

Cansortium Inc.

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

**For the three and nine months ended
September 30, 2021, and September 30, 2020**

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

Cansortium Inc.

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Cansortium Inc.**Condensed Interim Consolidated Financial Statements (unaudited)****As of September 30, 2021, and December 31, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 13,808	\$ 3,392
Accounts receivable	301	148
Inventory, net	Note 3 9,975	5,006
Biological assets	Note 4 3,108	1,914
Prepaid income taxes	628	-
Note receivable	Note 5 3,986	3,859
Prepaid expenses and other current assets	Note 6 1,657	1,365
Total current assets	33,463	15,684
Investment held for sale	Note 7 200	200
Property and equipment, net	Note 8 30,369	19,517
Intangible assets, net	Note 9 96,205	97,035
Right-of-use assets	Note 15 19,290	19,094
Deposit	Note 10, 13 2,727	1,050
Goodwill	Note 11 1,526	1,526
Other assets	528	425
Total assets	\$ 184,308	\$ 154,531
Liabilities		
Current liabilities		
Accounts payable	4,685	4,808
Accrued liabilities	7,092	7,614
Income taxes payable	-	8,925
Derivative liabilities	Note 13 -	7,412
Current portion of notes payable	Note 14 620	38,583
Lease obligations	Note 15 2,375	1,894
Total current liabilities	14,772	69,236
Notes payable	Note 14 54,693	13,182
Lease obligations, net of current portion	Note 15 21,157	20,811
Deferred income taxes	21,547	23,471
Total liabilities	112,169	126,700
Shareholders' equity		
Share capital	Note 16 193,020	137,835
Share-based compensation reserve	Note 16 6,164	4,675
Equity conversion feature	Notes 14, 16 4,933	11,044
Warrants	29,797	13,265
Accumulated deficit	(161,363)	(138,609)
Accumulated other comprehensive loss	(412)	(379)
Total shareholders' equity	72,139	27,831
Total liabilities and shareholders' equity	\$ 184,308	\$ 154,531

Nature of Operations (Note 1)

Summary of Significant Accounting Policies (Note 2)

Commitments and Contingencies (Note 18)

Subsequent Events (Note 21)

Approved and authorized for issue on behalf of the Shareholders on November 29, 2021:

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

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

Cansortium Inc.

Condensed Interim Consolidated Statements of Operations (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Revenue, net of discounts	\$ 15,568	\$ 14,313	\$ 47,153	\$ 37,718
Cost of goods sold	5,805	4,784	16,956	13,011
Gross profit before fair value adjustments	9,763	9,529	30,197	24,707
Realized fair value of increments on inventory sold	(5,113)	(6,051)	(14,433)	(18,566)
Unrealized change in fair value of biological assets <i>Note 4</i>	6,113	4,263	11,768	23,945
Gross profit	10,763	7,741	27,532	30,086
Expenses				
General and administrative <i>Note 17</i>	2,084	2,861	8,241	9,064
Share-based compensation	731	1,689	4,248	4,938
Sales and marketing <i>Note 17</i>	4,033	3,561	11,094	10,162
Depreciation and amortization <i>Notes 8, 9, 15</i>	1,649	1,561	4,727	4,635
Total expenses	8,497	9,672	28,310	28,799
Loss from operations	2,266	(1,931)	(778)	1,287
Other expense (income)				
Interest expense, net <i>Note 14</i>	3,383	3,892	11,233	11,448
Change in fair market value of derivative liability <i>Note 13</i>	-	673	(1,551)	1,680
(Gain)/Loss on debt settlement <i>Note 14</i>	(10,794)	-	(42)	-
Private placement issuance expense	890	-	7,530	-
Equity loss on investment in associate	-	166	-	381
Loss on debt restructuring <i>Note 14</i>	-	-	-	8,065
(Gain)/Loss on disposal of assets	(20)	710	30	656
Other (income) expense	7	1	(124)	7
Total other expense (income)	(6,534)	5,442	17,076	22,237
Loss before income taxes	8,800	(7,373)	(17,854)	(20,950)
Income taxes <i>Note 12</i>	1,437	1,281	4,868	7,422
Net income (loss)	7,363	(8,654)	(22,722)	(28,372)
(Gain)/Loss from discontinued operations <i>Note 7</i>	2	236	33	(106)
Net income (loss) after discontinued operations	\$ 7,361	\$ (8,890)	\$ (22,755)	\$ (28,266)
Other comprehensive loss:				
Foreign exchange translation gain (loss)	(22)	4	(33)	188
Comprehensive income (loss)	\$ 7,339	\$ (8,886)	\$ (22,788)	\$ (28,078)
Net loss per share				
Basic <i>Note 16</i>	\$ 0.03	\$ (0.04)	\$ (0.10)	\$ (0.14)
Diluted <i>Note 16</i>	\$ 0.02	\$ (0.04)	\$ (0.10)	\$ (0.14)

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, 2021, and September 30, 2020

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

	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 service (Note 16 g.)	1,250,000	-	431	-	-	137	-	-	-	568
Share 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
Shares issued for professional services	408,286	-	155	-	-	-	-	-	-	155
Vesting of professional services shares	905,364	(905,364)	2,303	-	-	-	-	-	-	2,303
Vesting of employee compensation shares	-	-	51	-	-	-	-	-	-	51
Issuance of options	-	-	-	1,171	-	-	-	-	-	1,171
Foreign currency gain on translation	-	-	-	-	-	-	-	-	188	188
Net loss	-	-	-	-	-	-	(28,425)	-	-	(28,425)
Balance, September 30, 2020	198,797,352	3,205,373	\$ 148,250	\$ 4,148	\$ 11,044	\$ 13,265	\$ (139,987)	\$ -	\$ (375)	\$ 36,345
Balance, December 31, 2020	185,788,482	2,127,269	\$ 137,835	\$ 4,675	\$ 11,044	\$ 13,265	\$ (138,609)	\$ -	\$ (379)	\$ 27,831
Conversion of warrants	3,033,332	-	1,365	-	-	-	-	-	-	1,365
Issuance of options	-	-	-	1,489	-	-	-	-	-	1,489
Exercise of options	56,287	-	-	-	-	-	-	-	-	-
Shares and warrants issued for professional services (Note 16 j.)	1,505,344	-	1,174	-	-	44	-	-	-	1,218
Issuance of shares 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	-	19,080	-	-	4,650	-	-	-	23,730
Issuance of warrants for term loan (Note 16 m.)	-	-	-	-	-	9,946	-	-	-	9,946
Shares issued for convertible debentures repayment (Note 16 n.)	21,555,483	-	20,009	-	(3,565)	-	-	-	-	16,444
Release of restricted stock to acquire GSI (Note 16 o.)	1,727,269	(1,727,269)	1,705	-	-	-	-	-	-	1,705
Issuance of shares for note payable repayment (Note 16 p.)	8,426,574	-	10,804	-	(2,546)	-	-	-	-	8,258
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	-	(33)	(33)
Net loss	-	-	-	-	-	-	(22,755)	-	-	(22,755)
Balance, September 30, 2021	248,005,314	400,000	193,020	6,164	4,933	29,797	(161,363)	-	(412)	72,139

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

Cansortium Inc.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

For the nine months ended September 30, 2021, and September 30, 2020

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

	For the nine months ended September 30,	
	2021	2020
Operating activities		
Net loss	\$ (22,755)	\$ (28,266)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on changes in fair value of biological assets	(11,768)	(23,945)
Realized gain on changes in fair value of biological assets	14,433	18,566
Share-based compensation	3,883	4,938
Depreciation and amortization	7,529	6,146
Discontinued operations	33	(106)
Accretion of convertible debentures	3,457	5,974
Interest on lease liabilities	1,911	3,324
Change in fair market value of derivative	(1,551)	1,680
Loss on investment in associate	-	381
Loss on debt restructuring	-	8,065
(Gain)/Loss on disposal of assets	30	656
Deferred tax expense	(852)	1,700
Changes in operating assets and liabilities:		
Accounts receivable	(153)	79
Inventory	(4,969)	(2,930)
Biological assets	(3,859)	3,096
Prepaid expenses and other current assets	1,632	(492)
Right-of-use assets	(2,395)	(1,439)
Right-of-use liabilities	2,378	-
Other assets	(105)	(99)
Accounts payable	(123)	(309)
Accrued liabilities	(396)	2,205
Income taxes	(9,553)	4,909
Other liabilities	-	(411)
Net cash provided by (used in) operating activities	(23,193)	3,723
Investing activities		
Purchases of property and equipment	(15,210)	(3,136)
Purchase of intangible assets	(318)	-
Payment of notes receivable	1,477	350
Proceeds from sale of property and equipment	29	-
Notes receivable	(1,802)	(1,375)
Proceeds from sale of subsidiary	-	600
Net cash used in investing activities	(15,824)	(3,561)
Financing activities		
Proceeds from issuance of shares and warrants	23,730	4,351
Proceeds from issuance of debt, net of loan issuance costs	63,086	62
Payment of lease obligations	(3,342)	(3,207)
Exercise of warrants	1,365	-
Principal repayments of notes payable	(35,373)	-
Net cash provided by financing activities	49,466	1,206
Effect of foreign exchange on cash and cash equivalents	(33)	188
Net increase (decrease) in cash and cash equivalents	10,416	1,556
Cash and cash equivalents, beginning of period	3,392	2,516
Cash and cash equivalents, end of period	\$ 13,808	\$ 4,072
Cash paid during the period for interest	\$ 5,329	\$ 2,457
Non-cash transactions:		
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	\$ -
Founders shares return	\$ -	\$ 10,970
Note payable amendment	\$ -	\$ 10,380
Shares returns for sale of interest in subsidiaries	\$ -	\$ 4,374
Issuance of convertible debentures amendment	\$ -	\$ 2,082

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

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

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 shares 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, suppositories, 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 operations. 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 three and nine months ended September 30, 2021, and 2020, were generated in the United States.

These condensed interim 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 foreseeable future.

The Company has recorded a net loss of \$22,755 on its consolidated statement of operations, a negative cash flows from operations of \$23,193 during the nine months ended September 30, 2021, and, as of that date, the Company had an accumulated deficit in the amount of \$161,363. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

1. NATURE OF OPERATIONS *(Continued)*

To date, the Company has been successful in obtaining enough funding for operating and capital requirements primarily through equity and debt financings. The ability of the Company to continue as a going concern is dependent upon its ability to achieve profitable operations. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and classifications on the statement of financial position that would be necessary if the going concern assumption was not appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed interim 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”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The condensed interim 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, 2020, and 2019. 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, 2020, and 2019, including the accompanying notes thereto.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 29, 2021.

(b) Basis of Measurement

The condensed interim 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 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.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(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 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 operations 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 condensed interim consolidated financial statements and the ownership interest held as of September 30, 2021, and December 31, 2020.

	% Ownership September 30, 2021	% Ownership December 31, 2020
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC (Note 7)	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	0.00%	50.00%
Cansortium Health Partners, LLC	0.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S. (Notes 7, 16 c.)	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%

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2020, and 2019.

(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.

3. INVENTORY

As of September 30, 2021, and December 31, 2020, inventories consisted of the following:

	September 30, December 31,	
	2021	2020
Supplies, packaging and materials	\$ 2,592	\$ 711
Work in progress	5,096	3,562
Finished goods	4,025	2,471
Inventory reserve	(1,738)	(1,738)
Balance at end of period	\$ 9,975	\$ 5,006

Inventory material costs included in cost of goods sold during the three and nine months ended September 30, 2021, were \$2,201 and \$6,817, respectively. Inventory material costs included in cost of goods sold during the three and nine months ended September 30, 2020, were \$1,106 and \$2,877, respectively. Salaries and benefits charged to cost of goods sold for the three and nine months ended September 30, 2021, were \$1,946 and \$5,307, respectively. Salaries and benefits charged to cost of goods sold for the three and nine months ended September 30, 2020, were \$1,209 and \$3,532, respectively.

During the three and nine months ended September 30, 2021, and 2020, the Company recorded an allowance of \$0 to reflect net realizable value adjustments related to its Texas inventory. As of September 30, 2021, and December 31, 2020, inventory reserve was \$1,738.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

(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, 2021, and year ended December 31, 2020 is as follows:

	September 30, December 31,	
	2021	2020
Balance at beginning of period	\$ 1,914	\$ 3,845
Cost incurred until harvest	9,567	6,856
Biological assets reserve	-	(180)
Effect of unrealized change in fair value of biological assets	11,768	17,516
Transferred to inventory upon harvest	(20,141)	(26,123)
Balance at end of period	\$ 3,108	\$ 1,914

As of September 30, 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 then adjusts that amount for 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 values hierarchy as there is no actively traded commodity market for plants or dried product. The significant unobservable inputs used to assess the fair value of biological assets during the nine months ended September 30, 2021, and the year ended December 31, 2020, used the following assumptions:

- (a) Expected yields of the average grams of dried flower and trim per plant of 81 grams and 13 grams, respectively.
- (b) Weighted average number of growing weeks completed as percentage of total growing weeks at the period end of 39% and 50%, respectively.
- (c) Expected weighted average selling price in the retail market of \$13.09 per gram and \$10.81 per gram, respectively.
- (d) Estimated weighted average costs to complete and sell flower and trim \$6.78 and \$4.83 per gram, respectively.
- (e) Expected loss of plants until harvest of 26% and 25%, respectively.

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 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.

The Company has quantified the sensitivity of the unobservable inputs in relation to the biological assets for the nine months ended September 30, 2021, and the year ended December 31, 2020, and determined the following:

- (a) A 10% increase or decrease on the expected yield of dry flower and trim per plant would increase or decrease the fair value of biological assets by \$311 and \$191, respectively.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

4. BIOLOGICAL ASSETS (Continued)

- (b) A 10% increase or decrease on the weighted average of growing weeks completed as a percentage of total estimated growing weeks would increase or decrease the fair value of biological assets by \$311 and \$191, respectively.
- (c) A 10% increase or decrease in the expected selling price per gram of dried flower or trim would increase or decrease the fair value of biological assets by \$4 and \$94, respectively.
- (d) A 10% increase or decrease in the expected costs to complete and sell per gram would increase or decrease the fair value of biological assets by \$1 and \$77, respectively.
- (e) A 10% increase or decrease on the expected loss of plants until harvest would increase or decrease the fair value of biological assets by \$91 and \$33, respectively.

The Company estimates the harvest yields for cannabis at various stages of growth. As of September 30, 2021, it is expected that the Company's biological assets will yield approximately 1,345,701 grams of dry cannabis when harvested.

As of September 30, 2021, and December 31, 2020, the Company had 22,558 and 85,268 plants that were classified as biological assets, respectively.

During the three and nine months ended September 30, 2021, and 2020, the Company recorded an allowance of \$0 to reflect net realizable value adjustments related to its Texas biological assets. As of September 30, 2021, and December 31, 2020, biological assets reserve was \$180.

5. NOTE RECEIVABLE

In connection with the Company's agreement entered 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 Green Standard, Inc. ("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 outstanding balance of \$14,700.

The Green Standard Note, bears interest of 2.7% per annum and is payable no later than the earlier of 3 years from the Green Standard Note issuance date or earlier, based on certain triggering events.

On May 19, 2020, 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 note receivable for the nine months ended September 30, 2021, and the year ended December 31, 2020, is as follows:

	September 30,	December 31,
	2021	2020
Balance at beginning of period	\$ 3,859	3,870
Advances	1,604	1,647
Payments	(1,477)	(372)
Reserve for expected credit losses	-	(1,286)
Balance at end of period	\$ 3,986	\$ 3,859

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***5. NOTE RECEIVABLE (Continued)**

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 affecting the ability to settle the note receivable. The 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 note receivable.

During the nine months ended September 30, 2021, and the year ended December 31, 2020, the Company recorded expected credit loss adjustment of \$0 and \$1,286, respectively, related to the Note Receivable.

Interest income for the three and nine months ended September 30, 2021, was \$65 and \$198, respectively. Interest income for the three and nine months ended September 30, 2020, was \$60 and \$124, respectively.

As of September 30, 2021, and December 31, 2020, accrued interest of note receivable was \$440 and \$242, respectively and was recorded in prepaid expenses and other current assets (See Note 6).

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 668	\$ 477
Prepaid rent	33	43
Prepaid consulting fee	365	-
Other prepaid expenses	134	579
Security deposits held	18	23
Interest receivable - Green Standard (Note 5)	440	242
Other current assets	0	1
Balance at end of period	\$ 1,657	\$ 1,365

7. INVESTMENTS AND ASSETS 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 condensed interim consolidated financial statements in the amount of \$200 as of September 30, 2021, and December 31, 2020:

	Cansortium Colombia
Balance as of December 31, 2019 - Investment held for sale	\$ 1,810
Net assets sold (50%)	(905)
Loss in fair value of assets	(705)
Balance as of September 30, 2021 and December 31, 2020 - Investment held for sale	\$ 200

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

7. INVESTMENTS AND ASSETS HELD FOR SALE

Cansortium Colombia S.A.S *(Continued)*

For the three and nine months ended September 30, 2021, Cansortium Colombia recorded no gains or losses from discontinued operations. For the three and nine months ended September 30, 2020, Cansortium Colombia recorded a net gain from discontinued operations of \$370.

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 Cansortium 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 three and nine months ended September 30, 2021, Cansortium Puerto Rico recorded as net loss from discontinued operations of \$2 and \$33, respectively. For the three and nine months ended September 30, 2020, Cansortium Puerto Rico recorded as net loss from discontinued operations of \$236 and \$402, 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.).

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

(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, 2021, and year ended December 31, 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)	(106)	(1,808)	-	(142)	(101)	(2,236)
Balance as of December 31, 2020	211	838	714	5,626	15,537	84	2,127	423	25,559
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	3,877	(4)	-	89	6,042
Property and equipment, net	\$ 211	\$ 633	\$ 235	\$ 4,229	\$ 11,660	\$ 88	\$ 2,127	\$ 334	\$ 19,517
Cost									
Balance as of January 1, 2021	211	838	714	5,626	15,537	84	2,127	423	\$ 25,559
Additions	1	48	42	1,978	4,785	(84)	8,325	130	15,225
Construction completed	-	135	101	1,299	8,707	-	(10,243)	-	-
Disposals	-	-	-	-	-	-	-	(161)	(161)
Balance as of September 30, 2021	212	1,022	857	8,903	29,029	-	209	392	40,624
Accumulated depreciation									
Balance as of January 1, 2021	-	205	479	1,396	3,877	(4)	-	89	6,042
Additions	-	104	128	746	3,259	4	-	32	4,272
Disposals	-	-	-	-	-	-	-	(60)	(60)
Balance as of September 30, 2021	-	309	606	2,143	7,136	-	-	61	10,255
Property and equipment, net	\$ 212	\$ 713	\$ 250	\$ 6,760	\$ 21,893	\$ -	\$ 209	\$ 331	\$ 30,369

For the three and nine months ended September 30, 2021, the Company charged \$1,205 and \$2,802 of depreciation to the biological assets and inventory. For the three and nine months ended September 30, 2020, the Company charged \$526 and \$1,511 of depreciation to the biological assets and inventory. For the periods ended September 30, 2021, and December 31, 2020, capitalized borrowing costs were \$0 and \$187, respectively.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(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, 2021 and year ended December 31, 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	318	-	318
Balance as of September 30, 2021	94,487	8,850	103,337
Balance as of January 1, 2021			
Accumulated amortization	736	5,248	5,984
Additions	127	1,021	1,148
Balance as of September 30, 2021	863	6,269	7,132
Intangible assets, net	\$ 93,624	\$ 2,581	\$ 96,205

Amortization expense for the three and nine months ended September 30, 2021, and 2020, was \$382 and \$1,148, 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 shares of Cansortium Holdings LLC at a price equal to \$2.75 dollars per shares (see Notes 13 and 16).

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***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.

On May 19, 2021, the Company released the 2,727,269 restricted common shares to Green Standard shareholders 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 September 30, 2020, representing the amount of restricted shares at \$1.01 per share, was \$2,727.

11. GOODWILL

Goodwill as of September 30, 2021, and December 31, 2020, was \$1,526.

As of the nine months ended September 30, 2021, and the year ended December 31, 2020, the Company did not have an impairment to its goodwill and indefinite life intangibles.

12. INCOME TAXES

Income tax for the three and nine months ended September 30, 2021, and 2020, consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Provision for income taxes:				
Current Tax Expense	\$ 1,330	\$ 1,442	\$ 5,720	\$ 5,722
Deferred Tax Expense	107	(161)	(852)	1,700
Total current income taxes	\$ 1,437	\$ 1,281	\$ 4,868	\$ 7,422

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, 2021, and 2020, was 21%.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

(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 nine months ended September 30, 2021, and the year ended December 31, 2020, are as follows:

	Derivative liability total
Balance as of January 1, 2020	13,198
Fair value change from note payable amendment	(1,442)
Fair value change in derivative liability	(1,065)
Removal of GSI equity price guarantee	(3,279)
Balance as of December 31, 2020	\$ 7,412
Fair value change in derivative liability	(1,551)
Removal of equity price guarantee	(5,861)
Balance as of September 30, 2021	\$ -

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 guaranty, these liabilities are marked-to-market each quarter with the change in fair value recorded in the consolidated statements of operations.

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 of Cansortium Holdings LLC that were exchanged into 4,400,000 of 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 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.

The Company used a Monte-Carlo simulation model to estimate 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 LLC ("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. The common shares have been issued by the Company to Can Endeavour and all accrued interest on the Promissory Note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the Promissory Note, extinguishing the Equity Price Guarantee.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***13. DERIVATIVE LIABILITIES (Continued)**

The following range of assumptions were used to value the Equity Price Guarantee derivative liability during the periods ended April 30, 2021, March 31, 2021, and December 31, 2020:

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

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. During the three and nine months ended September 30, 2020, the Company recorded a loss of \$667 and \$1,516, respectively on revaluation of the Equity Price Guarantee derivative liability.

Green Standard

In connection with the agreement to buy the shares of Green Standard performed on October 5, 2018, (see Note 16 o.) and amended on January 1, 2019, the Company issued 2,727,269 of shares of Cansortium Inc. valued at \$2.75 dollars 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 Monte-Carlo simulation model to estimate 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 GSI Equity Price Guarantee and recorded the fair value of the derivative liability of \$2,597 in the consolidated statement of operations 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 during the period ended 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

During the three and nine months ended September 30, 2020, the Company recorded a loss of \$7 and \$164 on revaluation of the GSI Equity Price Guarantee derivative liability, respectively.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***14. NOTES PAYABLE**

As of September 30, 2021, and December 31, 2020, notes payable consisted of the following:

	September 30, 2021	December 31, 2020
Automobile loan (a)	\$ 57	\$ 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)	54,354	-
Equipment loan (f)	902	838
Total notes payable	55,313	51,765
Less current portion of notes payable	(620)	(38,583)
Notes payable, net of current portion	\$ 54,693	\$ 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 amendment 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 is convertible into common shares of the Company at any time at a price of \$0.60 per share. Furthermore, the Company amended the terms of the Equity Price Guarantee (see Note 13).

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 operations 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 payable dated January 16, 2020 in the principal amount of \$12,933 to Can Endeavour. The Promissory Note had a maturity date of December 1, 2022. However, pursuant to the terms thereunder, 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. 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.).

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

14. NOTES PAYABLE (Continued)

(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 million in exchange for cash proceeds of \$10,000 (the “\$10M Convertible Notes”).

In connection with the issuance of the \$10M Convertible Note, the Company paid cash of \$600 for debt issuance fees.

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 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 has 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 operations (see Note 16 h.).

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 has 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 16 k.). Each warrant is exercisable at \$0.60 until December 1, 2022.

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. Under the terms of the \$10M Convertible 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. On June 28, 2021, the Company exercised its right under the \$10M Convertible Notes to force the conversion of the remaining outstanding balance of the \$10M Convertible Notes into common shares of the Company. As a result, all obligations under the \$10M Convertible Notes have been satisfied and are thus canceled (See Note 16 p.).

During the three and nine months ended September 30, 2021, the Company recorded interest expense of \$0 and \$508 and accretion expense of \$0, respectively. During the three and nine months ended September 30, 2020, the Company recorded interest expense of \$326 and \$1,061 and accretion expense of \$1,156 and \$3,083, respectively.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

14. NOTES PAYABLE (Continued)

(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 be utilized for future purchase of shares at an exercise price of \$2.40 per share at any time prior to March 21, 2021.

In connection with the issuance of the Secured Convertible Debentures, the Company paid cash of \$1,172 for debt issuance fees and recorded interest expense of \$981 and accretion expense of \$2,098 for the year ended December 31, 2019. Payments of the Secured Convertible Debentures amounted to \$957 during the year.

At the subscription of the Secured Convertible Debentures, each investor was also issued a warrant “Warrant Shares” to be utilized for the future purchase of 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 expiry of the Subscription Warrants is 2 years from the issue date of the Secured Convertible Debentures.

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 shares at an exercise price of \$2.10 any time until the 24th month anniversary of the issuance of the Secured Convertible Debentures. Each broker warrant entitles the holder to acquire one conversion unit at an exercise price of \$2.10 any time until the 24th month anniversary of the issuance of the Secured Convertible Debentures.

On April 29, 2021, with the proceeds from the \$71 Million Senior Secured Term Loan, the Company repaid in full the Convertible Debenture.

(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 million. 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.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

14. NOTES PAYABLE (Continued)

(f) Equipment Loan

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

A reconciliation of the beginning and ending balances of the Convertible debentures, derivative liability and warrants from the time of issuance and for the nine months ended September 30, 2021, and the year ended December 31, 2020, is as follows:

	Convertible debentures (c), (d)	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	\$ 7,613	\$ 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 of private placement warrants on issuance date	-	-	1,355	-
Balance as of December 31, 2020	\$ 38,208	\$ 11,044	\$ 13,265	\$ (7,232)
Accretion expense	2,193	-	-	(2,193)
Issuance of warrants	-	-	16,532	16,532
Issuance of shares	-	(6,111)	-	-
Payments	(40,401)	-	-	-
Balance as of September 30, 2021	\$ -	\$ 4,933	\$ 29,797	\$ 7,107

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 periods ended September 30, 2021, and December 31, 2020, is as follows:

	September 30, 2021	December 31, 2020
Balance at beginning of period	\$ 51,765	\$ 41,079
Proceeds from issuance of notes payable, net of borrowing costs	53,139	65
Accretion	3,457	7,344
Note amendment - Pre-amendment	-	3,764
Repayments of principal and interest	(53,048)	(487)
Balance at end of period	\$ 55,313	\$ 51,765

Interest expense for the three months ended September 30, 2021, and June 30, 2021, is as follows:

	September 30, 2021	June, 30 2021
Interest expense	\$ 2,318	\$ 3,259
Amortization of debt issuance costs	410	805
Amortization of right of use assets	655	655
Interest expense, net	\$ 3,383	\$ 4,719

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(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

	September 30, 2021	December 31, 2020
Cost		
Balance at beginning of period	\$ 26,686	\$ 25,026
Additions	2,395	2,348
Modifications	-	443
Disposals	(91)	(1,132)
Balance at end of period	28,990	26,686
Accumulated Depreciation		
Balance at beginning of period	\$ 7,591	\$ 4,836
Additions	2,109	2,755
Balance at end of period	9,700	7,591
Right-of-use-assets, net	\$ 19,290	\$ 19,094

(b) Lease Liabilities

During the three and nine months ended September 30, 2021, the Company incurred variable lease payments of \$311 and \$832, respectively. During the three and nine months ended September 30, 2020, the Company incurred variable lease payments of \$107 and \$370, respectively.

	September 30, 2021	December 31, 2020
Balance at beginning of period	\$ 22,705	\$ 22,927
Additions	2,377	2,348
Modification	-	443
Disposals	(121)	(1,250)
Interest on lease liabilities	1,911	2,516
Interest payments on lease obligations	(1,911)	(2,516)
Principal payments on lease obligations	(1,430)	(1,762)
Balance at end of period	\$ 23,532	\$ 22,705
Less current portion of lease obligations	(2,375)	(1,894)
Lease obligations, net of current portion	\$ 21,157	\$ 20,811

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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16. SHAREHOLDERS' EQUITY

Equity shares transactions

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

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 13). The fair market 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 its partner, 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. 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 consists 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 fair value of \$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 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 deemed price 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 statement of operations.

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 pursuit of a clinical registrant. 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.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

16. SHAREHOLDERS' EQUITY (Continued)

Equity shares transactions (Continued)

h. On August 15, 2020, the Company extended the maturity date of the \$10 million Convertible Note to December 31, 2020 and issued 4,361,071 common shares of the Company at a deemed 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.

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 to one of its Board of Directors 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 shares 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, resulting in an increase to warrants of \$9,946.

n. 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 \$20,009 and reduction to equity conversion reserve of \$3,554 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 Promissory Note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the Promissory Note (See Note 13 and 14 (b)).

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Equity shares transactions (Continued)**

o. 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 Note 10).

p. On June 28, 2021, the Company exercised its right under the 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. As a result of the conversion, 8,426,574 common shares have been issued, resulting in an increase to share capital of \$10,804 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.).

Share Capital

As of September 30, 2021, the share capital of the Company is comprised of 219,760,634 common shares, 2,864,468 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 38,184,396 warrants and 16,990,940 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:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Weighted Average Number of Shares - Basic	248,405,314	203,155,546	221,637,004	199,445,422
Weighted Average Warrants	38,184,396	41,842,280	27,709,549	39,749,276
Weighted Average Convertible Debt Allotment	-	18,205,782	-	18,205,782
Weighted Average Options	16,511,348	13,206,039	15,966,240	10,546,623
Weighted Average Number of Shares - Diluted	303,101,057	276,409,647	265,312,794	267,947,104

The number of warrants outstanding as of September 30, 2021 and December 31, 2020, were 38,184,396 and 37,977,896, respectively.

The number of warrants granted during the three months ended September 30, 2021 and 2020, were 0 and 750,000, respectively.

The number of warrants granted during the nine months ended September 30, 2021 and 2020, were 29,820,470 and 10,939,758, respectively.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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(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, 2021, and year ended December 31, 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 September 30, 2021	400,000	\$ 2.75	1,100

During the nine months ended September 30, 2021, 2,727,273 restricted stock were vested Green Standard shareholders resulting 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 some of its officers, directors, employees and consultants using the Black-Scholes option pricing model. Assumptions used through the periods ended September 30, 2021, and December 31, 2020, were the following:

	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%

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Stock Option Plan (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 three and nine months ended September 30, 2021, the Company recognized \$448 and \$1,489 as stock-based compensation, respectively.

For the three and nine months ended September 30, 2020, the Company recognized \$73 and \$1,171 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 operations with corresponding credit to equity (share-based compensation reserve).

As of September 30, 2021, there were 16,990,940 options outstanding, comprising of 16,146,539 options vested and 844,401 options non-vested, with remaining contractual lives 0.4 to 5 years.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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16. SHAREHOLDERS' EQUITY (Continued)

Stock Option Plan (Continued)

The following is a summary of the changes in the Company's Stock Options Plan during the nine months ended September 30, 2021:

	Options Issued	Weighted Average Exercise Price
Balance as of December 31, 2020	14,931,039	\$ 0.53
Granted	3,205,000	\$ 0.80
Forfeited	(1,028,433)	\$ 1.49
Exercised	(116,666)	\$ 0.44
Balance as of September 30, 2021	16,990,940	\$ 0.52

The following is a summary of the outstanding options as of September 30, 2021:

Exercise prices	Outstanding as of September 30, 2021	Weighted average remaining contractual life (years)	Exercisable as of September 30, 2021	Weighted average remaining contractual life (years)
\$ 0.26	3,000,000	2.4	7,720	2.4
\$ 0.30	1,750,000	0.2	20,000	0.2
\$ 0.32	100,000	2.0	1,750,000	2.0
\$ 0.40	2,400,000	3.7	1,900,000	3.7
\$ 0.44	5,403,834	2.0	6,477,822	2.0
\$ 0.45	300,000	2.4	644,444	2.4
\$ 0.75	255,000	4.4	85,000	4.4
\$ 0.77	1,700,000	4.3	1,700,000	4.3
\$ 0.79	250,000	4.4	41,667	4.4
\$ 0.83	500,000	4.9	500,000	4.9
\$ 0.90	250,000	4.9	250,000	4.9
\$ 0.93	250,000	4.8	41,667	4.8
\$ 1.00	150,000	2.4	7,720	2.4
\$ 2.00	682,106	3.2	2,720,500	3.2
	16,990,940	2.7	16,146,539	2.9

17. EXPENSE BY NATURE

General and administrative expenses for the three and nine months ended September 30, 2021, and 2020, are as follows:

	For the three months September 30,		For the nine months September 30,	
	2021	2020	2021	2020
General and administrative				
Legal and professional fees	\$ 551	\$ 1,543	\$ 3,756	\$ 4,893
Salaries and benefits	677	647	2,092	2,115
Insurance	590	445	1,427	1,151
Rent expenses	30	26	84	204
Travel and entertainment	34	9	76	36
Other	201	191	806	665
Total general and administrative	\$ 2,084	\$ 2,861	\$ 8,241	\$ 9,064

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***17. EXPENSE BY NATURE** *(Continued)*

Sales and marketing expenses for the three and nine months ended September 30, 2021, and 2020, are as follows:

	September 30,		September 30,	
	2021	2020	2021	2020
Sales and marketing				
Salaries and benefits	\$ 2,320	\$ 1,864	\$ 6,176	\$ 5,300
Marketing expenses	670	302	1,719	1,163
Rent expenses	443	260	1,338	579
Legal and professional fees	56	38	161	90
Security	107	650	396	1,783
Supplies	118	116	352	279
Software	71	69	208	226
Other	247	262	743	742
Total sales and marketing	\$ 4,033	\$ 3,561	\$ 11,094	\$ 10,162

18. COMMITMENTS AND CONTINGENCIES**(a) Office and Other Leases**

The Company leases certain business facilities from third parties under lease agreements that specify minimum rentals. The leases expire through 2032 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

For the twelve months period ending September 30,	Scheduled payments
2022	\$ 4,718
2023	4,840
2024	4,858
2025	4,591
2026	4,413
Thereafter	10,776
Total future minimum lease payments	\$ 34,196

(b) 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, 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.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***18. COMMITMENTS AND CONTINGENCIES (Continued)****(c) 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, 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, except for the claims disclosed below.

On September 3, 2019, the Company and Cansortium Inc., along with certain executives of the Company, were sued in Florida by Querrey Group, LLC, et al., wherein Querrey alleges, among other claims, breach of its consulting contract with Cansortium Inc, LLC and seeks approximately \$2,100 in damages. The matter was settled on October 28, 2021.

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***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, 2021, and 2020, key management personnel compensation consisted of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Salary	\$ 603	\$ 202	\$ 1,561	\$ 650
Option-based compensation	554	29	1,669	686
Share-based compensation	200	-	1,205	-
All other compensation	-	190	333	550
Total	\$ 1,357	\$ 420	\$ 4,767	\$ 1,886

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.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

19. RELATED-PARTY TRANSACTIONS (Continued)

On February 1, 2020, Neal Hochberg and John McKimm, 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 Jose Hidalgo, Henry Batievsky, and Pat Maloy, 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.

During the three months ended June 30, 2021, the Company issued to one of its Board of Directors' member 143,678 shares at \$1.09 per share in exchange for accrued board of directors' fees resulting increase share capital of \$157.

On April 29, 2021, Neal Hochberg and David Abrams, directors of the Company, participated as lenders in the \$71 million Senior Secured Term Loan (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.

During the three months ended September 30, 2021, the Company issued to its new Board of Directors members 750,000 options as compensation resulting increase to share capital \$382.

Cansortium Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

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

Financial Assets

- (i) Cash is 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 market value.
- (iii)
- (iv) Other financial liabilities include the Company's accounts payable and accrued expenses, notes payable and lease obligations. 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.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance 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.

Cansortium Inc.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2021, and September 30, 2020***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***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 September 30, 2021 is the carrying amount of cash, accounts receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from accounts receivable and note receivable arises from the possibility that amounts due become uncollectible.

In addition to the commitments outlined in Note 18, the Company had the following contractual obligations as of September 30, 2021:

	<u>< 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Accounts payable	\$ 4,685	\$ -	\$ -	\$ -	\$ 4,685
Accrued liabilities	\$ 7,092	\$ -	\$ -	\$ -	\$ 7,092
Notes payable	\$ 620	\$ 325	\$ 54,368	\$ -	\$ 55,313
Lease obligations	\$ 2,375	\$ 5,854	\$ 6,455	\$ 8,848	\$ 23,532

In addition to the commitments outlined in Note 18, the Company had the following contractual obligations as of December 31, 2020:

	<u>< 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Accounts 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	\$ 9,959	\$ 22,705

(b) Market Risk*(i) Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market Risk (Continued)

(i) 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, 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.

(ii) 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.

(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.

(d) Banking 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.

(e) Asset Forfeiture Risk

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.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021, and September 30, 2020

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

21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 29, 2021, which is the date these condensed interim consolidated financial statements were issued.

On November 5, 2021, the Company announced that it has changed its auditor from MNP LLP ("Former Auditor") to Baker Tilly US, LLP ("Successor Auditor") effective October 15, 2021. At the request of the Company, the Former Auditor resigned as the auditor of the Company effective October 1, 2021 and the board of directors of the Company appointed the Successor Auditor as the Company's auditor effective October 15, 2021, to hold office until the next annual meeting of the Company. There were no modified opinions in the Former Auditor's audit reports for the Company's two most recent financial years and ending at the date of the resignation of the Former Auditor. There are no "reportable events" (as the term is defined in National Instrument 51-102: Continuous Disclosure Obligations ("NI 51-102")) between the Company and the Former Auditor.