade receivable	148	—	148
Note receivable	4,101	—	4,101
Financial Assets			
Trade and other payables	21,347	—	21,347
Derivative liabilities	—	7,412	7,412
Notes payable	51,765	—	51,765
Lease obligations	22,705	—	22,705

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes:

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2021 is the carrying amount of cash and cash equivalents, trade receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from trade receivable and note receivable arises from the possibility that amounts due become uncollectible.

(b) Market Risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market conditions.

(i) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not

significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

(ii) Currency Risk

The consolidated operating results and consolidated financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of 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 at this time as it deems its foreign currency exposure to be nominal.

(iii) 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. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

The Company had the following contractual obligations as of December 31, 2021:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 8,518	$ -	$ -	$ -	$ 8,518
Accrued liabilities	$ 5,846	$ -	$ -	$ -	$ 5,846
Notes payable	$ 619	$ 346	$ 53,328	$ -	$ 54,293
Lease obligations	$ 2,500	$ 6,083	$ 6,600	$ 8,408	$ 23,591
Total	$ 17,483	$ 6,429	$ 59,928	$ 8,408	$ 92,248

The Company had the following contractual obligations as of December 31, 2020:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 4,808	$ -	$ -	$ -	$ 4,808
Accrued liabilities	$ 7,614	$ -	$ -	$ -	$ 7,614
Notes payable	$ 38,583	$ 13,161	$ 21	$ -	$ 51,765
Lease obligations	$ 1,894	$ 4,993	$ 5,860	$ 9,958	$ 22,705
Total	$ 52,899	$ 18,154	$ 5,881	$ 9,958	$ 86,892

(d) Regulatory Risk

Notwithstanding that most of the states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

21. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings.

Total managed capital is as follows:

	December 31, 2021	December 31, 2020
Notes payable	$ 54,293	$ 51,765
Share capital	180,657	137,835
	$ 234,950	$ 189,600

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2021.

22. SUBSEQUENT EVENTS

On April 29, 2022, the Company completed non-brokered private placement (the "Private Placement") that includes a 10.0% unsecured convertible debenture in the principal amount of $3,500 ("the Debenture"), as well as 3,076,923 pre-funded common share purchase warrants (each a "Pre-Funded Warrant") at a price of US$0.39 per Pre-Funded Warrant, for aggregate gross proceeds of $4,700. The Debenture will come due in 2032 and is convertible into common shares of the Company at a conversion price of $0.79 per common share. Each Pre-Funded Warrant shall entitle the holder to purchase one common share at an additional exercise price of $0.40 per common share (for a total common share issue price equal to $0.79) for a period of 12 months from the date of issuance.

23. DISCONTINUED OPERATIONS

During the year ended December 31, 2019, the Company discontinued its operations from Cansortium Colombia S.A.S ("Cansortium Colombia") and Cansortium Puerto Rico LLC ("Cansortium Puerto Rico"), as well as those for 1931074 Ontario, Inc, Cansortium Canada Servicing Inc., Cansortium Property Holdings Inc., and Arcadia EcoEnergies, Ltd. (collectively, the "Canadian Subsidiaries"). These operations are classified as held for sale, measured at the lower of carrying amount and fair value less costs to sell.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

23. DISCONTINUED OPERATIONS *(Continued)*

During the years ended December 31, 2021 and 2020, the Company recorded a loss of $34 and a gain of $115 from its discontinued operations, respectively. In the year ended December 31, 2021, results for discontinued operations were as follows:

	Total
Revenue, net of discounts	$ —
Cost of goods sold	—
Gross profit	—
Expenses	5
Loss from operations	(5)
Proceeds from sales of assets	29
Net assets sold	(58)
Loss on Sale of Assets	(29)
Fair value adjustment of investment	—
Loss from discontinued operations	**$ (34)**

In the year ended December 31, 2020, results for discontinued operations were as follows:

	Cansortium Columbia	Cansortium Puerto Rico	Canadian Subsidiaries	Total
Revenue, net of discounts	$ —	$ 419	$ —	$ 419
Cost of goods sold	—	254	—	254
Gross profit	—	165	—	165
Expenses	—	410	214	624
Loss from operations	—	(245)	(214)	(459)
Proceeds from sales of assets	1,856	600	—	2,456
Net assets sold	(905)	(272)	—	(1,177)
Gain on Sale of Assets	951	328	—	1,279
Fair value adjustment of investment	(705)	—	—	(705)
Income (loss) from discontinued operations	**$ 246**	**$ 83**	**$ (214)**	**$ 115**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

23. DISCONTINUED OPERATIONS *(Continued)*

Cash flows from discontinued operations for the years ended December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Operating activities		
Net income (loss) from discontinued operations	(34)	115
Add (deduct) items not affective cash		
Loss (gain) on sale of assets	29	(1,279)
Change in fair value of investment	—	705
Changes in non-cash working capital balances		
Income taxes payable	5	—
Cash used in operating activities	**$ —**	**$ (459)**
Investing activities		
Proceeds from sale of assets	29	600
Cash provided by investing activities	**$ 29**	**$ 600**

Cansortium Colombia S.A.S

For the year ended December 31, 2021, Cansortium Colombia recorded no gains or losses from discontinued operations. For the year ended December 31, 2020, Cansortium Colombia recorded a net income from discontinued operations of $246.

Cansortium Puerto Rico LLC

On December 12, 2019, the Company entered into a non-binding agreement with PRICH Biotech Corp. ("PRICH") to sell certain assets of Cansortium Puerto Rico and classified the net assets of Consortium Puerto Rico of $368 as held for sale in the consolidated statements of financial position. The sale of the Puerto Rican assets closed on April 28, 2020.

For the years ended December 31, 2021 and 2020, Cansortium Puerto Rico recorded a net loss from discontinued operations of $34 and an income of $83, respectively.

Canadian Subsidiaries

On May 29, 2020, the Company completed the sale of its Canadian Subsidiaries. As part of the consideration for the sale of its Canadian Subsidiaries, a total of number of shares was reduced from 2,000,000 to 1,500,000 common shares and returned by 2638116 Ontario Inc. to the Company for cancellation. The net gain on the transaction was $197, recorded in accumulated deficit (See Note 16 f.).