BZAM Ltd., formerly The Green Organic Dutchman Holdings Ltd.

Consolidated Financial Statements

For the years ended December 31, 2022 and December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BZAM Ltd.

Opinion

We have audited the consolidated financial statements of BZAM Ltd., formerly The Green Organic Dutchman Holdings Ltd., (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(ii) in the financial statements, which indicates that the Entity incurred a net loss from continuing operations of $36,359 thousand and net cash outflows from operating activities of $8,994 thousand during the year ended December 31, 2022 and, as of that date, the Entity's accumulated deficit was $514,201 thousand.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the acquisition-date fair values of long-lived assets and intangible assets acquired through a business combination

Description of the matter

We draw attention to Notes 2(iv)(c),3(a), and 4 to the financial statements. The Entity measures the consideration transferred, the assets acquired and liabilities assumed in a business combination at their acquisition-date fair values. In connection with the acquisition of BZAM Holdings Inc., the Entity recorded Health Canada Licenses, Distribution Channels and Brands ("intangible assets") of $22,078 thousand and long-lived assets of $47,818 thousand.

The Entity's significant assumptions used in determining the acquisition-date fair values of intangible assets include estimated net cash flows attributable to the specific acquired intangible assets, customer attrition rate, and discount rates. The Entity's significant assumptions used in determining the acquisition-date fair values of long-lived assets include estimated construction costs, third party selling prices for land and buildings, current estimated costs to purchase or replace similar assets, and inflation indices.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair values of certain long-lived assets and intangible assets acquired through a business combination as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the assets and the high degree of estimation uncertainty in determining the acquisition-date fair values of certain acquired long-lived assets and intangible assets. In addition, significant auditor judgment and the involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair values to possible changes in significant assumptions used.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter.

We evaluated the estimated net cash flow attributable to the specific acquired intangible assets by comparing to published reports of industry analysts and peer company analysis.

We compared the estimated customer attrition rate to the expected useful life of similar intangible assets of peer companies.

We involved valuation professionals with specialized skills and knowledge who assisted with the:

- Evaluation of the discount rates by comparing to ranges independently developed using publicly available data for comparable entities
- Evaluation of estimated construction costs by comparing to third party published reports and peer company analysis
- Evaluation of third party selling prices for land and buildings by comparing to publicly available sales transactions
- Evaluation of current estimated costs to purchase or replace similar assets, and inflation indices, such as estimates of normal useful life by asset category, by comparing to publicly available data that was independently sourced to assess appropriateness.

Evaluation of the impairment of non-financial assets of the TGOD cash generating unit

Description of the matter

We draw attention to Notes 2(iv)(b), 3(d), 10 and 11 to the financial statements. During the year, the Entity recorded an impairment charge of $10,677 thousand related to the TGOD cash generating unit ("CGU"). Non-financial assets (other than biological assets and inventories) are assessed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU exceeds its recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of the TGOD CGU was based on its value in use, which was determined to be greater than its fair value less costs of disposal. The TGOD CGU's value in use was estimated by discounting the probability weighted future cash flows expected to be generated from the continuing use of the TGOD CGU. The significant assumptions used by the Entity in estimating the value in use of the TGOD CGU include estimated cash flows, discount rate, and long-term growth rate. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis.

Why the matter is a key audit matter

We identified the evaluation of the impairment of non-financial assets of the TGOD cash generating unit as a key audit matter. This matter represented a significant risk of material misstatement given the magnitude of the asset values and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge were required to evaluate the Entity's use of significant assumptions in assessing the recoverable amount of the CGU.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

Compared the Entity's previous estimated cash flows to the actual historical cash flows generated by the CGU to assess the Entity's ability to accurately predict cash flows.

Evaluated the estimated cash flows by comparing to the Entity’s historical results, published reports of industry analysts and peer company analysis.

Evaluated the long-term growth rate by comparing to published industry data.

Involved valuation professionals with specialized skills and knowledge who assisted in evaluating the discount rate used to determine the recoverable amount, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable companies and Entity specific risk factors.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Pardeep Singh Gill.

Vaughan, Canada
April 28, 2023

BZAM Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in thousands of Canadian dollars, except common shares outstanding.)

	Notes		As at December 31, 2022		As at December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents		$	**4,650**	$	4,089
Restricted cash	22		**350**		219
Refundable sales taxes receivable			**-**		347
Trade receivables	22		**10,256**		8,833
Biological assets	12		**4,575**		3,149
Inventories	13		**52,416**		20,942
Prepaid expenses and deposits			**3,427**		1,502
Other current assets	14		**1,760**		1,841
Due from related parties			**487**		573
Assets held for sale	5, 7		**9,742**		13,612
		$	**87,663**	$	55,107
Non-current assets					
Property, plant and equipment	10		**129,369**		117,980
Intangible assets	11		**28,325**		15,585
Goodwill	4, 11		**28,692**		3,939
Other assets	14, 20		**395**		1,735
Total assets		$	**274,444**	$	194,346
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	**29,511**	$	17,664
Sales taxes payable			**1,540**		595
Current portion of loans	8		**5,405**		2,021
Current portion of lease liabilities	16		**1,455**		1,049
Loan payable to disposal group	5		**—**		5,492
Liabilities held for sale	5, 7		**3,669**		2,570
Current portion of contingent consideration	15		**634**		—
			42,214		29,391
Non-current liabilities					
Lease liabilities	16		**10,611**		6,517
Loans	8		**27,213**		18,204
Contingent consideration	15		**16,095**		3,423
			53,919		28,144
Total liabilities		$	**96,133**	$	57,535
Shareholders' equity					
Share capital	17		**578,006**		508,504
Contributed surplus	18		**109,487**		108,836
Deficit			**(514,201)**		(478,697)
Reserve for foreign currency translations			**(1,723)**		(969)
Total Shareholders' Equity attributed to BZAM Ltd.		$	**171,569**	$	137,674
Non-controlling interests			**6,742**		(863)
Total Shareholders' Equity			**178,311**		136,811
Total Liabilities and Shareholders' Equity		$	**274,444**	$	194,346
Total number of common shares outstanding	17		**157,137,836**		74,966,065
Going concern	2				
Commitments and contingencies	20				
Events after the reporting period	26				

The accompanying notes are an integral part of these consolidated financial statements.

Approved and authorized by the Board of Directors on April 28, 2023:

(signed) "Bassam Alghanim" — *Director*

(signed) "Chris Schnarr" — *Director*

BZAM Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(expressed in thousands of Canadian Dollars, except per share amounts.)

	Notes	For the years ended December 31, 2022	December 31, 2021
Continuing operations			
Revenue		**$ 68,802**	$ 39,185
Excise duties		**(19,451)**	(8,944)
Net revenue		**49,351**	30,241
Cost of sales		**(45,222)**	(22,465)
Gross profit before change in fair value of biological assets		**4,129**	7,776
Realized fair value adjustment on sale of inventories		**(23,606)**	(8,161)
Unrealized gain on changes in fair value of biological assets	12	**26,229**	12,118
Gross profit		**$ 6,752**	$ 11,733
Operating expenses			
Sales and marketing expenses		**$ 9,673**	$ 4,186
Research and development expenses		**494**	528
General and administrative expenses		**22,980**	20,215
Share based compensation	18	**206**	3,381
Depreciation and amortization	10, 11	**8,634**	12,164
Total operating expenses		**$ 41,987**	$ 40,474
Loss from operations		**(35,235)**	(28,741)
Foreign exchange loss		**(603)**	(648)
Finance costs		**(5,116)**	(6,137)
Accretion expense	8	**(1,522)**	(5,445)
Finance income		**20**	89
Loss on lease termination		**(541)**	—
Revaluation gain of contingent consideration	15	**38,017**	1,851
Loss on disposal of assets		**(4)**	(63)
Gain on debt settlement	8	**1,140**	—
Reversal of impairment / (impairment) charge for non-financial assets	10, 11	**(29,004)**	21,811
Loss on derecognition of investment in joint venture		**—**	(761)
Impairment loss on remeasurement of HemPoland disposal group	5	**(2,489)**	(5,118)
Net loss on disposal of subsidiaries	5, 6	**(1,166)**	—
Loss on assets held for sale		**—**	(17,688)
Debt modification	8	**352**	1,187
Acquisition related costs	4	**(208)**	(317)
Loss before income taxes		**(36,359)**	(39,980)
Deferred income tax recovery		**—**	436
Net loss from continuing operations		**$ (36,359)**	$ (39,544)
Discontinued operations			
Net loss from discontinued operations	5	**(432)**	(2,753)
Net loss from operations		**(36,791)**	(42,297)

The accompanying notes are an integral part of these consolidated financial statements.

BZAM Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (CONTINUED)
(*expressed in thousands of Canadian Dollars, except per share amounts*.)

	For the years ended December 31, 2022	For the years ended December 31, 2021
Other comprehensive loss		
Foreign currency translation loss/(gain)	**754**	1,227
Comprehensive loss	**$ (37,545)**	$ (43,524)
Net loss attributable to:		
BZAM Ltd.	**(35,504)**	(42,138)
Non-controlling interests	**(1,287)**	(159)
Comprehensive loss attributable to:		
BZAM Ltd.	**(36,258)**	(43,365)
Non-controlling interests	**(1,287)**	(159)
Basic and diluted loss per share	**$ (0.43)**	$ (0.77)
Basic and diluted loss per share - Continuing operations	**$ (0.42)**	$ (0.72)
Weighted average number of outstanding common shares	**86,533,945**	55,210,913

The accompanying notes are an integral part of these consolidated financial statements.

BZAM Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(expressed in thousands of Canadian Dollars, except number of shares.)

		Share Capital		Contributed Surplus								
	Notes	Common Shares [(1)]	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Total Contributed surplus	Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total
		#	$	$	$	$	$	$	$	$	$	$
Balance, December 31, 2021		**74,966,065**	**508,504**	**21,653**	**10,375**	**76,768**	**40**	**108,836**	**(969)**	**(478,697)**	**(863)**	**136,811**
Issuance of common shares	17[a]	**12,797,900**	**4,209**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,209**
Share based compensation	18[a,c]	**—**	**—**	**206**	**—**	**—**	**—**	**206**	**—**	**—**	**—**	**206**
Restricted share units exercised during period - escrowed	17[c]	**984**	**40**	**—**	**—**	**—**	**(40)**	**(40)**	**—**	**—**	**—**	**—**
Shares and warrants issued in connection with debt modification	17[b]	**50,000**	**50**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**50**
Restricted share units exercised during period	17[d]	**219,579**	**615**	**(616)**	**—**	**—**	**—**	**(616)**	**—**	**—**	**—**	**(1)**
Warrants issued in connection with Debt modification	8	**—**	**—**	**—**	**514**	**—**	**—**	**514**	**—**	**—**	**—**	**514**
Expiry of Warrants	18[b]	**—**	**—**	**—**	**(3,466)**	**3,466**	**—**	**—**	**—**	**—**	**—**	**—**
Shares issued to settle accounts payable	17[e]	**93,750**	**75**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**75**
Share cancellation upon share consolidation	17[g]	**(111)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issuance of common shares in relation to acquisition	4	**65,522,781**	**62,247**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**62,247**
Shares issued in connection with debt repayment	8, 17[f]	**3,486,888**	**2,266**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,266**
Warrants issued in public offering	18[b]	**—**	**—**	**—**	**587**	**—**	**—**	**587**	**—**	**—**	**—**	**587**
Acquisition of BZAM Holdings Inc.	4	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,029**	**8,029**
Disposal of Mexico	6	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**863**	**863**
Comprehensive loss		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(754)**	**(35,504)**	**(1,287)**	**(37,545)**
Balance, December 31, 2022		**157,137,836**	**578,006**	**21,243**	**8,010**	**80,234**	**—**	**109,487**	**(1,723)**	**(514,201)**	**6,742**	**178,311**

[(1)] The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Shares in this table reflect that consolidation.

		Share Capital		Contributed Surplus									
		Common Shares [1]	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued	Total Contributed surplus	Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total
		#	$	$	$	$	$	$	$	$	$	$	$
Balance, December 31, 2020		48,667,577	468,379	23,258	66,111	11,129	7,972	404	108,874	255	(436,559)	(1,145)	139,804
Issuance of common shares in relation to acquisition	17[h]	12,280,515	19,035	—	—	—	—	—	—	—	—	—	19,035
Issuance of contingent shares in relation to acquisition	17[i]	8,571,429	—	—	—	—	—	—	—	—	—	—	-
Issuance of common shares	17[j]	2,103,546	9,322	—	—	—	—	—	—	—	—	—	9,322
Share based compensation	18[a,c]	—	—	3,381	—	—	—	—	3,381	—	—	—	**3,381**
Exercise of warrants	17[k]	2,419,860	8,684	—	(1,125)	—	—	—	(1,125)	—	—	—	**7,559**
Expiry of stock options		—	—	(4,102)	—	4,102	—	—	—	—	—	—	**—**
Expiry of warrants	18[b]	—	—	—	(54,881)	54,881	—	—	—	—	—	—	—
Restricted share units exercised during period - escrowed	17[l]	31,493	1,276	—	—	6,656	(7,932)	—	(1,276)	—	—	—	—
Restricted share units exercised during period	17[o]	193,790	584	(584)	—	—	—	—	(584)	—	—	—	—
Shares issued to settle accounts payable	17[m]	424,171	704	(300)	—	—	—	(404)	(704)	—	—	—	—
Shares and warrants issued in connection with debt modification	17[n]	273,684	520	—	270	—	—	—	270	—	—	—	790
Comprehensive loss		—	—	—	—	—	—	—	—	(1,227)	(42,138)	(159)	(43,524)
Elimination of non-controlling interest on disposal of Denmark		—	—	—	—	—	—	—	—	3	—	441	444
Balance, December 31, 2021		74,966,065	508,504	21,653	10,375	76,768	40	—	108,836	(969)	(478,697)	(863)	136,811

[1] The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Shares in this table reflect that consolidation.

An unlimited number of common shares are authorized for issue.

The accompanying notes are an integral part of these consolidated financial statements.

BZAM Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in thousands of Canadian dollars)

	Notes	For the years ended December 31, 2022	December 31, 2021
OPERATING ACTIVITIES			
Net loss from operations		**$ (36,791)**	$ (42,297)
Items not affecting cash:			
(Reversal of impairment) / Impairment of property, plant and equipment	10	**19,643**	(17,765)
Reversal of impairment of intangible assets		**9,363**	(4,046)
Loss on assets held for sale		**—**	17,688
Impairment loss on remeasurement of disposal group		**2,489**	5,118
Share based compensation	18	**206**	3,381
Depreciation of property, plant and equipment	10	**6,973**	12,037
Amortization of intangible assets	11	**1,661**	1,716
Realized fair value adjustment on sale of inventories		**15,419**	8,161
Unrealized gain on change in fair value of biological assets	12	**(26,229)**	(12,118)
Foreign exchange loss		**603**	—
Accretion expense	8	**1,522**	5,445
Revaluation gain of contingent consideration	15	**(38,017)**	(1,851)
Loss (gain) on disposal of assets	10	**4**	63
Loss on derecognition on investment in joint venture		**—**	761
Loss on disposal of subsidiary	5, 6	**1,166**	—
Deferred financing costs expensed		**—**	750
Deferred income tax recovery		**—**	(804)
Write-down of deposit		**—**	1,564
Gain on debt settlement		**(1,140)**	—
Loss on lease termination		**541**	—
Provision recorded on inventory	13	**11,507**	—
Debt modification	8	**(352)**	(1,187)
Changes in non-cash operating working capital items	19	**22,438**	5,346
Net cash used in operating activities		**$ (8,994)**	$ (18,038)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,124)**	(9,121)
Net proceeds from the disposition of the Valleyfield Assets		**—**	25,512
Net cash inflow on deposits	14[b]	**450**	5,761
Proceeds on disposal of assets	10	**2,003**	1,698
Transfer to/(from) restricted cash	22[c]	**219**	403
Cash acquired from business combination	4	**1,210**	307
Net cash inflow on sale of investment		**—**	1,242
Proceeds on disposal of HemPoland, net	5	**2,191**	—
Additions to intangible assets	11	**—**	(6)
Net cash provided from investing activities		**$ 4,949**	$ 25,796
FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of share issue costs	17	**4,796**	9,322
Proceeds from borrowings, net of costs	8	**6,120**	6,790
Proceeds from the exercise of stock options and warrants		**—**	7,559
Interest received		**20**	55
Interest paid on lease liabilities	16	**(1,201)**	(535)
Interest paid on debt		**(3,942)**	(4,496)
Principal payments of lease liabilities	16	**(532)**	(704)
Principal payments of debt	8	**—**	(32,200)
Net proceeds/(repayments) of borrowings under the Revolver Loan	8	**1,583**	766
Net cash provided/(used) by financing activities		**$ 6,844**	$ (13,443)
Net cash inflow (outflow)		**$ 2,799**	$ (5,685)
Net effects of foreign exchange		**(2,238)**	(597)
Cash, beginning of period		**4,089**	11,212
Cash related to assets held for sale		**—**	(841)
Cash and cash equivalents, end of period		**$ 4,650**	$ 4,089

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF ACTIVITIES

BZAM Ltd. ("Company"), formerly The Green Organic Dutchman Holdings Ltd., was incorporated on November 16, 2016, under the *Canada Business Corporations Act* ("CBCA"). On January 25, 2023 the Company's board of directors (the "Board") authorized a change in the Company's name from "The Green Organic Dutchman Holdings Ltd." to "BZAM Ltd."(the "Name Change"). The Name Change took effect at the open of the market on February 23, 2023. The Company is a reporting issuer domiciled in Canada whose common shares (the "Common Shares") are publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "BZAM" and on the OTCQX under the symbol "BZAMF". The Company also has three classes of warrants listed on the CSE under the symbols "BZAM.WR", "BZAM.WA" and "BZAM.WB". The Company's head office is located at 200 Burrard Street, Suite 1570, Vancouver, BC, V6C 3L6 and its registered office is located at Suite 402, 5520 Explorer Road, Mississauga, ON, L4W 5L1. These consolidated financial statements for the years ended December 31, 2022 and December 31, 2021 ("Consolidated Financial Statements") include the financial statements of BZAM Ltd. and its subsidiaries from the date the Company gained control of each subsidiary through to the date of disposition (if applicable).

The Company's wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. ("TGOD"), Galaxie Brands Corporation ("Galaxie") and BZAM Holdings Inc. ("BZAM Holdings") are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation facilities near Hamilton, Ontario (the "Hamilton Facility"), in Edmonton, Alberta (the "Edmonton Facility"), in Midway, British Columbia, in Maple Ridge, British Columbia (the "Maple Ridge Facility"). The Company also has leases for and operating licences with facilities holding cultivation and processing licences in Puslinch, Ontario (the "Puslinch Facility"), Saanichton, British Columbia (the "Saanichton Facility") and Pitt Meadows, British Columbia (the "Pitt Meadows Facility"), and had a presence in Valleyfield, Québec (the "Québec Facility") until December 31, 2022. It moved its Québec operations to Vaudreiul, Québec, in January 2023.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing a limited international growth strategy, and has established strategic partnerships for the distribution of cannabis derived medical products primarily focused in Germany.

On November 8, 2022, the Company filed articles of amendment to effect a consolidation (the "Consolidation") of all of the issued and outstanding Common Shares. Pursuant to the Consolidation, shareholders of the Company received one post-Consolidation Common Share for every ten pre-Consolidation Common Shares they held (the "Consolidation Ratio"). The Consolidation Ratio also applied to the Common Share purchase warrants (the "Warrants"). Accordingly, effective as of the Consolidation date, the holders of Warrants will be entitled to receive one post-Consolidation Common Share on the exercise of ten Warrants. The Consolidation also applied to the stock options and restricted share units outstanding, which were consolidated at the Consolidation Ratio with the exercise price being adjusted to reflect the Consolidation. The number of Common Share amounts discussed within these Consolidated Financial Statements reflect this Consolidation.

2. BASIS OF PRESENTATION

[i] Statement of compliance

These Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These Consolidated Financial Statements were approved and authorized for issue by the Board on April 28, 2023.

[ii] Going concern

These Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of December 31, 2022, the Company had positive working capital of $45,449 (inclusive of non-cash contingent consideration of $634) (December 31, 2021 - $25,716) and an accumulated deficit of $514,201 December 31, 2021 - $478,697). For the year ended December 31, 2022, the Company has incurred a net loss from continuing operations of $36,359 (December 31, 2021 – $39,544), inclusive of a non-cash impairment charge of $29,004 (December 31, 2021 – reversal of previously recognized impairment charges of $21,811). During the year ended December 31, 2022, the Company used cash in operating activities of $8,994 (year ended December 31, 2021 - $18,038) resulting primarily from the loss from operations of $35,235 (year ended December 31, 2021 - $28,741) offset by items not affecting cash such as changes in fair value of biological assets, depreciation, amortization and share based compensation. The Company has insufficient cash on hand to fund its planned operations. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient funding to meet its obligations, neither of which is guaranteed to occur. Achieving such revenues, positive cash flows from operating activities or funding may be influenced by matters that are not in the Company's control, and as such, there is no certainty that such revenues, cash flows, or funding will be realized. In addition, the Company currently does not have any commitments in place that would provide the level of revenues, cash flows, or funding required to provide sufficient funding to meet its obligations.

The Company will need to obtain further funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If positive operating cash flows are not achieved, debt obligations are not repaid, or adequate funding is not available, the Company will be required to delay, reduce or cease the scope of any or all of its operations. In addition, the terms of the renewed secured revolving credit facility (the "Revolver Loan") require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the repayment of the debt, which could materially and adversely affect the business, results of operations and financial condition of the Company. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these Consolidated Financial Statements should such events impair the Company's ability to continue as a going concern.

[iii] Basis of measurement

These Consolidated Financial Statements have been presented in thousands of Canadian dollars (unless otherwise noted) on a historical cost basis, except for certain financial instruments that are measured at fair value and biological assets which are recorded at fair value less costs to sell. The Company's functional currency is Canadian dollars.

[iv] Use of estimates and judgments

The preparation of these Consolidated Financial Statements requires the use of estimates and judgments that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

(a) ***Biological assets and inventory***

In calculating the fair value less costs to sell of the biological assets, management is required to make a number of judgments and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of indirectly attributable production costs and net realizable value of inventory items.

(b) ***Impairment, estimated useful lives, depreciation and amortization of property, plant and equipment and intangible assets***

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, residual values, and depreciation rates. The depreciation and amortization methods are judgments based on the Company's assessment of the pattern of use of the assets. The estimate of useful lives and residual values are based on the Company's intended use of the assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

(i) Cash generating units:

Judgment is required to assess the Company's determination of cash generating units for the purpose of impairment testing.

(ii) Impairment of non-financial assets:

The process to calculate the recoverable amount of each cash generating unit ("CGU") requires use of valuation methods such as the discounted cash flow method which uses significant assumptions of key variables including estimated cash flows, discount rates and long-term growth rate. The Company applies judgment when determining which methods are most appropriate to estimate that value in use and fair value less costs of disposal for each CGU. Please see Notes 10 and 11 for details of the estimates and judgment applied by the Company in connection with the impairment of non-financial assets.

(c) ***Business combinations***

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition based on the facts and circumstances of the transaction in relation to the criteria listed in IFRS 3 Business Combinations. Determining the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of the fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed. Market based and appraisal values are used. The Company's significant assumptions used in determining the acquisition-date fair values of intangible assets include estimated net cash flows attributable to the specific acquired intangible assets, customer attrition rate, and discount rates. The Company's significant assumptions used in determining the acquisition-date fair values of long-lived assets include estimated construction costs, third party selling prices for land and buildings, current estimated cost to purchase or replace similar assets, and inflation indices.

(d) ***Share based compensation***

Estimates are used to determine the fair value of stock options and restricted stock units of the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to Notes 17 and 18 for further information.

(e) ***Warrants***

Estimates are used to determine the fair value of warrants issued by the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to Notes 17 and 18 for further information.

(f) ***Leases***

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Estimates are used to determine the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for new leases.

(g) ***Assets held for sale***

The determination as to whether a disposal group meets the requirements to be classified as held for sale, and the assets and liabilities to be included within that disposal group, requires management to exercise judgement when making these determinations. Management must also exercise judgment when determining at which date all of the criteria are satisfied to be classified as held for sale. Management must also use estimates when determining the fair value less costs to sell of the disposal group to assess if the carrying value of the disposal group is greater than its recoverable amount.

[v] Basis of consolidation

These Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, 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. Intercompany balances and transactions are eliminated upon consolidation and preparation of these Consolidated Financial Statements. The Company's primary controlled subsidiaries are as follows:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Major subsidiary	Percentage ownership	Functional currency
The Green Organic Dutchman Ltd. ("TGOD")	100%	Canadian Dollar
Medican Organic Inc. ("Medican")	100%	Canadian Dollar
Galaxie Brands Corporation ("Galaxie")	100%	Canadian Dollar
TGOD Europe B.V.	100%	European Euro
BZAM Holdings Inc.	100%	Canadian Dollar
BZAM Cannabis Corp.	58%	Canadian Dollar
Folium Life Science Inc.	80%	Canadian Dollar
BZAM Management Inc.	100%	Canadian Dollar
1005099 Manitoba Ltd.	100%	Canadian Dollar

All shareholdings are of ordinary shares or other equity. Other subsidiaries, while included in the Consolidated Financial Statements, are not material and have not been included in the table above.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The Company measures the consideration transferred, the assets acquired, and liabilities assumed in a business combination at their acquisition-date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred, and the services are received, except for the costs to issue debt or equity securities which are recognized according to specific requirements. The excess of the consideration transferred to obtain control, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration for a business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as an asset or liability is measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

(b) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized on a declining basis using the following rates:

Building	2.5 - 5%
Furniture and fixtures	5 - 33%
Production equipment	7 - 100%
Building and leasehold improvements	5 - 20%, or straight line over the lease term if applicable
Computer equipment	20 - 100%
Automobiles	7 - 30%

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at least once each financial year and adjusted, if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land is not depreciated.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item at the date of disposal and recognized in profit or loss.

Assets and construction in progress are transferred to building, production equipment, and building improvements when available for use and depreciation of the asset commences at that point.

(c) Intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the following term:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Health Canada Licences	7 - 20 years, in accordance with the estimated useful life of buildings
Technology Licences	6 years
Website	10 years
Customer Relationships	10 years
Distribution Channels	10-20 years
Brands	10-20 years
Other acquired rights	3-5 years

The estimated useful lives and amortization methods of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company does not currently have any intangible assets with indefinite useful lives.

(d) Impairment of non-financial assets

Non-financial assets (other than biological assets and inventories) are assessed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU exceeds its recoverable amount. Goodwill is tested for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). Goodwill arising from a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset or CGU exceeds its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis. Impairment losses in respect of goodwill are not subsequently reversed. For other non-financial assets excluding biological assets and inventories, an impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. The Company currently has four CGUs being (i) cannabis related activities from production at the Hamilton Facility and Québec Facility, (“TGOD CGU”) (ii) the cannabis manufacturing productions at the Puslinch Facility (“Galaxie CGU”), (iii) the newly acquired BZAM Holdings (“BZAM CGU”) and (iv) other strategic international investments. For the year ended December 31, 2022, the Company recorded an impairment in relation to the TGOD CGU.

(e) Goodwill

Goodwill represents the excess of the price paid for a business combination over the net fair value of the identifiable assets acquired and liabilities assumed in the business combination and is subsequently measured at historical cost less accumulated impairment losses, if any. Goodwill is not depreciated.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial cost of the harvested cannabis. Any subsequent post-harvest costs, such as depreciation, processing and packaging the inventories to a finished state, are capitalized to inventory as they are incurred to the extent that the aggregated cost of the inventory item is less than its net realizable value and are subsequently recorded within cost of sales related to inventory production costs in the consolidated statement of loss and comprehensive loss. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis.

(g) Biological assets

While the Company’s biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are capitalized using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. Direct and indirect costs of biological assets include the direct cost of seeds and growing materials, and indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included. Certain direct and indirect costs of biological assets, excluding depreciation, are capitalized as they are incurred, and are subsequently recorded in inventories on the consolidated statement of financial position after the biological assets are harvested, and subsequently recorded within the line item ‘cost of sales’ on the consolidated statement of loss and comprehensive loss in the period that the related product is sold or impaired. The unrealized gain on changes in fair value of biological assets are recorded in a separate line on the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

(h) Revenue

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows the five-step model:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligations are satisfied.

Revenue from the direct sale of cannabis products for a fixed price is recognized when the Company transfers control of the good to the customer, which is at the point of shipment for medical cannabis and at the point of delivery for recreational cannabis.

Revenue earned in Canada includes excise duties, which the Company pays as principal, but excludes sales taxes collected on behalf of tax authorities. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices.

Under certain revenue arrangements, the Company provides production or licensing services. For these revenue arrangements, the Company earns a manufacturing or licencing fee, which is recognized as revenue net of associated costs as the Company acts as an agent in the arrangement. The Company does not control pricing or bear inventory, or credit risk associated with the goods in these arrangements, and as such is acting as an agent in these arrangements.

(i) Financial instruments

[i] Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

[ii] Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, if applicable. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Financial Liabilities

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

[iii] Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company may enter into transactions whereby it transfers assets recognized in its statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguish and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Transaction Costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

[iv] Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(j) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortized costs, debt investments measured at FVOCI, and contract assets – the Company had no debt investment measured at FVOCI and no contract assets as at December 31, 2022 and December 31, 2021.

When determining whether the credit risk of a financial asset has increased significantly and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Company’s historical experience and informed credit assessment and including forward looking information.

(k) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Significant influence is usually evidenced by but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost, inclusive of transaction costs. Subsequent to initial recognition, the Company includes in its consolidated financial statements the Company’s share of the income and expenses of equity accounted investees until the date on which significant influence ceases. In accordance with IFRS, the investee’s most recent available financial statements are used in the application of the equity method. The Company does not recognize losses exceeding the carrying value of its interest in the associate.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses arising from transaction with equity-accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee, but only to the extent there is no evidence of impairment.

(l) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. Subsequent to initial recognition, capitalized development expenditures are measured at costs less accumulated amortization and impairment losses.

(m) Taxes

Income tax expense is comprised of current and deferred tax. It is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current taxes

Current tax comprises the expected tax payable or receivable on the taxable earnings for the period and any adjustments to the tax payable or receivable in respect of previous years. Taxable earnings may differ from earnings as reported in the consolidated statement of loss and comprehensive loss because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Company’s receivables and liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Refundable sales tax receivable

The Company recognizes receivables for refundable input tax credits for various value added taxes paid in conjunction with the laws governing each jurisdiction where the credits are claimed.

(n) Share based compensation

The Company measures equity settled share based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share based payments granted to non-employees, the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share based compensation is transferred from share based reserve to share capital.

(o) (o) Earnings/(Loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. In a period of losses, the options and warrants are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

(p) Related party transactions

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is the amount of consideration paid/payable or received/receivable as established and agreed to by the related parties.

(q) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency of the subsidiary in which the transactions are recorded at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in the functional currency of the subsidiary in which the amounts are recorded are translated into Canadian dollars using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating foreign currency transactions are reported in the consolidated statement of loss and comprehensive and loss on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from investing and financing activities when deemed significant.

(r) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the month during which the transactions occurred. These foreign currency differences are recognized in other comprehensive income in the reserve for foreign currency translations.

(s) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale (or disposal group) are measured at each reporting period at the lower of their carrying amount and fair value less costs to sell ("FVLCS"), except for inventories, biological assets, deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are measured in accordance with the Company's other accounting policies, as applicable.

An impairment loss is recognized for any initial or subsequent write-down of the assets held for sale (or disposal group) to FVLCS. A gain is recognized for any subsequent increases in FVLCS of assets held for sale (or disposal group), but not in excess of any cumulative impairment loss previously recognized for the asset's (or disposal group's) carrying value. A gain or loss not previously recognized by the date of the sale of the non-current assets (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(t) New accounting pronouncements or policies adopted in 2022

The Company adopted the following new standards and amendment to standards effective January 1, 2022. These changes did not have a material impact on these Consolidated Financing Statements.

i. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

ii. Amendments to IFRS 3, Business Combinations - Updating a Reference to the Conceptual Framework.

IFRS 3 Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability. Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The amendments updated the reference to the Conceptual Framework. They also added to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Without the exception, an entity would have recognised some liabilities on the acquisition of a business that it would not recognise in other circumstances. Immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain.

The amendments to are effective for business combinations occurring in reporting periods starting on or after 1 January 2022 with earlier application permitted.

iii. Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use, prohibiting reducing the cost of property, plant and equipment by proceeds while bringing an asset to capable operations.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments are effective for reporting periods beginning on or after 1 January 2022. Earlier application of the amendments was permitted.

(u) New standards, interpretations and amendments not yet adopted by the Company

A number of new standards are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these Consolidated Financial Statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

i. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – (Amendments to IAS 12)

The amendment narrowed the scope of certain recognition exceptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognized deferred tax for all temporary differences related to leases and decommissioning obligations and recognized the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments in the Company's consolidated financial statements.

ii. Definition of Accounting Estimates – (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

iii. Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS 2 Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS 2 Practice Statement 2 Making Material Judgments)*. The amendments help companies provide useful accounting policy disclosures. The key amendments include:

a. requiring companies to disclose their material accounting policies rather than their significant accounting policies;

b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and,

c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

iv. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020 the IASB published 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' which clarify the Standard's guidance on whether a liability should be classified as either current or non-current.

IAS 1 requires an entity that has an unconditional right to delay settlement of a liability for at least 12 months from the end of the reporting period, then it can be classified as non-current, if not it is classified as current. Some preparers have found this statement confusing and consequently similar liabilities have been classified differently, making comparisons by investors difficult.

The IASB therefore issued amendments to IAS 1 to clarify its previously issued guidance and rectify the above issue.

The amendments elaborate on guidance set out in IAS 1 by:

a. clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
b. stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability
c. adding guidance about lending conditions and how these can impact classification
d. including requirements for liabilities that can be settled using an entity's own instruments.

The amendments are effective for annual periods beginning on or after January 1, 2024 with early adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

v. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2022, the IASB issued amendments to IFRS 16, adding requirements for accounting for a sale and leaseback after the date of the transaction.

The IASB has now issued additional guidance in IFRS 16 on accounting for sale and leaseback transactions. Previously IFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the Standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date.

As a result, without further requirements, when the payments include variable lease payments there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use they retained even though no transaction or event would have occurred to give rise to that gain.

Consequently, the IASB decided to include subsequent measurement requirements for sale and leaseback transactions to IFRS 16.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

vi. Non-current Liabilities with Covenants (Amendments to IAS 1)

In November 2022, the IASB issued some amendments to IAS 1 that aim to improve disclosures about long-term debt with covenants.

IAS 1 requires an entity to classify debt as current if it is unable to avoid settling the debt within 12 months after the reporting date. However, the entity may need to comply with covenants during that same period, which may question whether the debt should be classified as non-current. For example, a long-term debt may become current if the entity fails to comply with the covenants during the 12-month period after the reporting date.

The amendments set out in 'Non-current Liabilities with Covenants (Amendments to IAS 1)' state that at the reporting date, the entity does not consider covenants that will need to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements.

The IASB want these amendments to enable investors to understand the risk that such debt could become repayable early and therefore improving the information being provided on the long-term debt.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

vii. IFRS 17, Insurance Contracts, a replacement of IFRS 4, Insurance Contracts

IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4. BUSINESS COMBINATION

Acquisition of BZAM Holdings Inc.

On October 18, 2022, the Company entered into a share exchange agreement (the "BZAM Agreement") to purchase all of the issued and outstanding shares of BZAM Holdings Inc. ("BZAM", the "BZAM Transaction"). BZAM is a licensed producer of cannabis and cannabis related products focused on manufacturing and distribution. Pursuant to the terms of the BZAM Agreement, upon closing of the BZAM Transaction on November 3, 2022, the Company paid an aggregate purchase price of $113,570 (the "Purchase Price"). The Purchase Price was comprised of: (a) 65,522,781 Common Shares valued at $62,247; (b) a contingent consideration valued at $50,552 (the "BZAM Contingent Milestone Shares"), subject to the achievement of certain net revenue and earnings before interest, taxes, depreciation and amortization targets over the twelve months ending December 31, 2023; and (c) 1,120,226 Common Shares (the "BZAM Milestone shares") valued at $771 subject to the issuance of the Galaxie Contingent Milestone shares. Contingent consideration of up to $52,601 in BZAM Contingent Milestone Shares could be payable based on performance of the business during the one year following the transaction closing.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

The Company elected to measure the non-controlling interest in the BZAM Holdings Inc. subsidiaries at the proportionate share of BZAM Holdings Inc. interest in the subsidiaries identifiable net assets.

The Company's initial allocation of the Purchase Price is as noted in the table below. As the BZAM Transaction is within the measurement period, management will continue to finalize the allocations in relation to any subsequent working capital adjustments. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. The measurement period cannot extend beyond one year from date of acquisition. The table below summarizes the estimated fair value of the assets acquired and the liabilities assumed as at the acquisition date:

	Note	Number of Common Shares	Common Share price	Amount
Consideration paid/payable				
Common Shares issued	**(i)**	65,522,781	$0.950	62,247
Contingent consideration				51,323
Total consideration paid/payable				**113,570**
Net assets acquired				
Cash and cash equivalents				1,210
Restricted cash				350
Trade receivables				7,994
Other current assets				989
Prepaid expenses and deposits				1,416
GST receivable				1,263
Inventories				30,072
Property, plant and equipment	**9**			47,818
Assets held for sale				5,573
Brands	**10**			3,130
Distribution Channels	**10**			13,400
Health Canada Licences	**10**			5,548
Goodwill	**10**			28,692
Accounts payable and accrued liabilities				(8,868)
Lease liabilities	**15**			(8,598)
Loans	**8**			(8,391)
NCI				(8,028)
Total identifiable net assets acquired				**113,570**

(i) Closing price of the Common Shares on November 3, 2022, being the date of closing the BZAM Transaction.

The licence acquired is subject to amortization over a period equivalent to the useful life of the BZAM Facilities which have a useful life of 7 to 20 years. The licence consists of BZAM's cultivation, processing, and sales licenses.

Brands acquired under the BZAM Transaction include Table Top, Ness, BZAM, BZAM x Dunn, FRESH, Snackbar and SuperFlower, which are products for distribution in the recreational adult-use market. Such brands are subject to amortization with estimated useful lives of 14 years.

The distribution channels represent a significant intangible asset, which is used to deliver products to customers. The distribution channels include a network of wholesalers and retailers. These channels provide a competitive advantage to the Company, allowing it to reach a broad customer base. The Company expects the distribution channels will continue to provide a competitive advantage and generate future economic benefits. However, changes in market conditions, customer preferences, or technological advancements could impact the Company's ability to realize the expected benefits from these distribution channels. The distribution channels are amortized over their useful lives, which are estimated to be 14 years.

The primary reason for the acquisition and the goodwill is attributed to the achievement of synergies expected from integrating BZAM Holdings and the Company. Goodwill is calculated as the excess of the consideration paid in comparison to the net assets identified as at acquisition date. Goodwill is not tax deductible.

The BZAM Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2022, this contingent consideration was revalued to $16,095, resulting in a gain on revaluation of $34,457 for the year ended December 31, 2022. The primary reason for the decline in the carrying value of the contingent consideration from the date of recognition to December 31, 2022 is the decline the market price of the

Common Shares as the contingent consideration is contracted to be settled in Common Shares. The BZAM Contingent Milestone Shares are to be released no later than January 31, 2024.

The BZAM Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2022, the contingent consideration for the BZAM Milestone Shares was revalued to $314, resulting in a gain on revaluation of $457 for the year ended December 31, 2022. The BZAM Milestone Shares were released on January 23, 2023 (see Note 26b).

The Company recognized $208 in transaction costs recorded in the acquisition related costs line in the consolidated statement of loss and other comprehensive loss in connection with the BZAM Transaction.

From the date of acquisition, BZAM Holdings Inc. contributed $8,912 of revenue and $8,546 to the net loss before operations of the Company.

Acquisition of Galaxie

On October 29, 2021, the Company entered into a share purchase agreement (the “Galaxie Definitive Agreement”) to purchase all of the issued and outstanding shares of Galaxie (the “Galaxie Transaction”). Galaxie is a licensed producer of cannabis and cannabis related products focused on product innovation, branding, manufacturing, and distribution. Pursuant to the terms of the Galaxie Definitive Agreement, upon closing of the Galaxie Transaction on November 17, 2021, the Company paid an aggregate purchase price of $24,270 (the “Galaxie Purchase Price”). The Galaxie Purchase Price was comprised of: (a) 8,000,000 Common Shares valued at $12,400 (the “Escrow Shares”); (b) 4,000,000 Common Shares valued at $6,200 (the “Indemnity Escrow Shares”); (c) 280,515 Common Shares valued at $435 related to the Underlying Shares (as defined below); and (d) up to 8,571,428 Common Shares valued at $5,235 (the “Contingent Milestone Shares”), subject to the achievement of certain financial targets over the twelve months ending December 31, 2022.

The Escrow Shares are subject to an escrow agreement with Computershare Investor Services Inc., as escrow agent, (the “Escrow Agent”) whereby one sixth of these shares will be released every four months with the first release starting March 17, 2022. The Indemnity Escrow Shares and Contingent Milestone Shares were placed into an indemnity escrow account with the Escrow Agent, to be released no later than December 31, 2023 and January 31, 2023, respectively, subject to earlier release pursuant to the escrow release terms of an indemnity escrow agreement.

All issued and outstanding options to acquire shares of Galaxie (the “Galaxie Options”) vested prior to the closing of the Galaxie Transaction. Each holder of vested Galaxie Options had the option of exercising its Galaxie Options into underlying shares of Galaxie (the “Underlying Shares”). The Underlying Shares were converted into Common Shares at the closing of the Galaxie Transaction based upon the terms set forth in the Galaxie Definitive Agreement. A total of 280,515 Common Shares were issued to holders of Galaxie Options in exchange for the issued and outstanding Underlying Shares. Total consideration issued to the former shareholders of Galaxie was 20,571,428 Common Shares with a fair value of $23,835, with an additional 280,515 Common Shares being issued to holders of Galaxie Options with a fair value of $435.

The Company’s final allocation of the Galaxie Purchase Price is as noted in the table below. There were no adjustments made to this purchase price allocation between the initial measurement and the final measurement. The table below summarizes the estimated fair value of the assets acquired and the liabilities assumed as at the acquisition date:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

	Note	Common Shares issued	Common Share price	Amount
Consideration paid				
Common Shares issued	**(i)**	12,280,515	$1.55	19,035
Contingent consideration	**(ii)**	8,571,428		5,235
Total consideration transferred				**24,270**
Net assets acquired				
Cash and cash equivalents				307
Trade receivables				1,366
Prepaid expenses and deposits				117
Due from related party				503
Inventories				1,172
Accounts payable and accrued liabilities				(2,490)
Property, plant and equipment				14,308
Brands				2,783
Health Canada Licence				4,432
Customer contracts				2,650
Goodwill				3,939
Lease liabilities				(3,665)
Loans				(1,152)
Total identifiable net assets acquired				**24,270**
(i) Closing price of TGOD Common Shares as at acquisition date				
(ii) Recorded at fair value, which was determined using the Black-Scholes Pricing Model.				

The licence acquired is subject to amortization over a period equivalent to the useful life of the Puslinch Facility which has a useful life of 20 years. The licence consists of Galaxie's cultivation, processing, and sales license.

Brands acquired under the Galaxie Transaction include Cruuzy, which offers a range of high potency products for distribution in the recreational adult-use market, and GRx, which offers high potency CBD products to medical patients. Such brands are subject to amortization with estimated useful lives of 10 years.

The primary reason for the acquisition and the goodwill is attributed to the achievement of synergies expected from integrating Galaxie and the Company to produce cannabis extracts, including cannabis concentrates for consumers. Goodwill is calculated as the excess of the consideration paid in comparison to the net assets identified as at acquisition date. Goodwill is not tax deductible.

The Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2021, the contingent consideration was revalued to $3,423, resulting in a gain on revaluation of $1,812 for the year ended December 31, 2021. The Contingent Milestone Shares were to be released no later than January 31, 2023. Subsequent to year the Contingent Milestone shares were released (see Note 26b)

The Company recognized $317 in transaction costs recorded in the acquisition related costs line in the consolidated statement of loss and other comprehensive loss in connection with the Galaxie Transaction.

5. DISPOSAL OF HEMPOLAND

On September 6, 2022, the Company completed the sale of HemPoland S.p.a. Z.o.o. ("HemPoland"), its wholly owned hemp cultivation and extraction business based in Poland, for net proceeds of $6,810 which included $1,350 in cash and a $5,460 loan forgiveness for amounts owed to HemPoland by the Company.

As at December 31, 2022 and 2021, the HemPoland assets and liabilities held for sale were as follows:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

		Disposal Group	
		For the years ended	
		December 31, 2022	December 31, 2021
Cash and cash equivalents	$	-	841
Refundable sales taxes receivable		-	57
Trade receivables		-	446
Prepaid expenses and deposits		-	167
Inventories		-	3,035
Property, plant and equipment		-	1,589
Intangible assets		-	1,985
Loan receivable from the Company		-	5,492
Assets held for sale	**$**	**-**	**13,612**
Accounts payable and accrued liabilities	$	-	695
Lease liabilities		-	1,409
Loans		-	466
Liabilities held for sale	**$**	**-**	**2,570**

The financial results of HemPoland which are also included as net loss from discontinued operations on the consolidated statement of loss and comprehensive loss are as follows:

	For the years ended	
	December 31, 2022	December 31, 2021
Revenue	$ 1,926	$ 6,270
Gross profit	$ 305	$ 2,330
Expenses	$ 1,124	$ 5,398
Loss from discontinued operations	$ (819)	$ (3,068)
Income Tax Recovery	$ 387	$ 315
Loss from discontinued operations, net of tax	$ (432)	$ (2,753)
Basic and diluted loss per share	$ (0.00)	$ (0.00)

Cash flows from (used in) discontinued operations:

	For the years ended	
	December 31, 2022	December 31, 2021
Net cash provided by/(used in) operating activities	$ (147)	$ 1,339
Net cash provided used in investing activities	(46)	(188)
Net cash provided used in financing activities	(410)	(519)
Net cash (outflows) inflows for the year	**$** (603)	**$** 632

Loss on Disposal

During the year ended December 31, 2022, the Company recognized an impairment loss on the remeasurement of the HemPoland disposal group to the lower of its carrying amount and its fair value less costs to sell of $2,489 (December 31, 2021 - $5,118). The loss during the year ended December 31, 2022 was recognized as a result of management's estimate of the fair value less costs to sell during the year ended prior to disposition. Upon final disposition of the disposal group, the Company recognized a loss on disposal of $831 as noted below.

	HemPoland
Proceeds from Sale	6,810
Less: Net assets at Disposal	(5,938)
Add: Reclassification of foreign currency translation reserve applicable to HemPoland	(1,703)
Loss on Disposal	**(831)**

The reclassification of the foreign currency translation reserve applicable to HemPoland represents the cumulative foreign currency differences previously included in shareholders' equity since the date of acquisition.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

6. DISPOSAL OF MEXICO

On November 23, 2022, the Company completed the sale of its 50% shareholding in The Green Organic Dutchman, S. de R.L de C.V. ("Mexico") for net proceeds of $0. As a result of the disposal a loss on disposal of $335 was recognized.

7. ASSETS HELD FOR SALE

Galaxie Assets

As at December 31, 2022, management was committed to a plan to sell the certain assets and liabilities acquired by the Company as part of the Company's acquisition of Galaxie during the year ended December 31, 2022. Accordingly, the Company has presented these assets and liabilities (which belong to the TGOD operating segment (Note 9)) as held for sale. Efforts to sell the assets have commenced and a sale is expected within the next twelve months.

Impairment losses of $3,656 for write-downs of the assets to the lower of their carrying amount and fair value less costs to sell have been recognized for the year ended December 31, 2022 (year ended December 31, 2021, $Nil). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment, and intangible assets.

As at December 31, 2022, the assets and liabilities were stated at fair value less costs to sell and comprised of the following:

Property, plant and Equipment	1,916
Intangible Assets	2,253
Assets held for sale	**4,169**
Lease Liability	3,669
Liabilities held for sale	**3,669**

Measurement of fair values

The fair value less costs to sell of these assets and liabilities was estimated to be $500 using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer which provided reliable information to determine the fair value of the assets.

Maple Ridge Facility

As at December 31, 2022, management was committed to a plan to sell the Company's cultivation facilities and equipment located at the Maple Ridge Facility that were acquired as part of the Company's acquisition of BZAM Holdings. Accordingly, the Company reclassified these assets (which belong to the BZAM operating segment) as held for sale as at December 31, 2022. Efforts to sell the Maple Ridge Facility have commenced and a sale was expected within the next twelve months of reclassifying the assets held for sale. The assets were sold subsequent to December 31, 2022 (Note 26d).

As at December 31, 2022, these assets were stated at fair value less costs to sell and comprised of the following:

Land	1,020
Facilities and capital improvements	3,740
Production and cultivation equipment	448
Furniture and fixtures	221
Computer equipment	144
Assets held for sale	**5,573**

Measurement of fair values

The fair value less costs to sell of the assets and liabilities was estimated to be $5,573. Fair value of the land was estimated using a direct comparison approach using third party selling prices for comparable properties. For facilities and capital improvements, the cost approach was used where fair value was estimated based on the cost to produce assets of similar nature. The other assets were measured using the replacement cost new approach where the cost of acquiring similar assets were used to estimate the fair values of these assets.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

8. LOANS

The following tables illustrate the continuity schedule and presentation of the Company's loans:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Opening Balance	$ **20,225**	$ 40,755
Additions	**6,200**	7,000
Addition through business combination	**8,391**	1,152
Deferred financing fee	**(644)**	(1,000)
Accretion	**1,522**	5,445
Debt modification	**(352)**	(1,187)
Principal payments	**(4,307)**	(32,200)
Effects of movements in foreign exchange	**—**	(33)
Reclassification to liabilities held for sale	**—**	(473)
Net proceeds related to the borrowing from and to the Revolver Loan	**1,583**	766
Ending Balance	$ **32,618**	$ 20,225

	December 31, 2022	December 31, 2021
Loans	$ **32,618**	$ 20,225
Current portion	**(5,405)**	(2,021)
Long term portion	$ **27,213**	$ 18,204
Revolver Loan	$ **25,018**	$ 19,045
Promissory notes to related parties	**2,600**	1,180
Mortgage	**5,000**	—
	$ **32,618**	$ 20,225

Revolver Loan

On April 22, 2020, the Company closed its Revolver Loan with a commercial lender for gross proceeds of up to $30,000 of which $10,000 was funded on April 22, 2020 and carries a conventional competitive rate. The Revolver Loan was secured by a second lien over the assets of the Company with a first lien over substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables.

On May 27, 2020, the Company executed an amendment with the lender of the Revolver Loan which extended the original term by six months to October, 2021 and allowed the Company to receive $3,000 in gross proceeds from the $20,000 revolving component subject to the same terms of the first $10,000 previously advanced by this lender. In consideration of this, a total of 50,000 warrants exercisable into common shares of the Company were issued to the lender on May 22, 2020 exercisable at $5 per share for 48 months from the date of issuance. The Company received this $3,000 on July 7, 2020.

On October 1, 2020, the Company agreed with this lender of the Revolver Loan to extend the maturity date for the Revolver Loan to December 31, 2021 in exchange for common share purchase warrants of the Company to purchase 50,000 common shares of the Company at a price of $3 per share, expiring November 2, 2025.

On August 10, 2021, the lender provided a further $3,000 term portion advance to the Company under the current facility. The Company incurred $60 of costs related to the transaction.

On September 29, 2021, the Revolver Loan was amended and restated where the lender agreed to provide an additional advance of $1,000, extend the Revolver Loan maturity to June 30, 2023, and reduce the overall Revolver Loan limit from $30,000 to $25,000 total, in exchange for $520 worth of Common Shares of the Company. As part of the debt modification on September 29, 2021, the Company agreed to a financial covenant requiring achievement of positive EBITDA monthly by March 31, 2022, as well as provide $6,000 from the net proceeds of sales from HemPoland.

On November 29, 2021, the Revolver Loan was amended and restated where the lender agreed to provide an additional advance of $3,000, increasing the term portion of the Revolver Loan from $17,000 to $20,000, in exchange for transaction fees of $150, and 300,000 warrants entitling the holder to purchase one Common Share for a period of 60 months at a price of $1.40 per warrant. As part of the November 29, 2021, amendment, the lender agreed to modify the financial covenants noted above. Furthermore, the timing of the financial covenant requiring achievement of positive EBITDA (as defined by the lender) on a monthly basis was extended to April 30, 2022 as well as the net proceeds to be used from the sale of the HemPoland decreased from $6,000 to $4,000 to repay amounts borrowed under the Revolver Loan.

On March 10, 2022, the Company entered into a second amendment to the Amended and Restated Agreement (the "Second Amendment") whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from $25,000 to $30,000, allow certain eligible inventory to be included as collateral to the Revolver Loan, and relax certain covenants set forth in the Amended and Restated Agreement relating to the Revolver Loan. As consideration for the Second Amendment, the Company issued 50,000 Common Shares measured at total value of $50 to the lender.

On April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the "Third Amendment"), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from $30,000 to $34,000, increase the term portion of the Revolver Loan from $20,000 to $24,000, amend the EBITDA financial covenant to take effect June 30, 2022, remove the covenant requiring a $6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a $4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.

On November 3, 2022, the Company entered into a fourth amendment to the Amended and Restated Agreement (the "Fourth Amendment") to incorporate the assets of BZAM into the security collateral and, amongst other things: (i) remove the reduction of the limit to the revolving portion of the credit facility as a result of prepayment on the term portion of the credit facility; (ii) amend the EBITDA financial covenant to take effect on the month of April 2023; and (iii) extend the maturity date of the credit facility to March 24, 2024. All other terms of the Amended and Restated Agreement not specifically amended remains the same as before. As consideration for the Fourth Amendment, the Company issued to the lender 700,000 warrants to purchase Common Shares at a price of $0.95 per Common Share for a period of 60 months.

All amendments were accounted for as modifications, not extinguishments of debt.

The Revolver Loan is secured by a first lien over the Hamilton Facility, Edmonton Facility and assets of the Company, including a lien over substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company up to $10,000.

As at December 31, 2022, the total principal balance outstanding related to the Revolver Loan was $26,805. All covenants within the Amended and Restated Agreement were met.

BZAM Transaction

As a result of the BZAM Transaction the following loans were acquired:

(i) A $5,000 loan (the "BZAM Loan") held by BZAM Cannabis Corp. (the "Borrower") which commenced on May 31, 2021 and is secured against the Borrower's Edmonton Facility property. The BZAM Loan bears interest at 10.00% per annum and matures on May 31, 2026. Interest is calculated and compounded monthly and payable monthly on the last day of each month. The loan may be prepaid on 30 days' notice and will include a prepayment fee. The prepayment fee is equal to the greater of (i) three months interest, and (ii) the aggregate amount of the agent's and lenders' cost of funds incurred as a result of the prepayment. The loan may be renewed beyond the maturity date for a fee of 2% of the outstanding principal amount owing should the lender agree. Security for the loan includes: (i) a first mortgage over the BCC Property, (ii) a general assignment of rents and leases in respect of the BCC Property, (iii) a general security agreement over all Company's present and after acquired personal property, and (iv) a corporate guarantee of BZAM Management Inc.

(ii) Various loans for $3,391. These loans bore an interest rate of 6% and were due on demand in 2023. On November 29, 2022, the Company settled these loans with Common Shares. The Company issued 3,486,888 Common Shares with a fair value of $2,251. On settlement of these loans the Company recognized a gain on settlement of $1,140 in the statement of loss and comprehensive loss.

Accordingly, as at December 31, 2022, these loans no longer existed.

Promissory notes from related parties

In connection with the acquisition of all of the issued and outstanding shares of Galaxie on November 17, 2021 (the "Galaxie Acquisition"), the Company assumed shareholder loans with principal note balances totaling $1,300 (the "Promissory

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Notes”). The fair value of the shareholder loans at acquisition date was determined to be $1,152, based on the time to maturity. The Promissory Notes are subordinate to the Revolver Loan. On May 17, 2022, Promissory Note #1 and Promissory Note #3, with a total principal note balance of $900 were repaid in full from the consideration for the Puslinch Facility building improvements sale and leaseback (Note 10). Promissory Note #2 remained outstanding as shown below at December 31, 2022, and was repaid in full via Common Shares in January 2023 (see Note 26a).

On October 3, 2022 and October 6, 2022, the Company received funds totalling $2,200 under a demand promissory note with a company controlled by the majority shareholder of BZAM Holdings Inc. prior to the Company’s acquisition of BZAM (“Former Majority BZAM Shareholder”), Stone Pine Capital Ltd. (the “Stone Pine Promissory Note”). The promissory note bore interest at a rate of 12% per annum and demand could only occur after December 1, 2022. The promissory note is subordinated to the Revolver Loan. The note was repaid in full in Common Shares in January 2023 (see Note 26a).

		Principal note balance	Amortized Cost	Agreement Date	Maturity Date	Terms
Promissory Note #2	$	**400**	**400**	2021-10-28	2022-01-31	No interest to maturity, 10% interest compounded monthly if note not repaid in full at maturity
Stone Pine Promissory Note		**2,200**	**2,200**	2022-09-26	On Demand	On demand no earlier than December 1, 2022. 12% interest
Total Promissory Notes to related parties	$	**2,600**	**2,600**			

9. SEGMENTED INFORMATION

The Company’s business activities are conducted through two reportable operating segments which both consist of the production and distribution of cannabis and related products and report to two chief decision makers, the Company’s CEO and CFO. Segment performance is based on two operating segments comprising of the subsidiaries before the BZAM Transaction (“TGOD”) and the subsidiaries acquired as part of the BZAM Transaction (“BZAM”). (There is no comparative information in the table below as BZAM was acquired on November 3, 2022).

[i] Revenue, gross profit and select expenses by segment is as follows:

		For the year ended December 31, 2022						
		TGOD		BZAM		Adjustments and Eliminations		Total
Revenue	$	**60,128**	$	**8,912**	$	**(238)**	$	**68,802**
Gross profit	$	**12,175**	$	**(5,185)**	$	**(238)**	$	**6,752**
Operating expenses, excluding stock-based compensation, depreciation and amortization	$	**29,106**	$	**4,041**	$		$	**33,147**
Share based compensation	$	**206**	$	**—**	$		$	**206**
Depreciation and amortization	$	**8,380**	$	**254**	$		$	**8,634**
Impairment charge for non-financial assets	$	**(31,493)**	$	**—**	$		$	**(31,493)**
Other non-operating income (expense) (excluding impairment)	$	**31,303**	$	**(934)**	$		$	**30,369**
Net loss	$	**(28,007)**	$	**(8,546)**	$	**(238)**	$	**(36,791)**

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. The write-downs of inventories to net realizable value, disposals of items in property, plant and equipment, and impairments of property, plant and equipment, intangible assets and goodwill recorded during the year were within the TGOD operating segment.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

[ii] Property, plant and equipment is as follows:

		December 31, 2022
TGOD	$	**82,311**
BZAM		**47,058**
	$	**129,369**

[iii] Intangible assets and goodwill is as follows:

		December 31, 2022
TGOD	$	**6,535**
BZAM		**50,482**
	$	**57,017**

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

10. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and fixtures	Production equipment	Leasehold improvements	Computer equipment	Automobiles	Construction in progress	Right-of-use assets	Total
Balance, December 31, 2021	$ 2,775	$ 63,086	$ 420	$ 65,734	$ 9,920	$ 1,374	$ 294	$ -	$ 7,134	$ 150,737
Additions	—	—	1	332	35	54	—	—	2,212	2,634
Additions from the BZAM Transaction	5,290	13,430	44	6,740	8,612	3,877	1,039	—	8,786	47,818
Disposals	—	—	—	(251)	(9,259)	—	(35)	—	—	(9,545)
Lease Termination	—	—	—	—	—	—	—	—	(2,513)	(2,513)
Reclassification to assets held for sale (Galaxie assets)	—	—	—	(152)	—	—	—	—	(3,665)	(3,817)
Balance, December 31, 2022	**$ 8,065**	**$ 76,516**	**$ 465**	**$ 72,403**	**$ 9,308**	**$ 5,305**	**$ 1,298**	**$ —**	**$ 11,954**	**$ 185,314**
Accumulated depreciation and impairment:										
Balance, December 31, 2021	$ —	$ 8,417	$ 143	$ 22,124	$ 452	$ 845	$ 227	$ —	$ 549	$ 32,757
Depreciation	—	2,789	51	8,279	299	431	32	—	718	12,599
Disposals	—	—	—	(109)	(6,364)	—	(29)	—	—	(6,502)
Impairment	—	5,800	24	4,024	6,198	42	4	—	3,551	19,643
Lease Termination	—	—	—	—	—	—	—	—	(651)	(651)
Reclassification to assets held for sale (Galaxie assets)	—	—	—	(93)	—	—	—	—	(1,808)	(1,901)
Balance, December 31, 2022	**$ —**	**$ 17,006**	**$ 218**	**$ 34,225**	**$ 585**	**$ 1,318**	**$ 234**	**$ —**	**$ 2,359**	**$ 55,945**
Net book value, December 31, 2022	**$ 8,065**	**$ 59,510**	**$ 247**	**$ 38,178**	**$ 8,723**	**$ 3,987**	**$ 1,064**	**$ —**	**$ 9,595**	**$ 129,369**

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Cost:	**Land**	**Buildings**	**Furniture and fixtures**	**Production equipment**	**Leasehold improvements**	**Computer equipment**	**Automobiles**	**Construction in progress**	**Right-of-use assets**	**Total**
Balance, December 31, 2020	$6,855	$61,205	$390	$65,714	$698	$1,352	$366	$250,019	$7,273	$393,872
Additions	—	—	7	586	—	—	38	57	2,039	2,727
Additions from business combination	—	—	159	1,180	9,259	45	—	—	3,665	14,308
Disposals	—	—	—	(965)	—	—	(51)	(2,782)	(3,616)	(7,414)
Transfers	—	5,037	—	1,473	—	—	—	(6,510)	—	—
Derecognition of investment in joint venture	—	—	—	(683)	—	—	—	—	—	(683)
Reclassification to assets held for sale (Valleyfield)	(4,080)	(1,472)	(14)	(244)	(37)	—	—	(240,784)	—	(246,631)
Reclassification to assets held for sale (HemPoland)	—	(1,574)	(114)	(1,245)	—	(21)	(54)	—	(2,078)	(5,086)
Effects of movements in foreign exchange and other	—	(110)	(8)	(82)	—	(2)	(5)	—	(149)	(356)
Balance, December 31, 2021	$2,775	$63,086	$420	$65,734	$9,920	$1,374	$294	$—	$7,134	$150,737
Accumulated depreciation and impairment:										
Balance, December 31, 2020	$—	$40,061	$236	$42,479	$504	$1,097	$277	$160,484	$1,471	$246,609
Transfers	—	2,014	—	42	—	—	—	(2,056)	—	—
Depreciation	—	2,380	35	8,388	90	171	28	—	945	12,037
Disposals	—	—	—	(261)	—	—	(1)	(1,806)	(926)	(2,994)
Derecognition of investment in joint venture	—	—	—	(52)	—	—	—	—	—	(52)
Impairment (reversal of impairment)	—	(34,632)	(79)	(27,771)	(109)	(401)	(56)	45,283	—	(17,765)
Reclassification to assets held for sale (Valleyfield)	—	(1,274)	(13)	(207)	(33)	—	—	(201,904)	—	(203,431)
Reclassification to assets held for sale (HemPoland)	—	(125)	(34)	(467)	—	(20)	(20)	—	(882)	(1,548)
Effects of movements in foreign exchange and other	—	(7)	(2)	(27)	—	(2)	(1)	(1)	(59)	(99)
Balance, December 31, 2021	$—	$8,417	$143	$22,124	$452	$845	$227	$—	$549	$32,757
Net book value, December 31, 2021	$2,775	$54,669	$277	$43,610	$9,468	$529	$67	$—	$6,585	$117,980

Impairment of property, plant and equipment

On May 17, 2022, the Company sold its leasehold improvements acquired through the Galaxie Acquisition at the Puslinch Facility for gross proceeds of $3,000 (net proceeds $2,900). The net proceeds were paid $1,940 in cash, $900 repayment of promissory notes owed and $60 set-off for other amounts owing to the purchaser. During the year ended December 31, 2022, the Company tested the leasehold improvements for impairment and recognized an impairment loss of $6,183.

As a result of the classification to held for sale for specific assets in Galaxie, a further impairment loss was recognized for those assets of $1,681 for the year ended December 31, 2022. An impairment loss of $1,922 was also recognised in the same period for some of the remaining Galaxie assets that are not part of the sale and where there would be no future economic benefits to be realized.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

The Company performs tests for impairment of its property, plant and equipment, a non-financial asset, when there are indicators of impairment. For the TGOD CGU, the events and circumstances that led to the impairment loss in the TGOD CGU was the reduction in the TGOD CGU's forecasted revenues as a result of changes to the Company's internal operational plans.

As a result of the impairment assessment at December 31, 2022, the TGOD CGU, yielded a lower recoverable amount in comparison to the carrying value of its net assets. The recoverable amount of the TGOD CGU was based on its value in use, which was determined to be greater than its fair value less costs of disposal. The TGOD CGU's value in use was estimated by discounting the probability weighted future cash flows expected to be generated from the continuing use of the TGOD CGU using level 3 inputs.

The following table indicates the year-to-date non-cash impairment charges recognized by the Company for its TGOD CGU.

Period ending		**Recoverable amount [Value in Use]**	**Carrying Amount**	**Impairment for the year then ended**
December 31, 2022	**$**	**108,507**	**119,184**	**10,677**
Total impairment for the year ended, December 31, 2022:				**10,677**

		Recoverable amount [Value in Use]	**Carrying Amount**	**Impairment (recovery) for the period then ended**
Valleyfield Assets	$	$43,200	$89,675	46,475
TGOD CGU	$	$181,903	$113,617	(68,286)
Total impairment recovery for the year ended, December 31, 2021:				(21,811)

The significant assumptions used by the Company in estimating the value in use of the TGOD CGU include:

- Estimated cash flows: Estimated cash flows were projected based on industry and market trends in addition to the Company's own internal sources. Estimated cash flows are primarily driven by estimated sales volumes, selling prices and operating costs. The projections were extended for a total of five years (and a terminal period). The present value of future cash flows was estimated using an expected cash flow approach;
- Long-term growth rate: A long-term growth rate has been determined as an inflationary rate for the country in which the CGU operates estimated by management. The long-term growth rate used by management was calculated as 3%; and
- Discount rate: The discount rate is estimated based on the Company's weighted average cost of capital ("WACC") in which the Company's cost of equity and cost of debt are proportionately weighted. The inputs into the WACC are based on the Company's specific borrowing rate, over 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for risk premium to reflect both the increased risk of investing in equities generally and the unsystematic risk on the specified CGU. The discount rate calculated and used by management in calculating the recoverable amount for the TGOD CGU during the year ended December 31, 2022 was 15.5% (December 31, 2021 – 16.5%).

The non-cash impairment charges were allocated pro rata on the basis of the carrying amount of each non-financial asset, excluding biological assets, inventories and certain other assets already recorded at approximate fair values in the CGU. The non-cash impairment charges specific to property, plant and equipment for the year ended December 31, 2022 was $9,857, all of which were related to the TGOD CGU. Refer to Note 11 for non-cash impairment charge for intangible assets.

During the year ended December 31, 2021, the Company completed the sale of the majority of its assets in Valleyfield, Quebec, including all of the industrial and agricultural land, main hybrid greenhouse, rooftop greenhouse, all support buildings and certain related equipment (the "Valleyfield Assets"). As a result of the reclassification of the Valleyfield Assets held for sale, the Company performed an impairment analysis as at March 31, 2021 on its cannabis related activities from production in Canada (the Canadian cash generating unit ("Canadian CGU")). As a result of this impairment assessment, the Company determined that the Valleyfield Assets met the criteria to be tested for impairment separately from the Canadian CGU. The Company tested the Valleyfield Assets for impairment first, then subsequently tested the Canadian CGU for an impairment reversal. The Company recognized a $46,475 impairment loss at March 31, 2021 associated with the Valleyfield Assets recognized in property, plant and equipment, and a $68,286 reversal of previously recognized impairment losses on the Canadian CGU of which $64,240 was allocated to property, plant and equipment and $4,046 allocated to intangible assets. The net impact in the year ended December 31, 2021 to property, plant and equipment was a reversal of impairment of $17,765.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

11. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets is as follows:

	Health Canada Licences	Technology Licences	Website	Distribution Channels	Brands	Other acquired rights	Goodwill	Total
Cost:								
Balance, December 31, 2021	$ 10,302	$ 2,613	$ 400	$ —	$ 2,783	$ 2,667	$ 3,939	$22,704
Additions from the BZAM Transaction	$ 5,548	$ —	$ —	$ 13,400	$ 3,130	$ —	$ 28,692	$50,770
Reclassification to assets held for sale (Galaxie assets)	(4,432)	—	—	—	—	—	—	(4,432)
Balance, December 31, 2022	$ 11,418	$ 2,613	$ 400	$ 13,400	$ 5,913	$ 2,667	$ 32,631	$69,042
Accumulated amortization and impairment:								
Balance, December 31, 2021	$ 1,752	$ 1,186	$ 179	$ —	$ 15	$ 48	$ —	$ 3,180
Amortization for the period	584	413	63	160	176	265	—	1,661
Impairment	2,406	113	18	—	2,887	—	3,939	9,363
Reclassification to assets held for sale (Galaxie assets)	(2,179)	—	—	—	—	—	—	(2,179)
Balance, December 31, 2022	$ 2,563	$ 1,712	$ 260	$ 160	$ 3,078	$ 313	$ 3,939	$12,025
Net book value, December 31, 2022	$ 8,855	$ 901	$ 140	$ 13,240	$ 2,835	$ 2,354	$ 28,692	$57,017

	Health Canada Licences	Technology Licences	Website	Distribution Channels	Brands	Other acquired rights	Goodwill	Total
Cost:								
Balance, December 31, 2020	$5,870	$3,065	$400	$5,869	$1,048	$1,388	$ —	$17,640
Additions	—	6	—	—	—	—	—	6
Additions from business combination	4,432	—	—	—	2,783	2,650	3,939	13,804
Reclassification to assets held for sale	—	(484)	—	(5,562)	(993)	(1,242)	—	(8,281)
Transfers	—	61	—	—	—	(61)	—	—
Effect of movements in foreign exchange	—	(35)	—	(307)	(55)	(68)	—	(465)
Balance, December 31, 2021	$10,302	$2,613	$400	$ —	$2,783	$2,667	$3,939	$22,704
Accumulated amortization and impairment:								
Balance, December 31, 2020	$4,262	$2,106	$297	$943	$169	$930	$ —	$8,707
Amortization for the period	260	488	53	305	69	325	—	1,500
Reclassification to assets held for sale	—	(287)	—	(1,192)	(213)	(1,153)	—	(2,845)
Reversal of impairment	(2,770)	(1,105)	(171)	—	—	—	—	(4,046)
Effect of movements in foreign exchange	—	(16)	—	(56)	(10)	(54)	—	(136)
Balance, December 31, 2021	$1,752	$1,186	$179	$ —	$15	$48	$ —	$3,180
Net book value, December 31, 2021	$8,550	$1,427	$221	$ —	$2,768	$2,619	$3,939	$19,524

Impairment of intangible assets and goodwill

During the year ended December 31, 2022, the Company recognized non-cash impairment charges within its TGOD CGU as described in Note 10, of which $821 related to intangible assets.

During the year ended December 31, 2022, an impairment loss of $1,975 was recognized on classification to held for sale of the Galaxie assets. An impairment loss of $2,627 was also recognized for the brands that would be discontinued by the

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Company as a result of the sale of the Galaxie assets. Goodwill of $3,939 relating to the Galaxie CGU was also impaired due to the sale of the specific Galaxie assets.

During the year ended December 31, 2021, the Company recognized an impairment recovery within its TGOD CGU as described in Note 10, of which $4,046 related to intangible assets.

12. BIOLOGICAL ASSETS

As at December 31, 2022, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, December 31, 2021	$ 1,482	$ 1,667	$ 3,149
Unrealized gain on changes in fair value of biological assets	**—**	**26,229**	**26,229**
Production costs capitalized	**8,857**	**—**	**8,857**
Transfer to inventories upon harvest	**(9,015)**	**(24,645)**	**(33,660)**
Balance, December 31, 2022	**$ 1,324**	**$ 3,251**	**$ 4,575**

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, December 31, 2020	$ 1,374	$ 610	$ 1,984
Unrealized gain on changes in fair value of biological assets	—	12,118	12,118
Production costs capitalized	7,367	—	7,367
Transfer to inventories upon harvest	(7,259)	(11,061)	(18,320)
Balance, December 31, 2021	$ 1,482	$ 1,667	$ 3,149

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the estimated net selling price per gram, waste and also for any additional costs to be incurred, such as post-harvest cost.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Estimated net selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products.
- Stage of growth – represents the weighted average number of weeks out of the estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventories which are expected to be obtained from each harvested cannabis plant based on historical experience.

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at December 31, 2022 and December 31, 2021 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level 3 inputs into the biological asset model include estimated post-harvest costs, costs to complete and wastage. These additional level 3 inputs are not considered to be significant.

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

	As at December 31, 2022	As at December 31, 2021	Impact of 10% change as at December 31, 2022	Impact of 10% change as at December 31, 2021
Estimated net selling price per gram (1)	$1.16 to $5.33	$1.83 to $4.79	$ 738	$ 535
Estimated stage of growth	8 to 9 weeks	8 to 9 weeks	$ 411	$ 824
Estimated yield of agricultural produce by plant (2)	78 to 149 grams	80 to 100 grams	$ 492	$ 357

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

(1) The estimated net selling price per gram is based on expected market price less excise duties.

(2) The estimated yield varies based on the Company's historical experience adjusted for future changes, if any.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels during the year ended December 31, 2022.

13. INVENTORIES

The Company's inventories include the following as of December 31, 2022 and December 31, 2021:

		As at December 31, 2022		As at December 31, 2021
Raw Materials and Packaging	$	**7,069**	$	**2,617**
Work-in-progress		**39,121**		**14,946**
Finished Goods		**6,226**		**3,379**
Total Inventories	$	**52,416**	$	**20,942**

During the year ended December 31, 2022, inventories expensed directly to cost of sales were $32,419(year ended December 31, 2021 - $21,581).

During the year ended December 31, 2022, a write-down of inventory of $11,507 was recognized as an expense including $8,187 relating to fair value adjustment and $3,320 expensed directly in cost of sales (year ended December 31, 2021 - $0).

14. OTHER ASSETS

A summary of the Company's other assets is presented as follows:

	Notes	As at December 31, 2022	As at December 31, 2021
Term deposits held as letter of credit collateral	20,14[b], 22	133	935
Term deposits not held as letter of credit collateral		100	100
Other	14[a]	1,922	2,541
		2,155	3,576
Less: Current portion		**(1,760)**	(1,841)
Non current portion		**395**	1,735

[a] Other

Other comprises of deposits paid for goods and services $876 (December 31, 2021 - $1,317), $950 of other amounts receivable from various non-trade debtors (December 31, 2021 - $1,224) and $96 of other assets (December 31, 2021 - $nil).

[b] Deposits reimbursed

During the year ended December 31, 2022, a letter of credit with a value of $450 was cancelled and the corresponding GIC of $452 (after interest) held as collateral was converted to cash. A letter of credit of $350 in respect of the lease for the office space of the Company's headquarters was also cancelled and the deposit paid to the landlord as part of the terms for terminating the lease.

15. CONTINGENT CONSIDERATION

Galaxie Contingent Consideration

As part of the purchase price paid in connection with the Galaxie Acquisition in November 2021, the Company issued up to 8,571,429 Common Shares valued at the date of closing of the Galaxie Acquisition at $5,235 (the "Milestone Shares"). The Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2022, the Milestone Shares were revalued to $320 resulting in a gain on revaluation of $3,103 for the year ended December 31, 2022. Management estimates that only 1,142,857 of the Milestone Shares are expected to remain issued. The Milestone

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Shares are to be released no later than January 31, 2023, subject to the achievement of certain financial targets (See Note 26b).

BZAM Contingent Consideration

As part of the purchase price paid or payable in connection with the BZAM Transaction in November 2022, the Company recognized contingent consideration payable valued at the date of closing of the BZAM Transaction at $50,552. The BZAM Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2022, the BZAM Contingent Milestone Shares were revalued to $16,095 resulting in a gain on revaluation of $34,457 for the year ended December 31, 2022. The Contingent Milestone Shares are to be released no later than January 31, 2024, subject to the achievement of certain financial targets.

BZAM Milestone Shares

As part of the purchase price paid or payable in connection with the BZAM Transaction in November 2022, the Company recognised contingent consideration payable of 1,120,226 Common Shares, being the BZAM Milestone Shares, valued at the date of closing of the BZAM Transaction at $771. The BZAM Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at December 31, 2022, the BZAM Milestone Shares were revalued to $314 resulting in a gain on revaluation of $457 for the year ended December 31, 2022. The 1,120,226 BZAM Milestone Shares were released on January 23, 2023 (see Note 26b).

16. LEASES

Below is a summary of the activity related to the Company's lease liabilities:

			For the year ended December 31, 2022		For the year ended December 31, 2021
Opening Balance		$	**7,566**	$	5,570
Additions	16[a]		**2,212**		2,049
Additions from business combination			**8,598**		3,665
Interest on lease liabilities			**1,164**		535
Interest payments on lease liabilities			**(1,174)**		(535)
Principal payments on lease liabilities			**(149)**		(704)
Extinguishment of lease liabilities	16[b]		**(2,482)**		(1,687)
Reclassification to liabilities held for sale			**(3,669)**		(1,235)
Foreign exchange differences			**—**		(92)
Closing Balance		$	**12,066**	$	7,566
Current portion lease liabilities		$	**1,455**	$	1,049
Long-term portion lease liabilities		$	**10,611**	$	6,517

[a] New leases

Puslinch Lease
In connection with the Galaxie Acquisition, the Company acquired a 20-year lease on the land on which the Puslinch Facility is located, which commenced on December 1, 2020. On May 17, 2022, the Company entered into a sale and leaseback transaction for the leasehold improvements at the Puslinch Facility which was added to the existing 20-year lease.

5520 Explorer Drive lease
On December 18, 2022, the Company entered into a lease for new office space after terminating the lease for the previous headquarters. The lease term is until December 31, 2026.

[b] Leases terminated

Valleyfield lease
In connection with the Québec Facility disposition in Q2 2021, the Company entered into a two-year lease for 80,000 square feet, representing cultivation, processing and manufacturing spaces in the Québec Facility. On September 24, 2021, the lease was terminated and modified to an operating agreement in conjunction with the landlord obtaining its own Health Canada licence.

6205 Airport Road lease
The lease for the Company headquarters was terminated on December 15, 2022.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

17. SHARE CAPITAL

		For the year ended December 31, 2022		For the year ended December 31, 2021	
		Number of shares	**Amount**	**Number of shares**	**Amount**
Balance - beginning of period [(1)]		**74,966,065**	**$508,504**	**48,667,577**	**$468,379**
Issuance of Common Shares	[a], [j]	**12,797,900**	**4,209**	**2,103,546**	**9,322**
Shares issued in connection with debt modification	[b], [n]	**50,000**	**50**	**273,684**	**520**
Restricted share units exercised during period - escrowed	[c], [l]	**984**	**40**	**31,493**	**1,276**
Issuance of common shares in relation to acquisition	4, [h]	**65,522,781**	**62,247**	**12,280,515**	**19,035**
Issuance of contingent shares in relation to acquisition	[i]	**—**	**—**	**8,571,429**	**—**
Exercise of warrants	[k]	**—**	**—**	**2,419,860**	**8,684**
Shares issued to settle accounts payable	[e], [m]	**93,750**	**75**	**424,171**	**704**
Shares issued in connection with debt repayment	[f]	**3,486,888**	**2,266**	**—**	**—**
Restricted share units exercised during period	[d], [o]	**219,579**	**615**	**193,790**	**584**
Share cancellation	[g]	**(111)**	**—**		
Balance - end of period		**157,137,836**	**$578,006**	**74,966,065**	**$508,504**

The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio. (Note 1)

(1) Includes 8,571,429 shares that were issued contingent upon certain milestones being achieved in 2022 related to the Galaxie Acquisition.

[i] Authorized

An unlimited number of Common Shares.

[ii] Issued capital

a) During the year ended December 31, 2022, 90,400 Common Shares were issued under the Company's at-the-market prospectus supplement dated December 2, 2020 (the "ATM Supplement"), for gross proceeds of $105 (net proceeds of $102). On December 22, 2022, 12,707,500 Common Shares were issued under the Company's prospectus supplement to the short-form base shelf prospectus dated November 27, 2020, for gross proceeds of $5,083 (net proceeds of $4,693 with $587 being allocated to 12,707,500 warrants that were issued together with each common share).

b) During the year ended December 31, 2022, 50,000 Common Shares were issued to the lender of the Revolver Loan measured at total value of $50 related to the modification (see Note 8).

c) During the year ended December 31, 2022, 984 Common Shares of the Company were issued to former shareholders of HemPoland as a result of the conversion of 984 escrowed restricted share units ("RSUs"), with a total value of $40, issued to such former shareholders. There are no proceeds related to the conversion of such escrowed RSUs.

d) During the year ended December 31, 2022, 219,579 Common Shares of the Company, with a total value of $615, were also issued to certain employees and directors of the Company pursuant to the vesting of RSUs. There are no proceeds related to the conversion of such RSUs.

e) During the year ended December 31, 2022, 93,750 Common Shares were issued to settle $75 in accounts payable balances.

f) During the year ended December 31, 2022, 3,486,888 Common Shares were issued to settle outstanding BZAM minority shareholder loans (see Note 8).

g) During the year ended December 31, 2022, 111 total fractional shares were cancelled in connection with the 10:1 share consolidation the Company enacted on November 8, 2022, whereby ten Common Shares were converted to one new Common Share.

h) On November 17, 2021, 12,280,515 Common Shares were issued as part of the closing of the Galaxie Acquisition.

i) As part of the closing of the Galaxie Acquisition, 8,571,429 Common Shares were held in an indemnity escrow account (the "Indemnity Escrow Account") upon closing of the acquisition, to be released to the former shareholders of Galaxie (the "Vendors") contingent upon achievement of certain financial milestones by December 31, 2022. On January 23, 2023, 1,142,857 Common Shares were issued to the Vendors, with the remaining 7,428,571 Common Shares held in the Indemnity Escrow Account returned to treasury and cancelled (See Note 25b – *Events After the Reporting Period*).

j) During the year ended December 31, 2021, 2,103,546 Common Shares were issued under the Company's ATM Supplement, for gross proceeds of $9,611 (net proceeds of $9,322).

k) During the year ended December 31, 2021, 2,419,860 Common Shares of the Company were issued as a result of the exercise of 2,419,860 previously issued warrants of the Company. The weighted average exercise price was $3.10 per warrant, for aggregate gross proceeds of $7,559.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

l) During the year ended December 31, 2021, 31,493 Common Shares of the Company were issued as a result of the conversion of 31,493 escrowed restricted share units ("RSUs") issued in connection with the HemPoland consideration. There are no proceeds related to the conversion of such escrowed RSU's.

m) During the year ended December 31, 2021, 424,171 Common Shares of the Company were issued to settle $704 of outstanding accounts payable.

n) On September 30, 2021, 273,684 Common Shares of the Company were issued to the lender of the Revolver Loan in connection to the amendments to the agreement.

o) During the year ended December 31, 2021, 193,790 Common Shares of the Company were issued as a result of the exercise of 193,790 previously issued equity settled RSUs of the Company that were issued at a weighted average fair value of $3.00 per RSU. There are no proceeds related to the exercise of RSUs.

18. CONTRIBUTED SURPLUS

[a] Share based payments

For the year ended December 31, 2022, the Company recorded negative $142, in non-cash share-based compensation expense pursuant to the grant of stock options (year ended December 31, 2021 - $2,339).

The following is a summary of the changes in options issued pursuant to the Company's employee stock option plan ("ESOP"):

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	**2,460,800**	**$ 10.14**	2,433,940	$ 17.40
Granted	**8,027,899**	**0.92**	1,003,500	2.62
Cancelled/Expired	**(1,980,500)**	**4.48**	(976,640)	20.44
Outstanding, end of period	**8,508,199**	**$ 2.75**	2,460,800	$ 10.14
Exercisable, end of period	**1,546,549**	**$ 10.95**	783,633	$ 20.84

The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Shares in this note reflects this consolidation.

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price $	Weighted Average remaining contractual life of outstanding options in years
June 25, 2018 - December 14, 2018	95,500	95,500	$30.80-$69.10	0.48-0.95
January 8, 2019 - August 21, 2019	225,500	225,500	$26.70-$51.30	1.02-1.64
November 18, 2019	36,400	36,400	$8.30	1.88
March 13, 2020 - December 21, 2020	693,533	604,324	$2.60-$5.10	2.20-2.98
March 12, 2021 - August 13, 2021	346,533	209,459	$3.00-$3.60	3.20-3.62
December 2, 2021 - November 25, 2022	7,110,733	375,366	$0.69-$1.40	3.92-4.90
Balance, December 31, 2022	**8,508,199**	**1,546,549**		**4.35**

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

	Weighted average for the year ended December 31, 2022	Weighted average for the year ended December 31, 2021
Risk-free interest rate	**3.20%**	0.78%
Expected dividend yield	**Nil**	Nil
Expected annualized volatility	**105%**	85.00%
Expected life of options (years)	**3.50**	3.49
Black-Scholes value of each option	**$0.61**	$0.15

Volatility was estimated by using the historical volatility of the Company. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term nearest to the expected life of the options.

[b] Reserve for warrants

The following table reflects the continuity of warrants:

	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
	#	$	$
Balance, December 31, 2021	**16,059,144**	**4.70**	**10,375**
Warrants issued under prospectus supplement	**12,707,500**	**0.50**	**587**
Issuance of warrants in connection with debt	**700,000**	**0.95**	**514**
Warrants expired in the period	**(2,060,751)**	**10.00**	**(3,466)**
Balance, December 31, 2022	**27,405,893**	**2.23**	**8,010**

	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
	#	$	$
Balance, December 31, 2020	23,081,506	13.70	66,111
Warrants issued in the period	300,000	1.40	270
Warrants exercised in the period	(2,419,860)	3.10	(1,125)
Warrants expired in the period	(4,902,502)	48.00	(54,881)
Balance, December 31, 2021	16,059,144	4.70	10,375

As at December 31, 2022, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
	$	**#**
April 1, 2023	3.90	300,000
April 13, 2023	3.90	150,000
April 27, 2023	3.80	1,081,305
May 27, 2024	5.00	50,000
June 12, 2024	5.00	4,571,250
October 23, 2025	3.00	2,487,335
November 2, 2025	3.00	850,000
December 10, 2025	3.50	4,208,503
November 29, 2026	1.40	300,000
November 3, 2027	0.95	700,000
December 22, 2027	0.50	12,707,500
		27,405,893

[c] Restricted share units

Under the Company's RSU plan (the "RSU Plan"), RSUs may be granted up to a fixed maximum of 10,000,000 Common Shares, which entitle the holder to receive one Common Share without payment of additional consideration at the end of the restricted period, as determined by the Board at the time of the grant. The RSUs vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant date to the expected performance completion date.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

As at December 31, 2022, 350,375 (December 31, 2021 – 4,651,040) shares of the Company were reserved for issuance under the RSU Plan. For the year ended December 31, 2022, the Company recorded $348 in non-cash share-based compensation related to RSU compensation (year ended December 31, 2021 – $742).

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Number of Units	**Weighted Fair Value**	**Number of Units**	**Weighted Fair Value**
Outstanding - beginning of period	**465,104**	**3.00**	124,384	3.30
Granted	**365,000**	**0.72**	617,010	3.00
Exercised	**(219,579)**	**2.80**	(193,790)	3.00
Forfeited	**(260,150)**	**3.00**	(82,500)	3.00
Outstanding, end of period	**350,375**	**0.77**	465,104	3.00

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSUs expected to be earned multiplied by the grant date fair market value of a share of the Company's stock. Each reporting period, the number of RSUs that are expected to be earned is re-determined and the fair value of these RSUs is amortized over the remaining requisite service period less amounts previously recognized.

[d] Employee Stock Purchase Plan

The Company has established an employee stock purchase plan which created a reserve of 3,000,000 Common Shares that may be issued from treasury. As at December 31, 2022, no securities were issued under this plan.

19. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

	For the years ended December 31, 2022	December 31, 2021
Prepaid expenses and deposits	$ **(447)**	$ 89
Refundable sales taxes receivable	**364**	(244)
Trade receivables	**6,843**	2,110
Capitalized cost of biological assets	**9,173**	7,151
Inventories	**(6,430)**	(10,029)
Deferred financing costs	**—**	—
Deferred revenue	**—**	(150)
Due from related parties	**86**	(70)
Other current assets	**1,050**	(1,007)
Other assets	**182**	1,782
Accounts payable and accrued liabilities	**9,409**	5,119
Sales taxes payable	**2,208**	595
Total	$ **22,438**	$ 5,346

20. COMMITMENTS AND CONTINGENCIES

The Company has the following gross contractual obligations as at December 31, 2022, which are expected to be payable in the following respective periods:

			Contractual cash flows - 12 months ending (1)					
	Carrying amount	**Total**	**December 2023**	**December 2024**	**December 2025**	**December 2026**	**December 2027**	**Thereafter**
	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	**29,511**	**29,511**	29,511	-	-	-	-	-
Sales taxes payable	**1,540**	**1,540**	1,540	-	-	-	-	-
Loans	**32,618**	**41,274**	10,110	25,456	500	5,208	-	-
Liabilities held for sale	**3,669**	**10,581**	480	480	490	600	600	7,931
Lease liabilities	**12,066**	**18,619**	2,016	2,046	1,932	1,944	1,870	8,811
Total contractual obligations	**79,404**	**101,525**	**43,657**	**27,982**	**2,922**	**7,752**	**2,470**	**16,742**

(1) Contractual cash flows include expected interest payable until the maturity date.

Please see Note 15 for contingent consideration obligations.

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

[a] Construction agreements

In prior years, the Company entered into agreements with the City of Hamilton to facilitate the construction of the Hamilton Facility. Pursuant to these agreements, as at December 31, 2022, the Company had letters of credit in the amount of $133 which may be drawn upon in the event of breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which have been recorded in other assets. As at December 31, 2022, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

[b] Other contractual commitments

The lease for the office space of the Company's former headquarters required the issuance of a letter of credit in the amount $350, which may be drawn upon by the landlord in the event of a material breach of the agreement. The lease was terminated on December 15, 2022 and the letter of credit was cancelled with a deposit surrendered to the landlord as part of the lease termination agreement.

[c] Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions. The Company is subject to an employment related claim by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows.

The Company has been subject to a claim by former warrant holders for approximately $1,250. The claim was settled and paid during the year ended December 31, 2022, for $325. On August 3, 2020, the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to a disposed of minority investment in a U.S. based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. The case was settled and the Company paid US$75 thousand during the year ended December 31, 2022 in connection with the settlement.

Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

21. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying basic federal and provincial tax rates to loss before income taxes, shown as follows:

	For the year ended	
	December 31, 2022	**December 31, 2021**
Expected tax rate	**26.50%**	26.50%
	$	$
Expected tax benefit resulting from loss	**(9,635)**	(10,595)
Permanent differences	**(7,458)**	3,770
Changes in deferred tax benefits not recognized	**143**	141
Differences from statutory tax rate	**16,965**	6,215
Non-taxable foreign exchange	**—**	—
Deferred financing through equity	**—**	—
Other	**(15)**	33
Income tax recovery	**—**	(436)

The following income tax recovery has been recognized for accounting purposes:

	December 31, 2022	**December 31, 2021**
	$	$
Current income tax expense (recovery)	**—**	—
Deferred income tax recovery	**—**	(436)
Income tax recovery	**—**	(436)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended December 31, 2022 are as follows:

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

	Opening Balance	Recognized in Equity	Recognized in Other Comprehensive Loss	Recognized in Profit and Loss	Closing Balance
Deferred tax assets	$	$	$	$	$
Non-capital losses	112,373	**—**	**—**	**21,403**	**133,776**
Depreciation on property, plant and equipment	8,683	**—**	**—**	**10,971**	**19,654**
Contingent Reserves	908	**—**	**—**	**(823)**	**85**
Financing Costs	2,532	**—**	**—**	**(852)**	**1,680**
Investments	1,008	**—**	**—**	**(381)**	**627**
Other	(1)	**—**	**—**	**(772)**	**(773)**
Deferred tax liabilities					
Intangible assets	(5,550)	**—**	**—**	**(2,115)**	**(7,665)**
Unrealized gain on biological assets	(4)	**—**	**—**	**(781)**	**(785)**
Long term liabilities	723	**—**	**—**	**(1,142)**	**(419)**
Deferred tax assets not recognized	(120,672)	**—**	**—**	**(25,508)**	**(146,180)**
Net deferred tax liability	—	**—**	**—**	**—**	**—**

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended December 31, 2021 are as follows:

	Opening Balance	Recognized in Equity	Recognized in Other Comprehensive Loss	Recognized in Profit and Loss	Closing Balance
Deferred tax assets	$	$	$	$	$
Non-capital losses	34,892	—	—	77,481	112,373
Depreciation on property, plant and equipment	62,969	—	—	(54,286)	8,683
Contingent Reserves	10	—	—	898	908
Financing Costs	4,316	—	—	(1,784)	2,532
Investments	627	—	—	381	1,008
Other	14	—	—	(15)	(1)
Deferred tax liabilities					
Intangible assets	(941)	—	—	(4,609)	(5,550)
Unrealized gain on biological assets	(1,131)	—	—	1,127	(4)
Long term liabilities	(585)	—	—	1,308	723
Deferred tax assets not recognized	(100,975)	—	—	(19,697)	(120,672)
Net deferred tax liability	**(804)**	**—**	**—**	**804**	**—**

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized are approximately as follows:

	December 31, 2022	December 31, 2021
	$	$
Non-capital losses	**506,654**	424,202
Financing costs	**6,339**	12,285
Property, plant and equipment	**40,701**	15,235
Other	**2,049**	3,802

The non-capital losses of $506,654 are expected to start expiring as follows:

Year	Non-Capital Losses
	$
2025	5,422
2036	499,756
Indefinitely	1,476
	506,654

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

The Company's financial instruments were comprised of the following as at December 31, 2022: cash and cash equivalents; restricted cash; trade receivables; due from related parties; certain other current assets; accounts payable and accrued liabilities; lease liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized cost that the instruments' fair values approximate their carrying amounts is due to the largely short-term maturities of these instruments.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the year ended December 31, 2022, there were no transfers of amounts between levels (year ended December 31, 2021 – none).

[c] Management of risks arising from financial instruments

[i] Market risk

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at December 31, 2022, a portion of the Company's financial assets and liabilities were held in US dollars and European Euros. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the year ended December 31, 2022 as management has determined that this risk is not significant at this time.

Interest rate risk

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at December 31, 2022, the Company had term deposits of $133 bearing interest of 3.4% (December 31, 2021 - $585, bearing interest of 0.80% and 1.00%). The Company also has $350 of restricted cash in a separate account as collateral for corporate credit cards.

[ii] Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivables, prepaid expenses and deposits, and other assets represents the maximum exposure to credit risk as at December 31, 2022. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. The Company had three customers whose balances individually were greater than 10% of total trade receivables as at December 31, 2022 (December 31, 2021 – two customers). Customer A accounted for 36%, Customer B accounted for 15% and Customer C accounted for 23% of trade receivables as at December 31, 2022 (December 31, 2021 – Customer A accounted for 48% and Customer B accounted for 24%). Customer A, B and C are provincial government entities. The Company had three customers whose revenues individually were greater than 10% of total revenues for the year ended December 31, 2022. Customer A accounted for 35%, Customer B accounted for 24% and Customer C accounted for 21% of the revenue for the year ended December 31, 2022. (For the year ended December 31, 2021 – Customer A accounted for 15%, Customer B accounted for 52% and Customer C accounted for 14% of 2021 revenue)

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

	December 31, 2022	December 31, 2021
	$	$
Total trade receivables	**10,256**	8,833
Less allowance for expected credit losses	**—**	—
Total trade receivables, net	**10,256**	8,833
Of which		
Current	**8,349**	6,447
31-90 days	**1,447**	2,256
Over 90 days	**460**	130
Total trade receivables, net	**10,256**	8,833

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due (see note 2(ii)). The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets. Refer to Note 20 – Commitments and Contingencies.

23. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[ii] – Going Concern). Management defines capital as the Company's shareholders' equity (excluding deficit, contributed surplus and reserve for foreign currency translations) and loans (excluding loan from disposal group). The Board does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at December 31, 2022, total managed capital was comprised of share capital and loans of $610,624 (December 31, 2021 - $528,729), contributed surplus of $109,487 (December 31, 2021 - $108,836), and reserve for foreign currency translations of $1,723 (December 31, 2021 – $969). There were no changes in the Company's approach to capital management during the year ended December 31, 2022 (year ended December 31, 2021 – no changes).

24. OPERATING EXPENSES

Sales and marketing expenses included the following items:

	For the years ended	
	December 31, 2022	December 31, 2021
Personnel costs	**2,061**	$ 1,308
Third party marketing expenses	**3,335**	2,468
Travel and promotion expenses	**123**	11
Sales agency costs	**2,143**	182
Other marketing expenses	**1,182**	170
Termination benefits	**829**	47
	9,673	4,186

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Research and development expenses included the following items:

	For the years ended	
	December 31, 2022	December 31, 2021
Personnel costs	**328**	$ 314
Product development	**53**	4
Travel related expenses	**10**	38
Other research and development expenses	**43**	47
Termination benefits	**60**	125
	494	528

General and administrative expenses included the following items:

	For the years ended	
	December 31, 2022	December 31, 2021
Personnel costs	**9,719**	$ 7,184
Office and other administrative expenses	**3,272**	7,730
Third party professional, consulting, legal fees	**6,543**	4,308
Computer and IT expenses	**673**	780
Termination benefits	**2,773**	213
	22,980	20,215

The following table presents share-based compensation, depreciation, and amortization that have not been allocated by nature
on the consolidated statements of loss and comprehensive loss:

	For the years ended	
	December 31, 2022	December 31, 2021
Cost of sales related to inventory production	**33**	$ 8,999
Sales and marketing expenses	**565**	1,029
Research and development expenses	**208**	467
General and administrative expenses	**8,034**	5,050

25. RELATED PARTIES

Key Management Personnel

Key management personnel compensation comprised of the following:

	Transactions for the year ended		Outstanding balances payable as at	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Compensation	**1,704**	1,567	**139**	147
Share-based payments	**1,506**	1,328	**-**	-
	3,210	2,895	**139**	147

Compensation of the Company's key management personnel includes salaries and director fees. In addition, key management personnel participate in the ESOP and RSU Plans, in which the share-based payment expense is recorded in line with the Company's accounting policy (Note 3 (n)).

There were no purchases or repayments to related parties during the current period. The Company has certain shareholder loans of $2,600 described in Note 8.

On December 22, 2022, 12,707,500 Common Shares were issued under the Company's prospectus supplement to the short-form base shelf prospectus dated November 27, 2020, for gross proceeds of $5,083. The Former Majority BZAM Shareholder, bought 7,500,000 Common Shares for gross proceeds to the Company of $3,000.

All outstanding balances with these related parties were conducted at the exchange amount. None of the balances are secured. There are no other receivable or payable balances with key management personnel other than $139 of director fees payable (December 31, 2021 – $147 directors fee payable).

26. EVENTS AFTER THE REPORTING PERIOD

a) On January 4, 2023 the Company issued an aggregate of 6,500,000 Common Shares to settle $2,600 of indebtedness of the Company under the Promissory Notes, pursuant to loan settlement agreements with two of the Company's shareholders. The Common Shares issued are subject to a four-month plus one day statutory hold period.

b) On January 23, 2023 in accordance with the earn-out provisions relating to the Galaxie Acquisition, the Company released 1,142,857 Common Shares from the Indemnity Escrow Account to the Vendors. The Common Shares issued had a fair value of $434 on the date of issue. The remaining 7,428,571 Common Shares held in the Indemnity Escrow Account were returned to treasury and cancelled.

   In addition, pursuant to the terms of the definitive agreement for the BZAM Transaction, an aggregate of 1,120,226 Common Shares, being the BZAM Milestone Shares, were issued to the Company's largest shareholder. The BZAM Milestone Shares issued had a fair value of $426 on the date of issue.

c) In January 2023 the Company moved its Quebec operations which where previously in Valleyfield, Québec (the "Québec Facility"), to Vaudreuil, Québec.

d) Subsequent to year end, on April 7, 2023, the Maple Ridge Facility which was classified as assets held for sale as at December 31, 2022, was conditionally sold for cash gross proceeds of $4,000 which are payable 25% in May 2023 and 75% to be paid within one year. The sale has not closed as the conditions are still to be satisfied.