Cansortium Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended
March 31, 2022 and March 31, 2021

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

Cansortium Inc. has amended and refiled its Condensed Interim Financial Statements for the three months ended March 31, 2022 and 2021 to change the Statement of Changes in Shareholders' Equity to include the March 31, 2021 and December 31, 2021 comparative information. All other information contained in the Condensed Interim Consolidated Financial Statements remains unchanged.

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

		March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		$ 7,701	$ 9,024
Trade receivable		25	26
Inventory, net	*Note 3*	9,351	8,981
Biological assets	*Note 4*	2,154	3,297
Investment held for sale	*Note 7*	200	200
Prepaid expenses and other current assets	*Note 6*	1,077	2,007
Total current assets		20,508	23,535
Property and equipment, net	*Note 8*	34,401	34,160
Intangible assets, net	*Note 9*	95,439	95,822
Right-of-use assets, net	*Note 15*	19,331	19,169
Note receivable	*Note 5*	4,895	4,886
Deposit	*Note 10*	2,727	2,727
Goodwill	*Note 11*	1,526	1,526
Other assets		550	632
Total assets		**$ 179,376**	**$ 182,456**
Liabilities			
Current liabilities			
Trade payable		8,933	8,518
Accrued liabilities		7,359	5,846
Income taxes payable		4,846	2,120
Derivative liabilities	*Note 13*	5,662	3,960
Current portion of notes payable	*Note 14*	618	619
Current portion of lease obligations	*Note 15*	2,626	2,500
Total current liabilities		30,044	23,563
Notes payable	*Note 14*	54,508	53,674
Lease obligations	*Note 15*	21,295	21,091
Deferred tax liability	*Note 12*	20,849	21,563
Total liabilities		**126,696**	**119,891**
Shareholders' equity			
Share capital	*Note 16*	180,792	180,657
Share-based compensation reserve	*Note 16*	6,276	6,176
Equity conversion feature	*Notes 14, 16*	4,933	4,933
Warrants	*Note 16*	28,869	28,869
Accumulated deficit		(167,792)	(157,649)
Foreign currency translation reserve		(397)	(421)
Total shareholders' equity		52,681	62,565
Total liabilities and shareholders' equity		**$ 179,376**	**$ 182,456**

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

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

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

Cansortium Inc.
Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss (unaudited)
For the three months ended March 31, 2022 and 2021
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the three months ended March 31,	
		2022	**2021**
Revenue, net of discounts		$ 19,712	$ 15,116
Cost of goods sold		8,166	5,407
Gross profit before fair value adjustments		11,546	9,709
Fair value adjustments on inventory sold		(6,824)	(4,593)
Unrealized gain on changes in fair value of biological assets	*Note 4*	1,198	6,879
Gross profit		5,920	11,995
Expenses			
General and administrative	*Note 17*	2,841	3,289
Share-based compensation		100	3,232
Sales and marketing	*Note 17*	4,087	3,546
Depreciation and amortization	*Notes 8, 9, 15*	1,664	1,530
Total expenses		8,692	11,597
(Loss) income from operations		(2,772)	398
Other expense (income)			
Finance costs, net	*Note 14*	3,657	3,130
Loss (gain) on change in fair value of derivative liability	*Note 13*	1,702	(408)
Loss on disposal of assets		-	48
Other (income) expense		(2)	(113)
Total other expense		5,357	2,657
Loss before income taxes		(8,129)	(2,259)
Income tax expense	*Note 12*	2,013	2,838
Net loss from continuing operations		(10,142)	(5,097)
Net loss (income) from discontinued operations	*Note 23*	2	(2)
Net loss		$ (10,144)	$ (5,095)
Other comprehensive gain that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations and reporting currency		24	5
Comprehensive loss		$ (10,120)	$ (5,090)
Net loss per share			
Basic and diluted - continuing operations	*Note 16*	$ (0.04)	$ (0.03)
Weighted average number of shares			
Basic number of shares		252,276,742	196,381,815
Diluted number of shares		307,365,805	242,356,984

Cansortium Inc.

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

For the three months ended March 31, 2022 and the twelve months ended December 31, 2021

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

	Share capital			Reserves					
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2020	**185,788,482**	**2,127,269**	**$ 137,835**	**$ 4,675**	**$ 11,044**	**$ 13,265**	**$ (138,609)**	**$ (379)**	**$ 27,831**
Issuance of warrants		-		-	-	44	-	-	44
Exercise of warrants	2,833,332	-	1,275	-	-	-	-	-	1,275
Issuance of options	-	-	-	1,029	-	-	-	-	1,029
Exercise of options	28,074	-	-	-	-	-	-	-	-
Shares issued for professional services (Note 16 a.)	1,361,666	-	1,017	-	-	-	-	-	1,017
Issuance of share and warrants for note payable extension (Note 16 b.)	1,498,264	-	1,049	-	-	1,891	-	-	2,940
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	5	5
Net loss	-	-	-	-	-	-	(5,095)	-	(5,095)
Balance, March 31, 2021	**191,509,818**	**2,127,269**	**$ 141,176**	**$ 5,704**	**$ 11,044**	**$ 15,200**	**$ (143,704)**	**$ (374)**	**$ 29,046**
Balance, December 31, 2021	**251,576,742**	**400,000**	**$ 180,657**	**$ 6,176**	**$ 4,933**	**$ 28,869**	**$ (157,649)**	**$ (421)**	**$ 62,565**
Exercise of options	300,000	-	135	-	-	-	-	-	135
Issuance of options	-	-	-	100	-	-	-	-	100
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	24	24
Net loss	-	-	-	-	-	-	(10,144)	-	(10,144)
Balance, March 31, 2022	**251,876,742**	**400,000**	**$ 180,792**	**$ 6,276**	**$ 4,933**	**$ 28,869**	**$ (167,792)**	**$ (397)**	**$ 52,681**

Cansortium Inc.
Condensed Interim Consolidated Statements of Cash Flow (unaudited)
For the three months ended March 31, 2022 and 2021
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the three months ended March 31,	
	2022	**2021**
Operating activities		
Net loss from continuing operations	$ (10,142)	$ (5,095)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Unrealized gain on changes in fair value of biological assets	(1,198)	(6,879)
Realized gain on changes in fair value of biological assets	6,824	4,593
Share-based compensation	100	2,151
Depreciation and amortization	2,986	2,231
Accretion and interest of convertible debentures	-	1,123
Accretion and interest of term loan	3,057	-
Interest income on notes receivable	(71)	-
Loss on disposal of assets	-	48
Change in fair market value of derivative	1,702	(408)
Interest on lease liabilities	655	618
Deferred tax expense	(714)	(6)
Changes in operating assets and liabilities:		
Trade receivable	1	33
Inventory	(309)	(1,854)
Biological assets	(4,271)	(1,336)
Prepaid expenses and other current assets	930	417
Other assets	83	(56)
Trade payable	415	2,473
Accrued liabilities	1,513	191
Income taxes payable	2,726	1,103
Net cash provided by (used in) continuing operating activities	4,287	(653)
Net cash used in discontinued activities	2	(2)
Net cash provided by (used in) operating activities	4,289	(655)
Investing activities		
Purchases of property and equipment	(2,353)	(2,610)
Payment of notes receivable	92	284
Proceeds from sale of property and equipment	-	17
Notes receiveable	-	(311)
Advances for notes receivable	(30)	-
Net cash used in investing activities	(2,291)	(2,620)
Financing activities		
Proceeds from issuance of shares and warrants	-	1,891
Payment of lease obligations	(1,254)	(1,052)
Shared issued for interest repayments of notes payable	-	884
Exercise of Options	135	-
Exercise of warrants	-	1,275
Principal repayments of notes payable	(2,224)	(6)
Net cash provided by (used in) financing activities	(3,343)	2,992
Effect of foreign exchange on cash and cash equivalents	24	5
Net increase (decrease) in cash and cash equivalents	(1,323)	(278)
Cash and cash equivalents, beginning of period	9,024	3,392
Cash and cash equivalents, end of period	$ 7,701	$ 3,114
Cash paid during the period for interest	$ -	$ 796
Non-cash transactions:		
Conversion of accrued interest and notes payable equity	$ -	$ 884

1. NATURE OF OPERATIONS

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

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

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

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

During the year ended December 31, 2019, the Company discontinued its operations in Puerto Rico, Canada and Colombia and, as a result, classified the assets and liabilities associated with these operations as held for sale and investment held for sale, measured at the lower of carrying amount and fair value less costs to sell, and has disclosed such assets separately in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the consolidated statements of loss and other comprehensive loss. The Company completed the sale of its Puerto Rican business on April 28, 2020, and completed the sale of its Canadian business on May 29, 2020. Additionally, on January 22, 2020, the Company reduced its ownership of Cansortium Colombia S.A.S (Cansortium Colombia) to 50% (see Note 7) 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 months ended March 31, 2022 and the year ended December 31, 2021, were generated in the United States.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the years ended December 31, 2021 and 2020. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the years ended December 31, 2021 and 2020, including the accompanying notes thereto.

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

(b) Basis of Measurement

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

(c) Functional and Presentation of Currency

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

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

(d) Basis of Consolidation

The condensed interim unaudited consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are considered. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the condensed interim unaudited consolidated statement of loss and other comprehensive loss and in the condensed interim unaudited consolidated statement of changes in stakeholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are included in these condensed interim unaudited consolidated financial statements and the ownership interest held as of March 31, 2022 and December 31, 2021, respectively.

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

	% Ownership March 31, 2022	% Ownership December 31, 2021
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC	100.00%	100.00%
Cansortium Texas, LLC	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
Fluent Servicing, LLC	100.00%	100.00%
Cansortium Brazil Ltda.	100.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S. (Notes 7)	50.00%	50.00%
Spirit Lake Road Nursery, LLC	100.00%	100.00%
16171 Slater Road Investors LLC	100.00%	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Fluent Hemp LLC	100.00%	100.00%
Cansortium Beverage Company Inc.	100.00%	100.00%
Cansortium International Inc.	100.00%	100.00%
Trick Tail Capital, LLC	100.00%	100.00%

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

(e) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized on these condensed interim consolidated financial statements have been set out in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2021, and 2020.

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

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

(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 March 31, 2022 and December 31, 2021, inventory consisted of the following:

	March 31, 2022	December 31, 2021
Supplies, packaging and materials	$ 3,180	$ 2,139
Work in progress	2,495	4,489
Finished goods	3,676	2,353
Balance at end of period	**$ 9,351**	**$ 8,981**

Inventory material costs included in cost of goods sold during the three months ended March 31, 2022 and 2021, were $4,854 and $2,748, respectively. Salaries and benefits charged to cost of goods sold for the three months ended March 31, 2022 and 2021, were $1,975 and $1,484, respectively. Capitalized depreciation expensed to costs of sales for the three months ended March 31, 2022 and 2021, were $1,322 and $413 respectively.

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 three months ended March 31, 2022 and year ended December 31, 2021 is as follows:

	March 31, 2022	December 31, 2021
Balance at beginning of period	$ 3,297	$ 1,914
Cost incurred until harvest	4,271	14,127
Effect of unrealized change in fair value of biological assets	1,198	14,853
Transferred to inventory upon harvest	(6,612)	(27,597)
Balance at end of period	**$ 2,154**	**$ 3,297**

As of March 31, 2022, all biological assets were live plants.

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

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

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

4. BIOLOGICAL ASSETS *(Continued)*

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

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

Assumptions:	**As at March 31, 2022**		**As at December 31, 2021**	
	Input	**10% Change**	**Input**	**10% Change**
(i) Weighted average of expected loss of plants until harvest (a)	24%	$35	27%	$64
(ii) Expected yields for cannabis plants (average grams per plant) (b)	35	$215	45	$330
(iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end	27%	$215	27%	$330
(iv) Estimated selling price per gram (c)	$8.22	$124	$10.14	$338
(v) Cost to sell per gram per flower and trim, respectively	$5.39 | $3.26	$20	$6.88 | $2.09	$63

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

The Company estimates the harvest yields for cannabis at various stages of growth. As of March 31, 2022, it is expected that the Company's biological assets will yield approximately 2,215,291 grams of dry cannabis when harvested (2021 – 2,287,825 grams). As of March 31, 2022 and December 2021, the Company had 83,906 and 69,627 plants that were classified as biological assets, respectively.

5. NOTE RECEIVABLE

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

The Green Standard Note initially beared interest at a rate of 2.7% per annum and is payable no later than the earlier of three years from the Green Standard Note issuance date or earlier based on certain triggering events.

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

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

5. NOTE RECEIVABLE *(Continued)*

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

		March 31, 2022		December 31, 2021
Balance at beginning of year	$	4,886		4,101
Advances		30		1,938
Payments		(92)		(1,419)
Interest		71		266
Balance at end of period	**$**	**4,895**	**$**	**4,886**

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

Interest income for the three months ended March 31, 2022 and the year ended December 31, 2021, was $71 and $266, respectively.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

		March 31, 2022		December 31, 2021
Prepaid insurance	$	170	$	588
Prepaid consulting fee		488		510
Other prepaid expenses		177		100
Deposits		18		579
Other current assets		226		230
Balance at end of period	**$**	**1,077**	**$**	**2,007**

7. INVESTMENTS HELD FOR SALE

Cansortium Colombia S.A.S

On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Cansortium Inc. previously issued to acquire 100% of Cansortium Colombia, 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 unaudited consolidated statement of financial position in the amount of $200 as of March 31, 2022 and December 31, 2021.

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

8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment for the three months ended March 31, 2022 and the year ended December 31, 2021, 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, 2021	$ 211	$ 838	$ 714	$ 5,625	$ 15,537	$ 84	$ 2,127	$ 423	$ 25,559
Additions	1	63	959	2,381	8,033	(84)	9,593	129	21,075
Construction completed	-	135	101	1,299	8,723	-	(10,259)	-	-
Disposals	-	-	-	-	-	-	-	(164)	(164)
Balance as of December 31, 2021	212	1,036	1,774	9,305	32,293	-	1,461	388	46,470
Accumulated depreciation									
Balance as of January 1, 2021	-	205	479	1,396	3,878	(4)	-	89	6,043
Additions	-	142	246	1,080	4,813	4	-	43	6,328
Disposals	-	-	-	-	-	-	-	(61)	(61)
Balance as of December 31, 2021	-	347	725	2,476	8,691	-	-	71	12,310
Property and equipment, net	**$ 212**	**$ 689**	**$ 1,049**	**$ 6,829**	**$ 23,602**	**$ -**	**$ 1,461**	**$ 317**	**$ 34,160**
Cost									
Balance as of January 1, 2022	212	1,036	1,774	9,305	32,293	-	1,463	389	$ 46,472
Additions	-	2	5	101	227	-	2,016	-	2,351
Construction completed	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2022	212	1,038	1,779	9,406	32,520	-	3,479	389	48,823
Accumulated depreciation									
Balance as of January 1, 2021	-	347	725	2,477	8,692	-	-	70	12,310
Additions	-	38	105	344	1,614	-	-	11	2,112
Disposals	-	-	-	-	-	-	-		-
Balance as of March 31, 2022	-	385	830	2,821	10,306	-	-	81	14,422
Property and equipment, net	**$ 212**	**$ 653**	**$ 949**	**$ 6,585**	**$ 22,214**	**$ -**	**$ 3,479**	**$ 308**	**$ 34,401**

For the three months ended March 31, 2022 and 2021, the Company charged $1,595 and $702 of depreciation to the production of biological assets and inventory, respectively.

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

9. INTANGIBLE ASSETS

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

	Licenses	Trademarks and brands	Total
Balance as of January 1, 2021			
Cost	$ 94,169	$ 8,850	$ 103,019
Additions	319	-	319
Balance as of December 31, 2021	94,488	8,850	103,338
Balance as of January 1, 2021			
Accumulated amortization	736	5,248	5,984
Additions	168	1,364	1,532
Balance as of December 31, 2021	904	6,612	7,516
Intangible assets, net	**$ 93,584**	**$ 2,238**	**$ 95,822**
Balance as of January 1, 2022			
Cost	$ 94,488	$ 8,850	$ 103,338
Additions	-	-	-
Disposals	-	-	-
Balance as of March 31, 2022	94,488	8,850	103,338
Balance as of January 1, 2022			
Accumulated amortization	904	6,612	7,516
Additions	40	343	383
Disposals	-	-	-
Balance as of March 31, 2022	944	6,955	7,899
Intangible assets, net	**$ 93,544**	**$ 1,895**	**$ 95,439**

Amortization expense for the three months ended March 31, 2022 and 2021, was $383 for both periods.

10. DEPOSIT (INVESTMENT)

Green Standard

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

(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.

11. GOODWILL

Goodwill as of March 31, 2022 and December 31, 2021 was $1,526, respectively.

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

12. INCOME TAXES

Income tax for the three months ended March 31, 2022 and 2021 consisted of the following:

	March 31, 2022	March 31, 2021
Provision for income taxes:		
Current Tax Expense	$ 2,726	$ 2,844
Deferred Tax Expense	(714)	(6)
Total income taxes	**$ 2,013**	**$ 2,838**

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 months ended March 31, 2022 and 2021 was 21%.

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 three months ended March 31, 2022 and year ended December 31, 2021, is as follows:

		$
Balance as of January 1, 2021	**$**	**7,412**
Fair value change		(3,452)
Balance as of December 31, 2021	**$**	**3,960**
Fair value change		1,702
Balance as of March 31, 2022	**$**	**5,662**

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

13. DERIVATIVE LIABILITIES *(Continued)*

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

Fluent Servicing Acquisition

In connection with the acquisition of the remaining interest of Fluent Servicing on August 15, 2018, the Company issued 4,400,000 membership interest units of Cansortium Holdings LLC that were exchanged into 4,400,000 common shares of 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 then existing promissory note issued in connection with the acquisition of Fluent Servicing, as well as the terms pertaining to the Equity Price Guarantee, reducing the price floor from $2.75 to $0.65 per share for the 4,400,000 common shares originally issued and agreeing to transfer to the seller, Can Endeavour LLC ("Can Endeavour") an additional 14,215,385 common shares (or equivalent proportionate voting shares) that were previously returned by the Company's founders, subject to a price floor of $0.65 per share which expires on May 23, 2023.

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

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

The following assumptions were used to value the Equity Price Guarantee derivative liability using the Monte-Carlo simulation model for the following dates:

	March 31, 2022	December 31, 2021	April 30, 2021	March 31, 2021
Volatility	70.00%	75.00%	116.02%	117.46%
Risk-free interest rate	2.17%	0.91%	0.29%	0.23%
Expected life (years)	1.2 years	1.4 years	2.1 years	2.2 years
Share price	$0.39	$0.66	$1.07	$0.76
Exercise price	$0.65	$0.65	$0.65	$0.65

During the three months ended March 31, 2022 and year ended December 31, 2021, the Company recorded a loss of $1,702 and a gain of $3,452, respectively, on the revaluation of the Equity Price Guarantee derivative liability.

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

14. NOTES PAYABLE

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

	March 31, 2022	December 31, 2021
Automobile loan (a)	$ 47	$ 52
Senior Secured Term Loan (b)	54,133	53,317
Equipment loan (c)	946	924
Total notes payable	55,126	54,293
Less current portion of notes payable	(618)	(619)
Notes payable, net of current portion	**$ 54,508**	**$ 53,674**

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

On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of $71,000. The Term Loan bears interest of 13% per annum, payable quarterly, with a maturity date of April 29, 2025. In connection with the transaction, 12.5 million warrants with an exercise price of $1.20 were issued to certain participants in the Term Loan. Subject to certain conditions of the Term Loan, the Company has the ability to prepay the Term Loan as well as to increase the Term Loan by up to $20 million. The Company assessed the prepayment option and determined that it is closely related as the exercise price of the option approximates the amortized cost of the note, and as such did not recognize a derivative instrument. The warrants had a down-round protection feature applicable for the first 60 days after the issuance of the warrants, which reduced the exercise price in the event the Company issued shares during the period for less than the exercise price.

As a result, the warrants failed fixed-for-fixed criteria and were accounted for as a derivative liability for the first 60 days accounted for at FVTPL. The Company valued the warrants at $11,207 based on the following assumptions used in the Black-Scholes model: exercise price of $1.20, underlying share price of $1.20, expected life of 4 years, risk-free interest rate of 0.77% and annualized volatility of 113%.

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

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

- Minimum liquidity of $3,000 as at March 31, 2021.
- Minimum debt service coverage ratio of 2.5x.

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

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

14. NOTES PAYABLE *(Continued)*

(c) Equipment Loan

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

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

		March 31, 2022		December 31, 2021
Balance at beginning of period	$	54,293	$	51,765
Proceeds from issuance of secure term loan		-		52,659
Interest and Accretion		3,057		11,601
Repayments of principal and interest		(2,224)		(61,732)
Balance at end of period	**$**	**55,125**	**$**	**54,293**

Finance costs for the three months ended March 31, 2022 and 2021, 2021, is as follows:

		March 31, 2022		March 31, 2021
Interest income		(72)		(63)
Interest expenses		2,258		1,465
Accretion		-		1,112
Interest on right of use assets		655		617
Debt issuance costs		815		-
Finance costs, net	**$**	**3,657**	**$**	**3,130**

15. LEASES

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

(a) Right-of-use assets

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

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

15. LEASES *(Continued)*

(b) Lease Liabilities

During the three months ended March 31, 2022 and 2021, the Company incurred variable lease payments of $205 and $167, respectively.

	March 31, 2022	December 31, 2021
Balance at beginning of year	$ 23,591	$ 22,705
Additions	925	2,995
Disposals	-	(119)
Interest on lease liabilities	655	2,554
Interest payments on lease obligations	(655)	(2,554)
Principal payments on lease obligations	(595)	(1,990)
Balance at end of period	**$ 23,921**	**$ 23,591**
Less current portion of lease obligations	(2,626)	(2,500)
Lease obligations, net of current portion	**$ 21,295**	**$ 21,091**

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

16. SHAREHOLDERS' EQUITY

	Share capital		
	Number of unrestricted common shares	Number of restricted common shares	Amount
Balance, December 31, 2020	**185,788,482**	**2,127,269**	**$ 137,835**
Issuance of warrants		-	
Exercise of warrants	2,833,332	-	1,275
Issuance of options	-	-	-
Exercise of options	28,074	-	-
Shares issued for professional services (Note 16 a.)	1,361,666	-	1,017
Issuance of share and warrants for note payable extension (Note 16 b.)	1,498,264	-	1,049
Foreign currency gain/(loss) on translation	-	-	-
Net loss	-	-	-
Balance, March 31, 2021	**191,509,818**	**2,127,269**	**$ 141,176**
Balance, December 31, 2021	**251,576,742**	**400,000**	**$ 180,657**
Exercise of options	300,000	-	135
Issuance of options	-	-	-
Foreign currency gain/(loss) on translation	-	-	-
Net loss	-	-	-
Balance, March 31, 2022	**251,876,742**	**400,000**	**$ 180,792**

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

16. SHAREHOLDERS' EQUITY *(Continued)*

Equity shares transactions

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

a. 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. On January 31, 2021, in connection with the extension of the $10M Convertible Note, the Company issued 75,556 shares and 113,333 warrants to a consultant resulting in an increase to share capital and warrants of $53 and $44, respectively. On June 11, 2021, the Company issued a Board member, 143,678 shares at $1.09 per share as compensation resulting increase share capital of $156.

b. 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. 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.

Share Capital

As of March 31, 2022, the share capital of the Company is comprised of 224,927,812 common shares, 2,734,893 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 37,726,896 warrants and 16,655,500 stock options. For the purpose of the statement of changes in shareholders' equity, the proportionate voting shares have been included as part of common shares based on the 1 for 10 conversion ratio.

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

	March 31, 2022	**December 31, 2021**
Weighted Average Number of Shares - Basic	252,276,742	228,628,703
Weighted Average Warrants	38,133,563	30,349,785
Weighted Average Options	16,955,500	16,252,916
Weighted Average Number of Shares - Diluted	**307,365,805**	**275,231,404**

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

16. SHAREHOLDERS' EQUITY *(Continued)*

Warrant activity for the Company for the three months ended March 31, 2022 and year ended December 31, 2021, is as follows:

	Warrants
Balance as of January 1, 2021	37,977,896
Expired	26,580,639
Exercised	3,033,331
Granted	29,820,470
Balance as of December 31, 2021	**38,184,396**
Expired	457,500
Balance as of March 31, 2022	**37,726,896**

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 three months ended March 31, 2022 and the year ended December 31, 2021, is as follows:

	Restricted shares	Grant date fair value per unit	Aggregate intrinsic value
Balance as of January 1, 2021	3,127,269	$ 2.75	8,600
Vested	(2,727,269)	2.75	$ (7,500)
Balance as of December 31, 2021	**400,000**	**$ 2.75**	**1,100**
Vested	-	-	$ -
Balance as of March 31, 2022	**400,000**	**$ 2.75**	**1,100**

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

Stock Option Plan

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

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

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

16. SHAREHOLDERS' EQUITY *(Continued)*

The following is a summary of the Company's grant of options to its officers, directors, employees and consultants, including the assumptions used in the Black-Scholes option pricing model. The amount of options granted, their fair values and corresponding assumptions used through the three month periods ended March 31, 2022 and December 31, 2021, were as follows:

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

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

On January 22, 2021, the Company issued 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 months ended March 31, 2022 and 2021, the Company recognized $100 and 3,232 as stock-based compensation, respectively.

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

As of March 31, 2022, there were 16,655,500 options outstanding, comprising of 16,110,500 options vested and 545,000 options non-vested, with remaining contractual lives 1.3 to 4.6 years.

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

16. SHAREHOLDERS' EQUITY *(Continued)*

The following is a summary of the changes in the Company's Stock Options during the three months ended March 31, 2022 and year ended December 31, 2021:

	Options Issued	Weighted Average Exercise Price
Balance as of January 1, 2021	14,931,039	$ 0.53
Granted	3,205,000	$ 0.80
Forfeited	(1,063,873)	$ 1.48
Exercised	(116,666)	$ 0.44
Balance as of December 31, 2021	**16,955,500**	**$ 0.52**
Balance as of December 31, 2021	16,955,500	$ 0.52
Exercised	(300,000)	$ 0.45
Balance as of March 31, 2022	**16,655,500**	**$ 0.52**

The following is a summary of the outstanding options as of March 31, 2022:

Exercise prices	Outstanding as of March 31, 2022	Weighted average remaining contractual life (years)	Exercisable as of March 31, 2022	Weighted average remaining contractual life (years)
$ 0.26	3,000,000	1.3	3,000,000	1.3
$ 0.30	1,750,000	1.7	1,750,000	1.7
$ 0.32	100,000	3.4	100,000	3.4
$ 0.40	2,400,000	3.3	2,400,000	3.3
$ 0.44	5,383,834	2.8	5,383,834	2.8
$ 0.75	255,000	4.0	85,000	4.0
$ 0.77	1,700,000	4.0	1,700,000	4.0
$ 0.79	250,000	4.1	41,667	4.1
$ 0.83	500,000	4.6	500,000	4.6
$ 0.90	250,000	4.6	250,000	4.6
$ 0.93	250,000	4.4	83,333	4.4
$ 1.00	150,000	1.3	150,000	1.3
$ 2.00	666,666	2.2	666,666	2.2
	16,655,500	**2.7**	**16,110,500**	**2.7**

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

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

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

17. EXPENSE BY NATURE

General and administrative expenses for the three months ended March 31, 2022 and 2021, are as follows:

	March 31, 2022	March 31, 2021
General and administrative		
Legal and professional fees	$ 727	$ 1,787
Salaries and benefits	1,141	706
Insurance	549	404
Variable rent expenses	23	27
Travel and entertainment	19	13
Other	380	352
Total general and administrative	**$ 2,841**	**$ 3,289**

Sales and marketing expenses for the three months ended March 31, 2022 and 2021, are as follows:

	March 31, 2022	March 31, 2021
Sales and marketing		
Salaries and benefits	$ 2,543	$ 1,918
Advertising expenses	449	521
Variable rent expenses	416	449
Legal and professional fees	49	-
Security	104	138
Supplies	176	112
Software	81	60
Other	269	348
Total sales and marketing	**$ 4,087**	**$ 3,546**

18. CONTINGENCIES

(a) Contingencies

The Company’s operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of March 31, 2022, medical marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(b) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of March 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s operations, except for the claims disclosed below. There are also no proceedings in which any of the Company’s directors, officers or affiliates is an adverse party or has a material interest adverse to the Company’s interest.

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

18. CONTINGENCIES *(Continued)*

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 months ended March 31, 2022 and year ended December 31, 2021, key management personnel compensation consisted of the following:

	For the three months ended March 31,	
	2022	2021
Salary	$ 473	$ 417
Option-based compensation	-	1,114
Share-based compensation	-	1,011
All other compensation	200	190
Total	$ 673	$ 2,732

Transactions with related parties

On January 1, 2020, the Company entered into a consulting agreement with a third-party company for the provision of financial consulting services in connection with potential new investment into the Company (the "2020 Consulting Agreement"). The company is owned 100% by the current Executive Chairman. Under the 2020 Consulting Agreement, the third-party company is entitled to a fee of five (5%) percent of the total value received by the Company in financings during the term of the 2020 Consulting Agreement, up to a cap of $1,100. During the three months ended March 31, 2022, and year ended December 31, 2021, the Company paid $0 and $230 under the 2020 Consulting Agreement, respectively. As of March 31, 2022, and December 31, 2021, the company owes $870 under the 2020 Consulting Agreement.

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 a.) 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 a Board member 143,678 shares at $1.09 per share (See Note 16 a.) in exchange for accrued board of directors' fees, resulting in an increase to share capital of $157.

19. RELATED-PARTY TRANSACTIONS *(Continued)*

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

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.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

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

Financial Assets

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

Financial Liabilities

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

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

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

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

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

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

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

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

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

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

The carrying values of financial instruments as of March 31, 2022 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash and cash equivalents	-	7,701	7,701
Trade receivable	25	-	25
Note receivable	4,886	-	4,886
Financial Assets			
Trade and other payables	21,138	-	21,138
Derivative liabilities	-	5,662	5,662
Notes payable	55,125	-	55,125
Lease obligations	23,921	-	23,921

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

	Amortized cost	FVTPL	Total
Financial Assets			
Cash and cash equivalents	-	9,024	9,024
Trade receivable	26	-	26
Note receivable	4,101	-	4,101
Financial Assets			
Trade and other payables	16,484	-	16,484
Derivative liabilities	-	3,960	3,960
Notes payable	54,293	-	54,293
Lease obligations	23,591	-	23,591

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 March 31, 2022 is the carrying amount of cash and cash equivalents, trade receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from trade receivable and note receivable arises from the possibility that amounts due become uncollectible.

(b) Market Risk

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

(i) Other Price Risk

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

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

(ii) Currency Risk

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

As of March 31, 2022 and December 31, 2021, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time as it deems its foreign currency exposure to be nominal.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

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

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

(c) Liquidity Risk

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

The Company had the following contractual obligations as of March 31, 2022:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 8,933	$ -	$ -	$ -	$ 8,933
Accrued liabilities	$ 7,359	$ -	$ -	$ -	$ 7,359
Notes payable	$ 618	$ 366	$ 54,141	$ -	$ 55,125
Lease obligations	$ 2,626	$ 6,275	$ 6,804	$ 8,215	$ 23,921
Total	$ 19,536	$ 6,641	$ 60,945	$ 8,215	$ 95,338

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

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

(d) Regulatory Risk

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

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

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

21. CAPITAL MANAGEMENT

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

Total managed capital is as follows:

	March 31, 2022	December 31, 2021
Notes payable	$ 55,125	$ 54,293
Share capital	180,792	180,657
	$ 235,917	$ 234,950

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2022 and the year ended December 31, 2021.

22. SUBSEQUENT EVENTS

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