

**Cansortium Inc.**

**Condensed Interim Consolidated Financial Statements  
(Unaudited)**

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

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

**Cansortium Inc.**

**Index to the Condensed Interim Consolidated Financial Statements (unaudited)**

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	<u>Page(s)</u>
Condensed Interim Consolidated Statements of Financial Position (unaudited) -----	3
Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss (unaudited) ----	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)-----	5
Condensed Interim Consolidated Statements of Cash Flows (unaudited) -----	6
Condensed Interim Notes to the Consolidated Financial Statements (unaudited)-----	7 - 34

**Cansortium Inc.**  
**Condensed Interim Consolidated Financial Statements (unaudited)**  
**As of September 30, 2022 and December 31, 2021**  
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 9,099	\$ 9,024
Trade receivable	53	26
Inventory, net	Note 3 10,621	8,981
Biological assets	Note 4 4,713	3,297
Investment held for sale	Note 7 200	200
Prepaid expenses and other current assets	Note 6 1,772	2,007
<b>Total current assets</b>	<b>26,458</b>	<b>23,535</b>
Property and equipment, net	Note 8 32,738	34,160
Intangible assets, net	Note 9 94,674	95,822
Right-of-use assets, net	Note 15 30,018	19,169
Note receivable	Note 5, 22 -	4,886
Deposit	Note 10, 22 -	2,727
Goodwill	Note 11 1,526	1,526
Other assets	769	632
<b>Total assets</b>	<b>\$ 186,182</b>	<b>\$ 182,457</b>
<b>Liabilities</b>		
Current liabilities		
Trade payable	9,009	8,518
Accrued liabilities	8,080	5,846
Income taxes payable	10,173	2,120
Derivative liabilities	Note 13 8,981	3,960
Current portion of notes payable	Note 14 43	619
Current portion of lease obligations	Note 15 2,014	2,500
<b>Total current liabilities</b>	<b>38,300</b>	<b>23,563</b>
Notes payable	Note 14 56,013	53,674
Lease obligations	Note 15 33,233	21,091
Deferred tax liability	Note 12 20,860	21,563
Other long-term liabilities	Note 14, 16 750	-
<b>Total liabilities</b>	<b>149,156</b>	<b>119,891</b>
<b>Shareholders' equity</b>		
Share capital	Note 16 180,792	180,657
Share-based compensation reserve	Note 16 6,329	6,176
Equity conversion feature	Notes 14, 16 6,677	4,933
Warrants	Note 16 28,939	28,869
Accumulated deficit	(185,378)	(157,649)
Foreign currency translation reserve	(334)	(421)
<b>Total shareholders' equity</b>	<b>37,026</b>	<b>62,565</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 186,182</b>	<b>\$ 182,457</b>

Nature of Operations (Note 1)  
Summary of Significant Accounting Policies (Note 2)  
Expenses 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 23)

Approved and authorized for issue on behalf of the Shareholders on November 28, 2022:

Robert Beasley  
Chief Executive Officer

Liora Boudin  
Interim Chief Financial Officer

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

**Cansortium Inc.**
**Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss (unaudited)**
**For the three and nine months ended September 30, 2022, and September 30, 2021**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenue, net of discounts	\$ 22,100	\$ 15,568	\$ 64,228	\$ 47,153
Cost of goods sold	5,419	5,805	20,990	16,956
Gross profit before fair value adjustments	16,681	9,763	43,238	30,197
Fair value adjustments on inventory sold	(9,605)	(5,113)	(25,023)	(14,433)
Unrealized gain on changes in fair value of biological assets	Note 4	2,558	6,113	13,224
Gross profit	9,634	10,763	31,439	27,532
Expenses				
General and administrative	Note 17	2,188	2,084	7,348
Share-based compensation		53	731	153
Sales and marketing	Note 17	4,556	4,033	12,833
Depreciation and amortization	Notes 8, 9, 15	1,656	1,649	5,014
Total expenses		8,453	8,497	25,348
(Loss) income from operations		1,181	2,266	6,091
Other expense (income)				
Finance costs, net	Note 14	4,422	3,383	11,922
Loss (gain) on change in fair value of derivative liability	Note 13	313	-	5,021
Equity loss on investment in associate	Note 10	-	-	-
Private Placement issuance expense		-	890	-
Loss on debt settlement	Note 14	-	(10,794)	1,136
Loss on disposal of assets		(22)	(20)	(22)
Other (income) expense		(1)	7	(373)
Total other expense		4,712	(6,534)	17,684
Loss before income taxes		(3,531)	8,800	(11,593)
Income tax expense	Note 12	2,026	1,437	7,542
Net income (loss) from continuing operations		(5,557)	7,363	(19,135)
Net loss (income) from discontinued operations	Note 22	19	2	8,594
Net income (loss)		\$ (5,576)	\$ 7,361	\$ (27,729)
Other comprehensive gain that may be reclassified to profit or loss in subsequent years				
Exchange differences on translation of foreign operations and reporting currency		62	(22)	87
Comprehensive income (loss)		\$ (5,514)	\$ 7,339	\$ (27,642)
Net income (loss) per share				
Basic and diluted - continuing operations	Note 16	\$ (0.02)	\$ 0.03	\$ (0.11)
Weighted average number of shares				
Basic number of shares		252,276,742	248,405,314	252,230,588
Diluted number of shares		309,136,061	303,101,057	308,192,639

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

**Cansortium Inc.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)**

**For the nine months ended September 30, 2022, and September 30, 2021**

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

	Share capital			Reserves			Accumulated other comprehensive loss	Total shareholders' equity
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants		
<b>Balance, December 31, 2020</b>	<b>185,788,482</b>	<b>2,127,269</b>	<b>\$ 137,835</b>	<b>\$ 4,675</b>	<b>\$ 11,044</b>	<b>\$ 13,265</b>	<b>\$ (138,609)</b>	<b>\$ 27,831</b>
Issuance of warrants (Note 16 a.)	-	-	-	-	-	44	-	44
Exercise of warrants	3,033,332	-	1,365	-	-	-	-	1,365
Issuance of options	-	-	-	1,042	-	-	-	1,042
Exercise of options	56,287	-	-	-	-	-	-	-
Shares issued for professional services (Note 16 a.)	1,505,344	-	1,174	-	-	-	-	1,174
Issuance of share and warrants for note payable extension (Note 16 b.)	1,498,264	-	1,049	-	-	1,891	-	2,940
Private placement issuance of shares and warrants (Note 16 c.)	24,414,279	-	19,080	-	-	4,650	-	23,730
Issuance of warrants for term loan (Note 16 d.)	-	-	-	-	-	10,298	-	10,298
Shares issued for convertible debentures repayment (Note 16 e.)	21,555,483	-	20,262	-	-	-	-	20,262
Release of restricted stock to acquire GSI (Noe 16 f.)	1,727,269	(1,727,269)	1,705	-	-	-	-	1,705
Issuance of shares for note payable repayment (Note 16 g.)	8,426,574	-	8,258	-	-	-	-	8,258
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	(11)	(11)
Net loss	-	-	-	-	-	-	(30,115)	(30,115)
<b>Balance, June 30, 2021</b>	<b>248,005,314</b>	<b>400,000</b>	<b>\$ 190,727</b>	<b>\$ 5,717</b>	<b>\$ 11,044</b>	<b>\$ 30,148</b>	<b>\$ (168,724)</b>	<b>\$ 68,522</b>
<b>Balance, December 31, 2021</b>	<b>251,576,742</b>	<b>400,000</b>	<b>\$ 180,657</b>	<b>\$ 6,176</b>	<b>\$ 4,933</b>	<b>\$ 28,869</b>	<b>\$ (157,649)</b>	<b>\$ 62,565</b>
Exercise of options	300,000	-	135	-	-	-	-	135
Issuance of options	-	-	-	153	-	-	-	153
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	87	87
Issuance of warrants for convertible debenture (Note 16 h.)	-	-	-	-	1,744	70	-	1,814
Release of restricted stock for consulting agreement (Note 14 c., 16)	400,000	(400,000)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(27,729)	(27,729)
<b>Balance, September 30, 2022</b>	<b>252,276,742</b>	<b>-</b>	<b>\$ 180,792</b>	<b>\$ 6,329</b>	<b>\$ 6,677</b>	<b>\$ 28,939</b>	<b>\$ (185,378)</b>	<b>\$ 37,026</b>

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

**Cansortium Inc.**
**Condensed Interim Consolidated Statements of Cash Flow (unaudited)**
**For the three and nine months ended September 30, 2022, and September 30, 2021**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net loss from continuing operations	\$ (27,729)	\$ (22,755)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Unrealized gain on changes in fair value of biological assets	(13,224)	(11,768)
Realized gain on changes in fair value of biological assets	25,023	14,433
Share-based compensation	153	3,883
Depreciation and amortization	9,534	7,529
Accretion and interest of convertible debentures	-	3,457
Interest and debt issuance costs of term loan	9,359	-
Interest income on notes receivable	(71)	-
Loss on disposal of assets	(22)	30
Loss on debt settlement	1,136	-
Discontinued operations	8,594	33
Change in fair market value of derivative	5,021	(1,551)
Interest on lease liabilities	2,546	1,911
Deferred tax expense	(703)	(852)
Changes in operating assets and liabilities:		
Trade receivable	(27)	(153)
Inventory	1,185	(4,969)
Biological assets	(15,495)	(3,859)
Prepaid expenses and other current assets	(477)	1,632
Right of Use Assets/Liabilities	236	-
Other assets	-	(122)
Trade payable	333	(123)
Accrued liabilities	2,060	(396)
Income taxes payable	8,053	(9,553)
<b>Net cash provided by (used in) operating activities</b>	<b>15,486</b>	<b>(23,193)</b>
<b>Investing activities</b>		
Purchases of property and equipment	(5,439)	(15,210)
Purchase of intangible assets	-	(318)
Payment of notes receivable	119	1,477
Proceeds from sale of property and equipment	-	29
Advances for notes receivable	(94)	(1,802)
<b>Net cash used in investing activities</b>	<b>(5,414)</b>	<b>(15,824)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares and warrants	-	23,730
Proceeds from issuance of debt, net of loan issuance costs	-	63,086
Proceeds from issuance of convertible debenture and warrants	4,710	-
Payment of lease obligations	(4,226)	(3,342)
Exercise of Options	135	-
Exercise of warrants	-	1,365
Principal repayments of notes payable	-	(35,373)
Repayments of principal and interest of Senior Secure Term loan	(10,703)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(10,084)</b>	<b>49,466</b>
Effect of foreign exchange on cash and cash equivalents	87	(33)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>75</b>	<b>10,416</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,024</b>	<b>3,392</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,099</b>	<b>\$ 13,808</b>
Cash paid during the period for interest	\$ 6,793	\$ 5,329
<b>Non-cash transactions:</b>		
Release of Restricted share to GSI	\$	1,677
Shares issued for convertible debentures repayment	\$ -	\$ 12,675
Shares issued for repayments of notes payable	\$ -	\$ 5,000

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**1. NATURE OF OPERATIONS**

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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 OTCQX International 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 Note 7) and classified its Cansortium Colombia investment held for sale separately in the statement of financial position. In June 2022, the Company discontinued its operations in Michigan and terminated its partnership with Green Standard.

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the nine months ended September 30, 2022 and the year ended December 31, 2021, were generated in the United States.

These condensed interim unaudited 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.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(a) Basis of Preparation**

The condensed interim unaudited 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”).

The condensed interim unaudited consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the years ended December 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the years ended December 31, 2021, including the accompanying notes thereto.

These consolidated interim unaudited financial statements were approved and authorized for issue by the Board of Directors of the Company on November 28, 2022.

**(b) Basis of Measurement**

The condensed interim unaudited 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 Foreign Currency**

The condensed interim unaudited 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 Reals. The functional currency of the Australian subsidiary is the Australian dollar.

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.



**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Basis of Consolidation**

The condensed interim unaudited 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 condensed interim unaudited consolidated statement of loss and other comprehensive loss and in the condensed interim unaudited 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 condensed interim unaudited consolidated financial statements and the ownership interest held as of September 30, 2022 and December 31, 2021, respectively.

	<b>% Ownership September 30, 2022</b>	<b>% Ownership December 31, 2021</b>
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC (Note 1)	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 Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S. (Notes 1, 7) <sup>1</sup>	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%
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. <sup>2</sup>	-%	100.00%
Cansortium International Inc.	100.00%	100.00%

<sup>1</sup> Cansortium Colombia S.A.S. was 50% divested in 2020 and the Company does not have significant influence over the entity.

<sup>2</sup> Cansortium Beverage Company Inc. was dissolved May 2022.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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

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**(e) Critical Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's condensed interim 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 on these condensed interim consolidated financial statements have been set out in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2021, and 2020.

**(f) 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.

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**3. INVENTORY**

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As of September 30, 2022 and December 31, 2021, inventories consisted of the following:

	<b>September 30,</b>		<b>December 31,</b>
	<b>2022</b>		<b>2021</b>
Supplies, packaging and materials	\$ 2,442	\$	2,139
Work in progress	2,857		4,489
Finished goods	5,321		2,353
<b>Balance at end of period</b>	<b>\$ 10,620</b>	<b>\$</b>	<b>8,981</b>

Inventory material costs included in cost of goods sold during the nine months ended September 30, 2022, and 2021, were \$12,917 and \$6,817, respectively. Salaries and benefits charged to cost of goods sold for the nine months ended September 30, 2022, and 2021, were \$2,252 and \$1,987, respectively. Capitalized depreciation expensed to costs of sales for the nine months ended September 30, 2022, and 2021 was \$4,520 and \$1,365, respectively.

During the three and nine months ended September 30, 2022, and 2021, the Company recorded an allowance of \$0 to reflect net realizable value adjustments related to its Texas inventory. As of September 30, 2022, and December 31, 2021, inventory reserve was \$1,738.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(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 nine months ended September 30, 2022, and year ended December 31, 2021 is as follows:

	<b>September 30, December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at beginning of period	\$ 3,297	\$ 1,914
Cost incurred until harvest	15,495	14,127
Effect of unrealized change in fair value of biological assets	13,224	14,853
Transferred to inventory upon harvest	(27,303)	(27,597)
<b>Balance at end of period</b>	<b>\$ 4,713</b>	<b>\$ 3,297</b>

As of September 30, 2022, 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 that a 10% increase or decrease in each input would have on the fair value of biological assets:

<b>Assumptions:</b>	<b>As at September 30, 2022</b>		<b>As at December 31, 2021</b>	
	<b>Input</b>	<b>10% Change</b>	<b>Input</b>	<b>10% Change</b>
(i) Weighted average of expected loss of plants until harvest (a)	23%	\$76	27%	\$64
(ii) Expected yields for cannabis plants (average grams per plant) (b)	69	\$471	45	\$330
(iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end	51%	\$471	27%	\$330
(iv) Estimated selling price per gram (c)	\$7.72	\$304	\$10.14	\$338
(v) Cost to sell per gram per flower and trim, respectively	\$5.21   \$2.08	\$78	\$6.88   \$2.09	\$63

- (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.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**4. BIOLOGICAL ASSETS (Continued)**

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The Company estimates the harvest yields for cannabis at various stages of growth. As of September 30, 2022, it is expected that the Company's biological assets will yield approximately 4,607,851 grams of dry cannabis when harvested (2021 – 2,287,825 grams). As of September 30, 2022 and December 31, 2021, the Company had 87,039 and as compared to 69,627 plants, respectively that were classified as biological assets.

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**5. NOTE RECEIVABLE**

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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 (Notes 10 and 16 f.), 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 bore interest at a rate of 2.7% per annum and was payable no later than the earlier of three years from the Green Standard Note issuance date or earlier based on certain triggering events.

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.

On June 30, 2022, the Company terminated its acquisition agreement with GSI and discontinued its operation in Michigan and wrote off the Green Standard Note receivable, resulting in a loss from discontinued operations of \$4,932 (Notes 10 and 22).

A reconciliation of the beginning and ending balances of the Green Standard Note receivable for the nine months ended September 30, 2022 and year ended December 31, 2021, is as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Balance at beginning of year	\$ 4,886	4,101
Advances	94	1,938
Payments	(119)	(1,419)
Interest	71	266
Discontinued Operations	(4,932)	-
<b>Balance at end of period</b>	<b>\$ (0)</b>	<b>\$ 4,886</b>

Interest income for the nine months ended September 30, 2022 and the year ended December 31, 2021, was \$71 and \$266, respectively.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**6. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

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Prepaid expenses and other current assets consisted of the following:

	<b>September 30,</b>		<b>December 31,</b>
	<b>2022</b>		<b>2021</b>
Prepaid insurance	\$ 777	\$	588
Prepaid rent	11		-
Prepaid consulting fee	-		510
Other prepaid expenses	984		100
Deposits	-		579
Other current assets	-		230
<b>Balance at end of period</b>	<b>\$ 1,772</b>	<b>\$</b>	<b>2,007</b>

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**7. INVESTMENTS AND ASSETS HELD FOR SALE**

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**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, resulting in the reduction of its ownership of Cansortium Colombia from 100% 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 condensed interim unaudited consolidated statement of financial position in the amount of \$200 as of September 30, 2022 and December 31, 2021.

**Cansortium Inc.**  
**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2022, and September 30, 2021**  
*(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 nine months ended September 30, 2022, and year ended December 31, 2021, is as follows:

	Land	Furniture and fixtures	Computer equipment	Manufacturing equipment	Leasehold improvements	Buildings	Construction in progress	Vehicles	Total
<b>Cost</b>									
Balance as of January 1, 2021	\$ 211	\$ 838	\$ 714	\$ 5,626	\$ 15,537	\$ 84	\$ 2,127	\$ 423	\$ 25,559
Additions	1	63	959	2,380	8,033	(84)	9,593	130	21,075
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
<b>Accumulated depreciation</b>									
Balance as of January 1, 2021	-	205	479	1,396	3,877	(4)	-	89	6,042
Additions	-	142	246	1,080	4,814	4	-	43	6,329
Disposals	-	-	-	-	-	-	-	(61)	(61)
Balance as of December 31, 2021	-	347	725	2,477	8,692	-	-	70	12,310
<b>Property and equipment, net</b>	<b>\$ 212</b>	<b>\$ 689</b>	<b>\$ 1,049</b>	<b>\$ 6,829</b>	<b>\$ 23,602</b>	<b>\$ -</b>	<b>\$ 1,462</b>	<b>\$ 319</b>	<b>\$ 34,160</b>
<b>Cost</b>									
Balance as of January 1, 2022	212	1,036	1,774	9,305	32,293	-	1,463	389	\$ 46,472
Additions	-	37	(143)	259	1,150	-	4,135	-	5,439
Construction completed	-	2	-	544	3,937	-	(4,483)	-	-
Disposals	-	(1)	-	-	(218)	-	(25)	-	(245)
Balance as of September 30, 2022	212	1,074	1,631	10,109	37,162	-	1,090	389	51,666
<b>Accumulated depreciation</b>									
Balance as of January 1, 2021	-	347	725	2,477	8,692	-	-	70	12,310
Additions	-	119	299	1,059	5,151	-	-	33	6,661
Disposals	-	(0)	-	(2)	(41)	-	-	-	(43)
Balance as of September 30, 2022	-	466	1,024	3,534	13,801	-	-	103	18,928
<b>Property and equipment, net</b>	<b>\$ 212</b>	<b>\$ 608</b>	<b>\$ 607</b>	<b>\$ 6,574</b>	<b>\$ 23,361</b>	<b>\$ -</b>	<b>\$ 1,090</b>	<b>\$ 286</b>	<b>\$ 32,738</b>

For the nine months ended September 30, 2022 and 2021, the Company charged \$5,174 and \$2,802 of depreciation to the biological assets and inventory, respectively.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***9. INTANGIBLE ASSETS**

Intangible assets consist of cannabis licenses and trademarks and brands. A reconciliation of the beginning and ending balances of intangible assets for the nine months ended September 30, 2022, and year ended December 31, 2021, is as follows:

	<b>Licenses</b>	<b>Trademarks and brands</b>	<b>Total</b>
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
<b>Intangible assets, net</b>	<b>\$ 93,584</b>	<b>\$ 2,238</b>	<b>\$ 95,822</b>
Balance as of January 1, 2022			
Cost	\$ 94,488	\$ 8,850	\$ 103,338
Additions	-	-	-
Disposals	-	-	-
Balance as of September 30, 2022	94,488	8,850	103,338
Balance as of January 1, 2022			
Accumulated amortization	904	6,612	7,516
Additions	119	1,029	1,148
Disposals	-	-	-
Balance as of September 30, 2022	1,023	7,641	8,664
<b>Intangible assets, net</b>	<b>\$ 93,465</b>	<b>\$ 1,209</b>	<b>\$ 94,674</b>

Amortization expense for the three months ended September 30, 2022, and 2021, was \$383 for both years.

Amortization expense for the nine months ended September 30, 2022, and 2021, was \$1,148 for both years.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**10. DEPOSIT (INVESTMENT)**

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**Green Standard**

On October 8, 2018, Cansortium Holdings LLC entered into an agreement with Green Standard 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 an aggregate 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 (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 was not received prior to December 31, 2019; (b) 727,273 units would be forfeited if \$1,000 of retail sales were 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 were 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 (the "Original Agreement"). The Original Agreement required that the 2,727,273 units of Cansortium Holdings, LLC, which were subsequently exchanged into a like number of shares of the Company in connection with the Company's initial public offering (the "Issued Shares"), have a value of \$10,000 on March 31, 2020. If the valuation of Issued Shares on March 31, 2020 was not at least \$10,000, the Company was required to pay additional cash or share consideration to bring the total acquisition value to \$10,000.

On May 19, 2020, the Company amended and restated the Original Agreement (the "Amended and Restated Michigan Agreement") to add Cansortium Michigan, LLC, the Company's indirect wholly-owned subsidiary, as the buyer and provide that Green Standard shareholders will receive \$10,000 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 shares 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.

On June 30 2022, the Company terminated the Amended and Restated Michigan Agreement and all obligations of the Company thereunder and discontinued its operation in Michigan, writing off its deposit in Green Standard, and resulting in a loss from discontinued operations of \$2,727 (Note 5, 22).

**11. GOODWILL**

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Goodwill as of September 30, 2022 and December 31, 2021 was \$1,525.

As of September 30, 2022, and December 31, 2021, the Company did not have an impairment to its goodwill and indefinite life intangibles.



**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**12. INCOME TAXES**

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Income tax for the three and nine months ended September 30, 2022, and 2021, consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Current Tax Expense	\$ 2,355	\$ 1,330	\$ 8,246	\$ 5,720
Deferred Tax Expense	(329)	107	(704)	(852)
<b>Total income taxes</b>	<b>\$ 2,026</b>	<b>\$ 1,437</b>	<b>\$ 7,542</b>	<b>\$ 4,868</b>

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The U.S. statutory tax rate used for the three and nine months ended September 30, 2022, and 2021, was 21%.

**13. DERIVATIVE LIABILITIES**

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A reconciliation of the beginning and ending balances of the equity price guarantee derivative liabilities from the time of issuance and during the nine months ended September 30, 2022, and the year ended December 31, 2021, are as follows:

Balance as of January 1, 2021	\$ 7,412
Fair value change	(3,452)
<b>Balance as of December 31, 2021</b>	<b>\$ 3,960</b>
Fair value change	5,021
<b>Balance as of September 30, 2022</b>	<b>\$ 8,981</b>

Price Guarantees are recorded as a liability measured at fair value on the condensed interim unaudited 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 condensed interim unaudited 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 the Company 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 then existing promissory note issued in connection with the acquisition of Fluent Servicing (the "Amended Note"), as well as the terms pertaining to the Equity Price Guarantee, by 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), subject to a price floor of \$0.65 per share that expires on May 23, 2023.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***13. DERIVATIVE LIABILITIES (Continued)**

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.

On May 6, 2021, the Company satisfied its obligations under the Amended Note payable dated January 16, 2020, 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 range of assumptions were used to value the Equity Price Guarantee derivative liability during the periods ended March 31, 2021, April 30, 2021, December 31, 2021, March 31, 2022, June 30, 2022, and September 30, 2022:

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	April 30, 2021	March 31, 2021
Volatility	95.00%	80.00%	70.00%	75.00%	116.02%	117.46%
Risk-free interest rate	3.76%	3.09%	2.17%	0.91%	0.29%	0.23%
Expected life (years)	0.7 years	0.9 years	1.2 years	1.4 years	2.1 years	2.2 years
Share price	\$0.16	\$0.17	\$0.39	\$0.66	\$1.07	\$0.76
Exercise price	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65

During the three and nine months ended September 30, 2022, the Company recorded a loss of \$313 and \$5,021, respectively on revaluation of the Equity Price Guarantee derivative liability. During the three and nine months ended September 30, 2021, the Company recorded a gain of \$0 and \$1,551, respectively, on revaluation of the Equity Price Guarantee derivative liability.

**14. NOTES PAYABLE**

As of September 30, 2022, and December 31, 2021, notes payable consisted of the following:

	September 30, 2022	December 31, 2021
Automobile loan (a)	\$ 37	\$ 52
Senior Secured Term Loan (b)	53,130	53,317
Equipment loan (c)	48	924
Convertible Debenture (d)	2,841	-
Total notes payable	56,056	54,293
Less current portion of notes payable	(43)	(619)
<b>Notes payable, net of current portion</b>	<b>\$ 56,013</b>	<b>\$ 53,674</b>

**(a) Automobile Loan**

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

**14. NOTES PAYABLE (Continued)**

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**(b) 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 “\$71M Term Loan”). The \$71M 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. Subject to certain conditions of the \$71M Term Loan, the Company has the ability to prepay the \$71M Term Loan as well as to increase the \$71M Term Loan by \$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 \$71M 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 \$71M Term Loan, the Company is required to be in compliance with the following financial covenants:

- Minimum liquidity of \$4,000 as at September 30, 2022
- Minimum debt service coverage ratio of 2.5x.

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%.

On May 6, 2022 and June 6, 2022, the Company completed repayments of the \$71M Term Loan in the aggregate amount of \$3,418, incurring in a loss on debt settlement of \$1,136. As of September 30, 2022, the principal amount outstanding under the \$71M Term Loan was \$65,817 and unamortized debt issuance costs was \$13,578. As of December 31, 2021, the principal amount outstanding under the \$71M Term Loan was \$66,235 and unamortized debt issuance costs was \$15,918.

As of December 31, 2021 and September 30, 2022, the Company was in compliance with the covenants under the \$71M Term Loan.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***14. NOTES PAYABLE (Continued)****(c) Equipment Loan**

As of September 30, 2020, notes payable balance is collateralized by equipment purchased, bearing interest ranging of 0% per annum, maturing through August 2026.

As of December 31, 2021, notes payable balance is collateralized by equipment purchased, bearing interest ranging of 12% per annum, maturing through July 2024.

On July 25, 2022, the Company settled litigation related to a consulting agreement entered into with Uriah's Urban Farms, Inc. on January 1, 2019 (the "Uriah Consulting Agreement"). Under the Consulting Agreement, the Company agreed, among other things, to purchase certain equipment from the consultant for \$1,500. The Company paid \$500 in April 2019 and did not make any further payments pending the outcome of the dispute with the consultant, and the remaining amount was accrued by the Company as an equipment loan. Under the terms of the settlement, the Company agreed to repayments of \$250 on April 1, 2023 and \$375 on each of April 1, 2024 and 2025 and the release of 400,000 restricted shares previously issued to the noteholder which were subject to performance milestones that were not achieved (Note 16). As of September 30, 2022, the total outstanding amount was \$1 million which reflects the settlement amount and was reclassified from notes payable to accrued liabilities and long term liabilities in the amount of \$250 and \$750, respectively based on the settlement terms.

A reconciliation of the beginning and ending balances of the notes payable for the three and nine months ended September 30, 2022 and the year ended December 31, 2021, is as follows:

	Equity conversion		
	feature	Warrants	Expense
<b>Balance as of December 31, 2020</b>	<b>\$ 11,044</b>	<b>\$ 13,265</b>	<b>\$ (7,232)</b>
Accretion expense	-	-	(2,193)
Issuance of warrants	-	15,604	16,532
Issuance of shares for notes payable repayment	(6,111)	-	-
<b>Balance as of December 31, 2021</b>	<b>\$ 4,933</b>	<b>\$ 28,869</b>	<b>\$ 14,339</b>
Fair value change in derivative liability	-	-	-
Issuance of warrants for convertible debenture	1,744	70	-
<b>Balance as of September 30, 2022</b>	<b>\$ 6,677</b>	<b>\$ 28,939</b>	<b>\$ 14,339</b>

Finance costs for the three months ended September 30, 2022, and 2021 is as follows:

	2022	2021
Interest income	(4)	(72)
Interest expenses	2,246	2,349
Accretion	-	42
Interest on right of use assets	1,231	654
Debt issuance costs	949	410
Other Income	-	-
<b>Finance costs, net</b>	<b>\$ 4,422</b>	<b>\$ 3,383</b>

**Cansortium Inc.**  
**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2022, and September 30, 2021**  
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

**14. NOTES PAYABLE (Continued)**

Finance costs for the nine months ended September 30, 2022 and 2021 is as follows:

	2022	2021
Interest income	(79)	(207)
Interest expenses	6,791	6,030
Accretion	2,662	2,284
Interest on right of use assets	2,548	1,911
Debt issuance costs	-	1,215
Other Income	-	-
<b>Finance costs, net</b>	<b>\$ 11,922</b>	<b>\$ 11,233</b>

**(d) Convertible Debenture**

On April 29, 2022, the Company completed a 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, resulting in an increase of \$1,744 and \$70 to equity conversion feature and warrants, respectively. The Debenture will come due in 2032 and the principal amount then outstanding 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 (Note 16.h). As of September 30, 2022, the principal amount outstanding under the Debenture was \$3,415 and unamortized debt issuance costs was \$574.

**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**

	September 30, 2022	December 31, 2021
<b>Cost</b>		
Balance at beginning of year	\$ 29,590	\$ 26,686
Additions	13,507	2,995
Disposals	(379)	(91)
Balance at end of period	42,718	29,590
<b>Accumulated Depreciation</b>		
Balance at beginning of year	\$ 10,421	\$ 7,591
Additions	2,279	2,830
Balance at end of period	12,700	10,421
<b>Right-of-use-assets, net</b>	<b>\$ 30,018</b>	<b>\$ 19,169</b>

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***15. LEASES (Continued)****(b) Lease Liabilities**

During the three and nine months ended September 30, 2022, the Company incurred variable lease payments of \$104 and \$509, respectively. During the three and nine months ended September 30, 2021, the Company incurred variable lease payments of \$292 and \$751, respectively.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Balance at beginning of year	\$ 23,591	\$ 22,705
Additions	13,735	2,995
Disposals	(401)	(119)
Interest on lease liabilities	2,548	2,554
Interest payments on lease obligations	(2,548)	(2,554)
Principal payments on lease obligations	(1,678)	(1,990)
<b>Balance at end of period</b>	<b>\$ 35,247</b>	<b>\$ 23,591</b>
Less current portion of lease obligations	(2,014)	(2,500)
<b>Lease obligations, net of current portion</b>	<b>\$ 33,233</b>	<b>\$ 21,091</b>

The Company's lease obligation maturity has been disclosed within Note 20.

**16. SHAREHOLDERS' EQUITY****Equity shares transactions**

During the three and nine months ended September 30, 2022 and year ended December 31, 2021, the following transactions were recorded in shareholders' equity:

a. On January 22, 2021, the Company issued an aggregate of 1,286,110 shares at \$0.75 per share to its Board of Directors members and certain members of senior management as compensation, resulting in an increase to share capital of \$965. On January 31, 2021, in connection with the extension of the \$10M Convertible Notes, 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 143,678 shares at \$1.09 per share to a Board member as compensation in exchange for accrued board of directors' fees, resulting increase share capital of \$156.

b. On January 31, 2021, the Company extended the maturity date of the \$10M Convertible Notes to December 1, 2022 and issued 1,263,407 common shares of the Company in satisfaction of all unpaid interest on the \$10M Convertible Notes 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 Notes 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. 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.

**16. SHAREHOLDERS' EQUITY**

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c. 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.

d. In connection with the consummation of the \$71M Term Loan (Note 14 (b)), the Company issued, 12.5 million warrants with an exercise price of \$1.20 to certain participants in the \$71M 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.

e. On May 7, 2021, the Company satisfied its obligations under the Amended Note payable 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 Promissory Note into 21,555,483 common shares of the Company at \$0.60 per share, resulting in an increase to share capital of \$26,123 and loss on a debt settlement of \$7,587. 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 14 (b)).

f. On May 19, 2021, the Company released the remaining of the 2,727,723 restricted common shares to GSI's shareholders resulting increase of \$1,677 to its deposit and \$28 share-based compensation expense (see Notes 10, 22).

g. On June 28, 2021, the Company exercised its right under the \$10M Convertible Note to force the conversion 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 canceled. Under the terms of the 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. As a result of the conversion, 8,426,574 common shares were issued, resulting in an increase to share capital of \$8,258 and loss on a debt settlement of \$3,164. Per the terms of the \$10M Convertible Note, the remaining aggregate principal amount of each \$10M Convertible Note was converted into common shares at \$0.60 and the accrued but unpaid interest under each \$10M Convertible 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)).

h. On April 29, 2022, the Company completed a 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 resulting increase of \$1,744 and \$70 to equity conversion feature and warrants, respectively. 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 (See Note 14 (d)).

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Share Capital**

As of September 30, 2022, the share capital of the Company is comprised of 225,381,782 common shares, 2,689,496 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 40,803,819 warrants and 16,055,500 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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Weighted Average Number of Shares - Basic	252,230,588	228,628,703
Weighted Average Warrants	39,462,596	30,349,785
Weighted Average Options	16,499,455	16,252,916
<b>Weighted Average Number of Shares - Diluted</b>	<b>308,192,639</b>	<b>275,231,404</b>

Warrant activity for the Company for the nine months ended September 30, 2022 and year ended December 31, 2021, is as follows:

Balance as of January 1, 2021	37,977,896
Expired	26,580,639
Exercised	3,033,331
Granted	29,820,470
<b>Balance as of December 31, 2021</b>	<b>38,184,396</b>
Expired	457,500
Granted	3,076,923
<b>Balance as of September 30, 2022</b>	<b>40,803,819</b>



**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****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 nine months ended September 30, 2022 and the year ended December 31, 2021, is as follows:

	<b>Restricted shares</b>	<b>Grant date fair value per unit</b>	<b>Aggregate intrinsic value</b>
Balance as of January 1, 2021	3,127,269	\$ 2.75	8,600
Vested	(2,727,269)	2.75	\$ (7,500)
<b>Balance as of December 31, 2021</b>	<b>400,000</b>	<b>\$ 2.75</b>	<b>1,100</b>
Vested	(400,000)	2.75	\$ (1,100)
<b>Balance as of September 30, 2022</b>	<b>-</b>	<b>\$ 2.75</b>	<b>0</b>

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

On July 25, 2022, under the Uriah Settlement (Notes 14c), the Company released its 400,000 restricted shares previously issued to the noteholder which were subject to performance milestones that were not achieved and were released as part of the settlement.

**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.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)**

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 three and nine month periods ended September 30, 2022 and December 31, 2021, were as follows:

	<b>Jan 22, 2021</b>	<b>Feb 5, 2021</b>	<b>March 9, 2021</b>	<b>July 6, 2021</b>	<b>August 31, 2021</b>	<b>August 31, 2021</b>
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%

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.

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

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

For the three and nine months ended September 30, 2022, the Company recognized \$53 and \$153 as stock-based compensation, respectively.

For the three and nine months ended September 30, 2021, the Company recognized \$448 and \$1,489 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 condensed interim unaudited consolidated statements of loss and other comprehensive loss with a corresponding credit to equity (share-based compensation reserve).

As of September 30, 2022, there were 16,055,500 options outstanding, comprising of 15,678,833 options vested and 376,677 options non-vested, with remaining contractual lives 0.6 to 3.9 years

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

*(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 nine months ended September 30, 2022 and year ended December 31, 2021:

	Options Issued	Weighted Average Exercise Price
Balance as of January 1, 2021	14,931,039	\$ 0.53
Granted	3,205,000	\$ 0.80
Forfeited	(1,063,873)	\$ 1.48
Exercised	(116,666)	\$ 0.44
<b>Balance as of December 31, 2021</b>	<b>16,955,500</b>	<b>\$ 0.52</b>
Balance as of December 31, 2021	16,955,500	\$ 0.52
Exercised	(300,000)	\$ 0.45
Forfeited	(600,000)	\$ 0.44
<b>Balance as of September 30, 2022</b>	<b>16,055,500</b>	<b>\$ 0.53</b>

The following is a summary of the outstanding options as of September 30, 2022:

Exercise prices	Outstanding as of September 30, 2022	Weighted average remaining contractual life (years)	Exercisable as of September 30, 2022	Weighted average remaining contractual life (years)
\$ 0.26	3,000,000	0.6	3,000,000	0.6
\$ 0.30	1,750,000	1.0	1,750,000	1.0
\$ 0.40	2,400,000	2.7	2,400,000	2.7
\$ 0.44	4,883,834	2.2	4,883,834	2.2
\$ 0.75	255,000	3.4	170,000	3.4
\$ 0.77	1,700,000	3.3	1,700,000	3.3
\$ 0.79	250,000	3.4	125,000	3.4
\$ 0.83	500,000	3.9	500,000	3.9
\$ 0.90	250,000	3.9	250,000	3.9
\$ 0.93	250,000	3.8	83,333	3.8
\$ 1.00	150,000	0.6	150,000	0.6
\$ 2.00	666,666	2.6	666,666	2.6
	<b>16,055,500</b>	<b>2.3</b>	<b>15,678,833</b>	<b>2.1</b>

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
	<b>16,955,500</b>	<b>2.8</b>	<b>16,368,833</b>	<b>2.8</b>

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***17. EXPENSE BY NATURE**

General and administrative expenses for the three and nine months ended September 30, 2022, and 2021, are as follows:

	For the three months September 30,		For the nine months September 30,	
	2022	2021	2022	2021
General and administrative				
Legal and professional fees	\$ 666	\$ 551	\$ 2,289	\$ 3,756
Salaries and benefits	761	677	2,578	2,092
Insurance	238	590	1,014	1,427
Variable rent expenses	23	30	69	84
Travel and entertainment	23	34	76	76
Recruiting	34	49	97	188
Investor relations and regulatory fees	71	61	153	109
Payroll processing fees	39	19	109	55
Other	332	72	963	454
<b>Total general and administrative</b>	<b>\$ 2,188</b>	<b>\$ 2,084</b>	<b>\$ 7,348</b>	<b>\$ 8,241</b>

Sales and marketing expenses for the three and nine months ended September 30, 2022, and 2021, are as follows:

	For the three months September 30,		For the nine months September 30,	
	2022	2021	2022	2021
Sales and marketing				
Salaries and benefits	\$ 3,240	\$ 2,320	\$ 8,654	\$ 6,176
Advertising expenses	315	670	1,124	1,719
Variable rent expenses	114	443	1,066	1,338
Legal and professional fees	47	56	140	161
Security	41	107	255	396
Supplies	208	118	471	352
Software	91	71	255	208
Other	500	247	869	743
<b>Total sales and marketing</b>	<b>\$ 4,556</b>	<b>\$ 4,033</b>	<b>\$ 12,833</b>	<b>\$ 11,094</b>

**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 September 30, 2022, 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.

**Cansortium Inc.**  
**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2022, and September 30, 2021**  
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**18. COMMITMENTS AND CONTINGENCIES** *(Continued)*

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**(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 September 30, 2022, 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.

**19. RELATED-PARTY TRANSACTIONS**

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***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 three and nine months ended September 30, 2022, and 2021, key management personnel compensation consisted of the following:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Salary	\$ 558	\$ 603	\$ 1,690	\$ 1,561
Option-based compensation	53	319	153	1,815
Share-based compensation	-	-	-	1,167
All other compensation	171	200	571	533
<b>Total</b>	<b>\$ 782</b>	<b>\$ 1,121</b>	<b>\$ 2,414</b>	<b>\$ 5,077</b>

***Transactions with related parties***

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 consultant is owned 100% by the current Executive Chairman. Under the 2020 Consulting Agreement, the consultant 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 the three and nine months ended September 30, 2022, and year ended December 31, 2021, the Company paid \$0 and \$230 under the 2020 Consulting Agreement, respectively. As of September 30, 2022, and December 31, 2021, the Company owes \$870 under the 2020 Consulting Agreement.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**19. RELATED-PARTY TRANSACTIONS (Continued)**

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During the three months ended March 31, 2021, the Company issued an aggregate of 1,286,110 shares at \$0.7 per share (See Note 16a) and 1,700,000 options to its Board of Directors' members and senior management as compensation, resulting in an increase to share capital of \$965 and \$968, respectively.

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 a.) in exchange for accrued board of directors' fees, resulting in an increase to share capital of \$157.

On April 29, 2021, two directors of the Company, participated as lenders in the \$71M Senior Secured Term Loan, which bears interest of 13% per annum (Note 14(e)), with a \$6 million principal contribution subject to, 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.

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**20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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**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 derivative 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.

**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(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 as of September 30, 2022 are summarized in the following table:

	Amortized cost	FVTPL	Total
<b>Financial Assets</b>			
Cash and cash equivalents	—	9,099	9,099
Trade receivable	53	-	53
<b>Financial Liabilities</b>			
Trade and other payables	27,262	-	27,262
Derivative liabilities	-	8,981	8,981
Notes payable	56,056	-	56,056
Lease obligations	35,247	-	35,247

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

	Amortized cost	FVTPL	Total
<b>Financial Assets</b>			
Cash and cash equivalents	-	9,024	9,024
Trade receivable	26	-	26
Note receivable	4,886	-	4,886
<b>Financial Liabilities</b>			
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

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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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**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 September 30, 2022 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 September 30, 2022 and December 31, 2021, 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.



**Cansortium Inc.****Condensed Interim Notes to the Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2022, and September 30, 2021***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)****(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 September 30, 2022:

	<u>&lt; 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
Trade payable	\$ 9,009	\$ -	\$ -	\$ -	\$ 9,009
Accrued liabilities	\$ 8,080	\$ -	\$ -	\$ -	\$ 8,080
Notes payable	\$ 43	\$ 272	\$ 53,591	\$ 2,149	\$ 56,056
Lease obligations	\$ 2,014	\$ 4,918	\$ 6,155	\$ 22,160	\$ 35,247
Total	<u>\$ 19,146</u>	<u>\$ 5,190</u>	<u>\$ 59,746</u>	<u>\$ 24,309</u>	<u>\$108,392</u>

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

	<u>&lt; 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
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	<u>\$ 17,483</u>	<u>\$ 6,429</u>	<u>\$ 59,928</u>	<u>\$ 8,408</u>	<u>\$ 92,248</u>

**(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.

**Cansortium Inc.**

**Condensed Interim Notes to the Consolidated Financial Statements (unaudited)**

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

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

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**21. CAPITAL MANAGEMENT**

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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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Notes payable	\$ 56,056	\$ 54,293
Share capital	180,792	180,657
	<u>\$ 236,848</u>	<u>\$ 234,950</u>

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 three and nine months ended September 30, 2022 and the year ended December 31, 2021.

**22. DISCONTINUED OPERATIONS**

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In June 2022, the Company terminated the Amended and Restated Michigan Agreement and all of the Company's obligations thereunder, discontinued its operation in Michigan, writing off the Green Standard Note receivable (Note 5), GSI deposit (Note 10) and other receivables and property and equipment of \$4,932, \$2,727, \$225, respectively, related to GSI resulting in a loss from discontinued operations of \$7,884.

In June 2022, the Company exited its Homestead Florida cultivation facility writing off certain receivables, property and equipment, which resulted a loss from discontinued operations of \$688.

**23. SUBSEQUENT EVENTS**

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On October 11, 2022, Patricia Fonseca has resigned as Chief Financial Officer ("CFO") of the Company. Until the position is finalized by a permanent CFO, Liora Boudin, Corporate Controller of the Company since 2020, has been appointed as interim CFO.