CONSOLIDATED FINANCIAL STATEMENTS

ENTOURAGE HEALTH CORP.
(Formerly WEEDMD INC.)

December 31, 2021 and 2020
(Expressed in Canadian Dollars)

Entourage Health Corp. (Formerly WeedMD Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Entourage Health Corp. (formerly WeedMD Inc.):

Opinion

We have audited the consolidated financial statements of Entourage Health Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021, and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 29, 2021.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

MNP LLP

Toronto, Ontario
May 9, 2022

Chartered Professional Accountants
Licensed Public Accountants

MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of Entourage Health Corp. (the "Company"), formerly WeedMD Inc., is responsible for preparing the consolidated financial statements and the notes to the consolidated financial statements.

Management prepares the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the consolidated financial statements.

George Scorsis,
Chief Executive Officer
May 9, 2022

Entourage Health Corp. (Formerly WeedMD Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	Note	December 31, 2021	December 31, 2020
Assets			
Current			
Cash		$ 21,416,073	$ 22,321,903
Restricted cash	12	100,000	3,296,180
Trade and other receivables	21	7,677,210	2,252,820
Inventory	6	29,640,553	30,665,489
Biological assets	6	607,175	1,955,697
Investments	5	-	232,500
Prepaid expenses and deposits		931,090	788,772
Commodity tax receivable		1,053,312	1,942,590
		61,425,413	63,455,951
Assets held for sale	10	-	2,848,334
Total current assets		61,425,413	66,304,285
Prepaid expenses and deposits		1,098,286	485,195
Right-of-use assets	7	-	3,136,286
Property, plant and equipment	8	81,700,129	96,905,979
Intangible assets	9	-	4,497,612
Total assets		$ 144,223,828	$ 171,329,357
Liabilities			
Current			
Accounts payables and accrued liabilities	22	$ 17,437,329	$ 15,558,726
Current portion of lease liabilities	7	1,106,252	1,381,649
Current portion of loans and borrowings	12	86,625,014	3,986,677
Current portion of unsecured convertible debentures	11	11,224,172	-
		116,392,767	20,927,052
Liabilities held for sale	10	-	802,285
Total current liabilities		116,392,767	21,729,337
Lease liabilities	7	1,833,815	1,190,741
Loans and borrowings	12	3,674,615	64,734,380
Unsecured convertible debentures	11	896,620	9,584,869
Total liabilities		$ 122,797,817	$ 97,239,327
Shareholders' equity			
Common shares	13	$ 185,813,639	$ 163,229,737
Warrants reserve	14	13,341,946	10,597,563
Conversion feature	11	1,626,120	1,514,025
Contributed surplus	15	16,865,880	16,035,146
Accumulated deficit		(196,221,574)	(117,286,441)
Total shareholders' equity		21,426,011	74,090,030
Total liabilities and shareholders' equity		$ 144,223,828	$ 171,329,357

Going concern (Note 2)
Commitments and Contingencies (Note 25)
Subsequent events (Note 31)
See accompanying notes to the consolidated financial statements

"George Scorsis" (signed)	"Bruce Croxon" (signed)
Director	Director

Entourage Health Corp. (Formerly WeedMD Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in Canadian dollars)

For the years ended December 31,	Note		2021	2020
Revenue	23	$	**55,229,370**	35,483,775
Excise taxes			**(12,957,536)**	(6,049,785)
Revenue, net			**42,271,834**	**29,433,990**
Cost of goods sold			**(45,864,399)**	(51,425,275)
Gross loss before changes in fair value			**(3,592,565)**	**(21,991,285)**
Realized fair value amounts included in inventory sold	6		**10,621,639**	18,863,571
Unrealized gain on changes in fair value of biological assets	6		**(2,499,282)**	(16,649,277)
Gross loss			**(11,714,922)**	**(24,205,579)**
Depreciation and amortization			**2,736,983**	2,153,358
Selling, general and administrative	17		**28,728,772**	27,642,424
Finance costs	18		**11,024,636**	5,909,457
Share based compensation	15		**859,846**	2,637,979
Acquisition-related expenses	4		**466,897**	-
Loss before other (expenses) income			**(55,532,056)**	**(62,548,797)**
Unrealized loss on investments	5		**(232,500)**	(33,579)
Realized loss on investments	5		**-**	(32,709)
Interest income			**-**	65,760
Loss on disposal of property, plant and equipment	8		**(161,559)**	-
Other income, net	28		**5,959,738**	3,980,274
Cost to sell on assets held for sale	10		**-**	(453,951)
Loss on sale of assets held for sale	10		**(332,696)**	-
Gain on modification of loan and borrowings	12		**227,156**	-
Impairment of property, plant and equipment	9		**(14,119,007)**	(6,200,000)
Impairment of goodwill	9		**(6,011,097)**	(16,123,601)
Impairment of intangible	9		**(7,381,415)**	(12,376,399)
Impairment of right-of-use assets	9		**(3,653,554)**	(100,000)
Government grant	29		**2,301,857**	4,215,868
Loss and comprehensive loss			**(78,935,133)**	**(89,607,134)**
Basic and diluted loss per share	19	$	**(0.32)**	**(0.43)**

See accompanying notes to consolidated financial statements

Entourage Health Corp. (Formerly WeedMD Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in Canadian dollars)

	Note	Number of Shares	Share Capital	Warrants Reserve	Conversion Feature	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2019		**186,489,559**	**137,646,156**	**10,597,563**	**1,514,025**	**13,980,748**	**(27,679,307)**	**136,059,185**
Share based compensation		-	-	-	-	1,474,757	-	1,474,757
Common shares issued upon private placement		23,079,763	25,000,000	-	-	-	-	25,000,000
Transfer on issuance of shares		692,393	583,581	-	-	(583,581)	-	-
Deferred share units issued		-	-	-	-	1,163,222	-	1,163,222
Loss and comprehensive loss		-	-	-	-	-	(89,607,134)	(89,607,134)
Balance, December 31, 2020		**210,261,715**	**163,229,737**	**10,597,563**	**1,514,025**	**16,035,146**	**(117,286,441)**	**74,090,030**

	Note	Number of Shares	Share Capital	Warrants Reserve	Conversion Feature	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2020		**210,261,715**	**163,229,737**	**10,597,563**	**1,514,025**	**16,035,146**	**(117,286,441)**	**74,090,030**
Share based compensation	15	-	-	-	-	859,846	-	859,846
Common shares issued upon private placement	13 & 14	35,937,500	14,867,515	2,382,485	-	-	-	17,250,000
Issuance cost - cash	13 & 14	-	(1,437,305)	(230,325)	-	-	-	(1,667,630)
Issuance cost - warrants	13 & 14	-	(420,007)	420,007	-	-	-	-
Shares issued on exercise of stock option	13	425,000	397,301	-	-	(142,301)	-	255,000
Issuance on acquisition	13 & 4	57,352,487	9,176,398	172,216	112,095	113,189	-	9,573,898
Loss and comprehensive loss		-	-	-	-	-	(78,935,133)	(78,935,133)
Balance, December 31, 2021		**303,976,702**	**185,813,639**	**13,341,946**	**1,626,120**	**16,865,880**	**(196,221,574)**	**21,426,011**

See accompanying notes to the consolidated financial statements

Entourage Health Corp. (Formerly WeedMD Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

For the years ended December 31,	Note		2021		2020
Cashflows provided by (used in):					
Operating					
Net loss		$	(78,935,133)	$	(89,607,134)
Adjustments for:					
Depreciation and amortization			6,752,981		7,002,682
Impairment of inventory included in cost of goods sold			5,477,552		27,721,116
Inventory provision included in cost of goods sold			3,576,799		-
Impairment of long lived assets			31,165,073		34,800,000
Share based compensation			859,846		2,637,979
Finance costs			11,024,636		5,909,457
Gain on modification of loans and borrowings			(227,156)		-
Impairment of promissory note receivable			-		963,917
Fair value changes in biological assets included in inventory sold			10,621,639		18,863,571
Unrealized (gain) on changes in fair value of biological assets and inventory			(2,499,282)		(16,649,277)
Loss on disposal of property, plant and equipment			161,559		-
Realized loss on investments			-		32,709
Unrealized loss on investments			232,500		33,579
			(11,788,986)		(8,291,401)
Change in non-cash working capital	20		(18,218,090)		(27,247,305)
		$	(30,007,076)	$	(35,538,706)
Investing					
Purchase of property, plant and equipment	8		(449,429)		(1,182,352)
Purchase of intangible assets	9		(53,444)		(357,772)
Proceeds from disposal of assets held for sale	10		1,990,881		-
Proceeds from disposal of property, plant and equipment			337,250		-
Disposal of investments			-		139,212
Cash acquired from acquisition	4		16,165		-
		$	1,841,423	$	(1,400,912)
Financing					
Proceeds from issuance of share capital, net of issuance cost	13 & 14		15,582,370		25,000,000
Proceeds from loan financing, net of transaction costs	12		20,991,128		32,435,772
Shares issued on exercise of stock option	13		255,000		-
Payment of lease liabilities	7		(900,695)		(2,144,266)
Repayment of loans and borrowings	12		(8,992,767)		(1,028,750)
Interest paid	11 & 12		(2,871,393)		(3,001,449)
		$	24,063,643	$	51,261,307
(Decrease) increase in cash			(4,102,010)		14,321,689
Cash, beginning of the year			25,618,083		11,296,394
Cash, end of the year		$	21,516,073	$	25,618,083
Cash			21,416,073		22,321,903
Restricted cash			100,000		3,296,180
		$	21,516,073	$	25,618,083

See accompanying notes to the consolidated financial statements

1. Nature of Operations

Entourage Health Corp. (Formerly WeedMD Inc.) is the publicly traded parent company of WeedMD Rx Inc., a federally licensed producer and distributor of cannabis products for both the medical and adult-use markets. The Company owns and operates three facilities: i) indoor facility in Aylmer, Ontario ("Aylmer Facility") which specializes in cannabis extraction and processing, ii) greenhouses, outdoor licensed production space located in Strathroy, Ontario. iii) Operates an indoor micro-propagation facility in Guelph, Ontario which specializes in tissue culture, genetics remediation and plant-cell growth in a clean, data-driven environment ("Guelph Facility").

The consolidated financial statements of the Company for the year ended December 31, 2021, are comprised of Entourage Health Corp. and its wholly-owned subsidiaries: Entourage Brands Corp. (formerly WeedMD RX Inc.), 2686912 Ontario Limited, 2686913 Ontario Inc., CannTx Life Sciences Inc. ("CannTx" was acquired on October 29, 2021), 2690870 Ontario Inc (Dormant), Pioneer Cannabis Corp. ("Pioneer") (51% ownership- dormant Company with no assets and liabilities) and Starseed Holdings Inc. and North Star Wellness Inc. (collectively, "Entourage" or the "Company").

Entourage Health Corp., is a publicly listed company on the TSX Venture Exchange ("TSXV") that trades under the ticker symbol "ENTG-V". Entourage Health Corp., is also listed on the OTCQX under the ticker symbol "ETRGF" and on the Frankfurt Stock Exchange under the ticker symbol "4WE". The registered and head office of the Company is located at 276 Queen Street West, Suite 200, Toronto, Ontario M5V 2A1.

Through the acquisition of Starseed Medicinal Inc. ("SMI") in 2019, the Company acquired licensed production area and office space at the Bowmanville Facility. In the first quarter of 2021, the Company reallocated all medical packaging, labelling and distribution activities from the Bowmanville Facility to the Aylmer Facility, which also houses the Company's extraction hub. SMI, including the Bowmanville Facility's leasehold and licence, was subsequently sold in the second quarter of 2021 to a third party via a sale of all the shares of SMI.

On July 16, 2021, the Company announced and completed the name change from WeedMD Inc. to Entourage Health Corp.

On October 29, 2021 the Company completed the acquisition of CannTx by Entourage (the "Acquisition"). Following approval from CannTx shareholders, and satisfaction of other closing conditions, the formerly privately owned cannabis cultivator, which operates out of its licensed production facility in Guelph, Ontario, is now a wholly owned subsidiary of Entourage.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors for issue on May 9, 2022.

b) Basis of presentation

The consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments and biological assets, which are measured at fair value and inventory which is recorded at the lower of cost and net realizable value, as explained in the accounting policies set out in Note 3. Net assets classified as Assets held for sale are measured at the lower of carrying value and fair value less costs to sell.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the consolidated financial statements.

c) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

d) Accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination that acquisitions meet the definition of a business combination under IFRS 3- Business Combinations ("IFRS 3") and identification of intangible assets acquired, the determination of when property, plant and equipment are available for use as well as their useful lives, determining the lease term under IFRS 16 – Leases (IFRS 16"), the capitalization of construction costs, valuation and recoverability of deferred taxes, the determination of whether performance obligations have been met for revenue recognition, including bill and hold arrangements, impairment of financial and non-financial assets and assessment of assets held for sale.

The Company is subject to a number of risks and uncertainties associated with the going concern assumption and exercises judgment to assess the uncertainties relating to the determination of the Company's ability to continue as a going concern.

The most significant estimates and assumptions include those related to the inputs used in accounting for share-based payment transactions, the valuation of warrants, and the conversion feature included in convertible debt, including volatility, the fair value of financial instruments, the discount rate used to determine the present value of the debt component of convertible debt, the impairment tests including weighted average cost of capital, terminal growth rate, projected cash flows, assets classified as held for sale including estimated sale price and cost to sell, and the valuation of net assets acquired in the Acquisition (Note 4). In calculating the value of the biological assets and the net realizable value of inventory (Note 6), management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value. The Company also exercises judgment in determining the incremental borrowing rate when the interest rate is not implicit in the lease. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

e) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. In Canada, the production and sale of cannabis is recognized as an essential service.

During the year ended December 31, 2021, the pandemic did not have a material impact on the Company's operations. COVID-19 has resulted in changes to the way the Company operates, for example, the number of employees allowed in a grow room. Consequently, the Company has taken steps to minimize any potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, temporary staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

Due to the rapid developments and uncertainty surrounding COVID-19, the challenges continue within the cannabis and other industries, and therefore it is not possible to predict the impact that COVID-19 will have on certain businesses, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

f) 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 its assets and discharge its liabilities in the normal course of its operations. As of December 31, 2021, the Company had a negative working capital of $54,967,354 (December 31, 2020 – working capital of $44,574,948) and an accumulated deficit of $196,221,574 (December 31, 2020 - $117,286,441). The Company used cash in operating activities of $30,007,076 (year ended December 31, 2020 - $35,538,706), resulting primarily from the net loss of $78,935,133 (year ended December 31, 2020 - $89,607,134) offset by items not affecting cash such as depreciation, amortization, and stock-based compensation. The Company has insufficient cash to fund its planned capital investments and operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations. These conditions indicate the existence of a material uncertainty that may cast a 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 financing and operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

3. Significant Accounting Policies

a) Cash

Cash comprise cash at banks, in unrestricted trust accounts, and on hand. Restricted cash represents the minimum cash balance that the Company must maintain pursuant to the terms of the credit agreement with the Financial Institution (Note 12) and as security for Company's corporate credit cards.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment. The Company provides for depreciation using the following methods at rates designed to amortize the cost of the plant and equipment over their estimated useful lives.

The annual depreciation rates and methods are as follows:

Building	20 years	Straight-line
Equipment	20%	Declining balance
Fence and signage	10%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements including Greenhouse	7-20 years	Straight-line
Security equipment	20%	Declining balance

The estimated residual value and useful lives of assets are reviewed by management annually at each reporting date and adjusted if necessary.

Borrowing costs and construction costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized.

Assets are not depreciated until they become available for use, which is when they are in the location and condition necessary to be capable of operating in the manner intended by management.

c) Intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The annual amortization rates and methods are as follows:

Software	5 years	Straight-line
Health Canada Licenses	Useful life of the building	Straight-line
Customer relationships	7 years	Straight-line
Brands and Trademarks	10 years	Straight-line
Technology	6 years	Straight-line

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

Intangible assets with indefinite useful lives are measured at cost, less any accumulated impairment and are not amortized.

d) Impairment of long-lived assets

Long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. The Company tests for impairment whenever indications of impairment exist by calculating an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss and comprehensive loss for the period.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash generating unit ("CGU"). A CGU is the smallest group of assets for which there are separate identifiable cash flows. When an impairment loss is identified pertaining to the CGU, the impairment loss shall be allocated to first reduce the carrying amount of any goodwill allocated to the CGU, and then to other assets of the CGU pro-rata on the basis of the varying amount of each asset in the CGU. In allocating impairment loss, the carrying amount of each asset should not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

Goodwill is assessed for indicators of impairment at each reporting date and is tested annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

With the exception of Goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount up to the point that the amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income for the period.

The Company recognized an impairment loss as at December 30, 2020 (refer to Note 9). No further impairment was identified as at December 31, 2021.

e) Biological assets

The Company measures biological assets consisting of cannabis plants not yet harvested at fair value less costs to sell up to the point of harvest. Seeds included in inventory are recorded at cost which was determined to be nil. While the Company's biological assets are within the scope of IAS 41 *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories.* Production costs related to the transformation of biological assets to the point of harvest, which include direct costs such as growing materials as well as indirect costs such as utilities and supplies used in the growing process, are capitalized. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred. Biological assets are measured at their fair value less costs to sell on the consolidated statements of Financial Position.

Agricultural produce consisting of cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of inventory after harvest. Gains or losses arising from changes in fair value less costs to sell, excluding capitalized production costs, are included in "unrealized loss (gain) on changes in fair value of biological assets" on the consolidated statements of Loss and Comprehensive Loss.

When inventory is sold, costs capitalized to biological assets and inventory are expensed through "Cost of goods sold" and the fair value adjustment to biological assets included in inventory sold is expensed through "Realized fair value amounts included in inventory sold" on the consolidated statements of Loss and Comprehensive Loss.

f) Inventory

Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at the time of harvest, which becomes deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The direct costs capitalized to inventory subsequent to harvest include materials, and indirect costs capitalized include labour and depreciation expense on equipment involved in packaging, labelling and inspection, as well as overhead costs such as rent to the extent it is associated with the post-harvest production, quality control and storage space. In the case of oil inventory, direct costs capitalized to inventory also include costs associated with the extraction process. Inventory purchased from other licensed producers is recognized at the price paid on purchase of the inventory, plus any subsequent costs capitalized if further processed or packaged. Inventory is measured at the lower of cost and net realizable value on the Statements of Financial Position. 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) Revenue recognition

Revenue is recognized when control of the goods has transferred, accepted by the purchaser and the collectability is reasonably assured. The point at which control transfers is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts, price concessions, price protection and appropriate deduction for actual and expected returns. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue. Excise taxes are netted against gross revenue on the consolidated Statements of Loss and Comprehensive Loss.

Unearned revenue is recognized when cash is received from customers before all revenue recognition criteria have been met.

h) Share-based compensation

Where equity-settled share payments are awarded to management, employees and consultants, the fair value of the equity instruments at the date of grant is charged to the Consolidated Statements of Loss and Comprehensive Loss. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of shares that eventually vest. Non-vesting conditions are factored into the fair value of the common shares ("Shares") and/or options granted. The cumulative expense is not adjusted where a non-vesting condition is not satisfied. Where the terms and conditions are modified before they vest, any increase in the fair value of the Shares, measured immediately before and after the modification, is also charged to the Consolidated Statements of Loss and Comprehensive Loss.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received unless that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted. Amounts related to the issuance of Shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

i) Foreign currency translation

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the Consolidated Statements of Loss and Comprehensive Loss.

j) Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of Shares outstanding. Diluted loss per share is calculated in a similar manner, except that the weighted average number of Shares outstanding is increased to include potentially issuable Shares from the assumed exercise of Share purchase options and warrants, if dilutive. The diluted loss per share calculation excludes any potential conversion of options, warrants, and convertible debt that would increase earnings per share or decrease loss per share.

k) Compound financial instruments

Compound financial instruments issued by the Company comprise units that consist of unsecured convertible debentures and share purchase warrants. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, which consists of the conversion feature related to the convertible debentures and the share purchase warrants, is recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

The equity component is allocated to the conversion feature and the share purchase warrants based on their relative fair values. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion, the liability component and conversion feature are reclassified to share capital.

In situations where the Company issues warrants, the fair value of warrants as calculated as of the date of issue using the Black-Scholes pricing model, or Monte Carlo method for warrants with accelerated vesting terns, is included in the Company's warrant reserve, as reported on the Consolidated Statements of Changes in Shareholders' Equity.

l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the amounts agreed upon by the parties.

m) Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

n) Warrants

In situations where the Company issues warrants, the fair value of warrants, as calculated as of the date of issue using the Black-Scholes pricing model, or Monte Carlo method for warrants with accelerated vesting terms, is included in the Company's warrants reserve, as reported on the Consolidated Statements of Changes in Shareholders' Equity.

o) Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

p) Income taxes

Income tax on the Consolidated Statements of Loss and Comprehensive Loss for the periods presented is comprised of current and deferred tax. Income tax is recognized in the Consolidated Statements of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable income; nor differences relating to investments to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of each financial reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance.

q) Financial instruments

The Company accounts for financial instruments according to IFRS 9 “Financial Instruments” (“IFRS 9), which requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also requires a single, forward-looking expected loss impairment model.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss (“FVTPL”); (ii) those to be measured subsequently at fair value through other comprehensive income (loss) (“FVOCI”); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss). Financial liabilities are not reclassified.

Financial Assets

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss (“FVTPL”), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net loss. Subsequent classification and measurement of financial assets depends on the Company’s business objective for managing the asset and the cash flow characteristics of the asset:

Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in loss. Financial assets measured at amortized cost are comprised of trade receivables.

Fair value through other comprehensive loss - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive loss. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive loss. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive loss is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive loss.

Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.

Designated at fair value through loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in loss. The Company does not hold any financial assets designated to be measured at fair value through loss. Refer to Note 26. "Financial Instruments".

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and Initial Measurement

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through loss for which transaction costs are immediately recorded in profit or loss.

The subsequent measurement of financial liabilities is determined based on their classification as either FVTPL or amortized cost.

FVTPL – Derivative financial instruments that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net loss.

Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net loss through the amortization process as well as when the liabilities are derecognized. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

r) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

s) Impairment of financial assets

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the date of Statement of Financial Position. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the Consolidated Statements of Loss and Comprehensive Loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the Consolidated Statements of Loss and Comprehensive Loss for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

t) Segments

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Throughout the years ended December 31, 2021 and December 31, 2020, the Company operated in one segment, the production and sale of cannabis in Canada.

u) Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed 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 aggregate of the consideration transferred to obtain control over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

v) Government grant

The Company recognises government grants when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Government grants are recognised in the consolidated statements of loss and comprehensive loss as “Government grant” on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

w) Debt Modification

A substantial debt modification or a debt exchange with substantially different terms is accounted for as an extinguishment of the original liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Please see Note 12: Loans and Borrowings, in the notes to the consolidated financial Statements, for details regarding the modification of debt.

x) Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit or Loss (“FVTPL”), are added or deducted from the fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities classified as FVTPL are recognized immediately in the consolidated statement of loss and comprehensive loss.

y) Leases

The Company assesses whether a contract is or contains a lease at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the Consolidated Statements of loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in Selling, general and administrative expenses in the Consolidated Statements of loss and comprehensive loss.

Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in Selling, general and administrative expenses in the Consolidated Statements of loss and comprehensive loss. Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Company discounted lease payments using its incremental borrowing rate at the inception of the lease. The weighted-average discount rate applied was from 5.95% to 15.5% for leases entered during the year ended December 31, 2021 and 2020.

z) Assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment, ROU assets and license which is part of the intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position. A disposal group qualifies as assets held for sale if it is a component of an entity that is classified as held for sale, and is part of a single coordinated plan to dispose of a separate production facility. Results of the assets held for sale are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from assets held for sale in the consolidated statements of loss and comprehensive loss. Additional disclosures are provided in Note 10.

aa) Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”)

RSUs are equity-settled share-based payments. RSUs are measured at their intrinsic fair value on the date of grant based on the closing price of the Company’s shares on the date prior to the grant, and is recognized as share-based compensation expense over the vesting period with a corresponding credit to share reserves. Under IFRS, the Company’s DSUs are classified as equity-settled share-based payment transactions as they are settled in either cash or common shares at the sole discretion of the Company. As such, the DSUs are measured in the same manner as RSUs.

The amount recognized for services received as consideration for the RSUs and DSUs granted is based on the number of equity instruments that eventually vest. Upon the release of RSUs and DSUs, the related share reserve is transferred to share capital.

bb) New and Amended Accounting Pronouncements

Accounting Pronouncements Effective January 1, 2021

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Accounting pronouncements not yet effective

IAS 8: Amendment to IAS 8, Accounting policies vs estimates

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

IAS 12: Amendment to IAS 12, Deferred Tax related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

Amendment of IAS 41, Agriculture

In May 2020, the IASB published annual improvements to IFRS Standards 2018-2020 cycle, containing the following amendments to IFRS. These amendments are effective annual periods beginning on or after January 1, 2022. IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The Company has not yet begun the process of assessing the impact that the new and amendment standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment, and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets) as well as the IASB's Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. These amendments will be effective for annual periods beginning on or after January 1, 2022. The implementation of these narrow-scope amendments is not expected to have a significant impact on the Company.

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

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 – Presentation of Financial Statements. The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments. The implementation of these amendments is not expected to have a significant impact on the Company.

4. Acquisition

On October 29, 2021 the Company completed the acquisition of CannTx by Entourage (the "Acquisition"). Following approval from CannTx shareholders, and satisfaction of other closing conditions, the formerly privately owned micro-propagator, which operates out of its licensed production facility in Guelph, Ontario, is now a wholly owned subsidiary of Entourage.

Upon closing of the Acquisition, Entourage issued an aggregate of 57,352,487 Entourage common shares ("Common Shares") to CannTx shareholders of which an aggregate of 3,571,429 of such Common Shares will be held in escrow to secure indemnification and other obligations undertaken by certain vendors.

On October 29, 2021 the closing price of Entourage common shares on the TSXV was $0.16 per share.

Under the terms of the Acquisition, certain former CannTx shareholders entered into agreements pursuant to which an aggregate of 14,685,278 Common Shares is subject to a post-closing lock-up arrangement whereby one quarter of such Common Shares shall be released from lock-up in equal installments at the end of each six (6) month period following closing of the Acquisition.

The transaction was accounted for as a business combination and has been accounted for by applying the acquisition method. Transaction costs of $466,897 were expensed with respect to the above acquisition. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represents revenue growth potential and expected synergies for the Company. The Company recorded $448,881 of revenue and $1,555,455 in loss in the consolidated statements of loss and comprehensive loss in 2021 as a result of the acquisition. If the acquisition had occurred as at January 1, 2021, revenue for the year ended December 31, 2021 would have been $4,734,216 and the net loss in the consolidated statements of loss and comprehensive loss from the acquired operations would have been $6,590,200.

None of the goodwill is expected to be deductible for income tax purposes.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method and has assigned the following values:

		Fair value
Cash and cash equivalents	$	16,165
Trade and other receivables		770,515
Prepaid expenses and deposits		75,992
Inventory		1,605,404
Property, Plant and equipment		5,799,400
Right of use assets		1,056,995
Technology		3,844,000
Goodwill		6,011,097
Total assets		**19,179,568**
Accounts payable and accrued liabilities		1,565,512
Commodity tax payable		18,075
Current portion of lease liabilities		92,629
Current portion of loan and borrowing		71,950
Convertible debentures		886,035
Long term portion of lease liabilities		964,366
Long term portion of loan and borrowing		3,653,050
Total Liabilities		**7,251,617**
Net assets acquired		**11,927,951**
Shares issued on acquisition		9,176,398
Pre-existing relationship		2,354,053
Options issued on acquisition		113,189
Warrants issued on acquisition		172,216
Conversion feature on debentures acquired		112,095
Total consideration	**$**	**11,927,951**

5. Investments

(a) On March 14, 2018, a subsidiary of the Company purchased 1,666,667 common shares of Scorpion Resources Inc., renamed to Blockstrain Technology Corp. and subsequently renamed to TruTrace Technologies Inc. ("TruTrace"), for a total subscription price of $500,000. TruTrace delivers a secure and immutable blockchain platform to establish global certainty for cannabis strains and their ownership. The investment was disposed of for proceeds of $31,505 during the year ended 2020 resulting in a realized loss of $45,070 and unrealized loss of $29,055 being recorded on the Consolidated Statement of Loss and Comprehensive Loss in 2020.

(b) On March 16, 2018, a subsidiary of the Company purchased 2,500,000 common shares of Snipp Interactive Inc. for a total subscription price of $250,000. This investment has been classified as level 1 in the fair value hierarchy. During the year ended December 31, 2020, the Company disposed of 2,500,000 common shares for gross proceeds of $24,810, resulting in a realized loss of $25,190 in 2020.

(c) As a result of the Acquisition of Starseed in 2019, the Company acquired 2,325,000 common shares of JDaily Inc. This investment has been classified as level 3 in the fair value hierarchy and measured based on an exit price that was determined to be as Nil. As at December 31, 2021, the fair value of investment in shares of JDaily Inc. was Nil (December 31, 2020: $232,500) and the fair value change $232,500 (December 31, 2020: Nil) was recorded on the Consolidated Statement of Loss and Comprehensive Loss for the year then ended.

(d) On July 3, 2018, the Company was granted 860,000 common shares of 3 Sixty Secure Corporation, renamed to 3 Sixty Risk Solutions Ltd. at a fair value of $137,259. During December 31, 2020, the Company disposed of 860,000 common shares for gross proceeds of $70,047 resulting in a realized gain of $31,770 in 2020.

(e) On January 10, 2019, the Company entered into an agreement with Pita Pit Canada and a private company, to form Pioneer Cannabis Corp. ("Pioneer"), a cannabis retail services provider and franchise operation. The Company held 9.9% (cost of nil) with the option to purchase an additional 40.2% if permitted by applicable laws. On April 17, 2019 Pioneer announced that it had signed an agreement to open the first Pioneer store in Ontario. During the year ended December 31, 2021, the Company purchased additional 40.2% stake for a nominal amount of $4,000. Pioneer is a dormant entity having nominal assets and liabilities. The Company had also advanced a promissory note to Pioneer amounting to $963,917 which was impaired during the year ended December 31, 2020. During 2021, the Company filed a litigation claim against Pioneer, details of which are described in Note 25- Contingencies.

6. Inventory and Biological Assets

Inventory

Inventory is comprised of the following and is valued at the lower of cost and net realizable value:

	December 31, 2021		December 31, 2020	
	$	Grams	$	Grams
Dried cannabis	17,736,539	20,023,872	18,758,723	20,114,668
Harvested work in progress	4,121,413	9,110,900	5,345,980	9,766,930
Extracts				
Resin	144,616	289,045	98,488	232,690
Crude oil	998,714	109,770	693,835	38,710
Finished oil	4,391,981	1,925,928	4,098,705	1,571,521
Non-cannabis inventory	2,247,290	-	1,669,758	-
	29,640,553		30,665,489	

During the year ended December 31, 2021, the Company recognized impairment of inventory amounting to $ 9,054,351 (2020 - $27,721,116) included in cost of goods sold and $8,681,132 (2020- $14,853,519) included in realized fair value amounts included in inventory sold in the statements of loss and comprehensive loss.

Biological assets

The Company's biological assets consist of cannabis plants.

The changes in carrying value of the Company's biological assets are as follows:

Carrying amount, December 31, 2019	**7,665,876**
Changes in fair value less costs to sell due to biological transformation	16,649,277
Production costs capitalized	13,826,251
Transferred to inventory upon harvest	(36,185,707)
Carrying amount, December 31, 2020	**1,955,697**
Changes in fair value less costs to sell due to biological transformation	2,499,282
Production costs capitalized	8,669,227
Transferred to inventory upon harvest	(12,517,031)
Carrying amount, December 31, 2021	**607,175**

All of the plants are to be harvested as agricultural produce. Indoor grow plants are up to twelve weeks from harvest (December 31, 2020: up to sixteen weeks) and the life cycle is estimated to be one hundred and two days (December 31, 2020: one hundred and forty-four days). The Company did not hold plants to be sold as live plants at December 31, 2021 and December 31, 2020. Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels.

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, unharvested plants are adjusted to fair value less costs to complete and sell based on the estimated yield for harvests in progress. At the point of harvest or before they are transferred to Inventory, biological assets are adjusted to fair value less costs to complete and sell based on the actual yield in grams. At each reporting period, costs incurred upto harvest are capitalized to biological assets when the costs are incurred, fair value adjustments are recorded to reflect the difference between the capitalized costs and fair value less costs to complete and sell. Cannabis which has been harvested is transferred to inventory at the full biological asset carrying value, comprised of capitalized costs and fair value adjustments, for each harvest.

To determine fair value the Company considers the following:

- The product of the expected yield in grams per plant and the expected selling price per gram;
- The expected selling price less selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory; and

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Expected yield by plant adjusted for expected wastage – represents the expected number of grams of dry cannabis inventory which are expected to be obtained from each cannabis plant;
- Percentage of costs incurred to date compared to the total expected costs to be incurred over the life of the plant are used to estimate the fair value of an in-process plant at each stage;
- Expected weighted average selling price per gram of harvested cannabis – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices;
- Expected number of days remaining over the life of the plant; and
- Expected number of days remaining in each stage of growth and over the life of the plant.

The Company estimates harvest yields for the plants at various stages of growth. As of December 31, 2021, it is expected that the Company's biological assets that are to be harvested from its greenhouse facility will yield approximately 1,105,431 grams (December 31, 2020: 4,268,534 grams) with a value of $607,175 (December 31, 2020: $1,955,697), based on the current stage of growth. The weighted average selling price used in the valuation is $0.59 per gram (December 31, 2020: $1.26 per gram) and is based on a normalized historical average selling price, adjusted based on expected future sales mix, can vary based on different grades of cannabis. The Company estimates percentage of costs incurred based on the stage of growth. Plants on hand at December 31, 2021, have incurred an average of 40% of costs to harvest (December 31, 2020: 46%).

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The following table quantifies each significant unobservable input, and also provides the impact of a reasonable increase/decrease that each input would have on the fair value of the Company's greenhouse biological assets.

	December 31, 2021 Valuation inputs	December 31, 2020 Valuation inputs	Percentage change used in sensitivity analysis	Change resulting for reasonable variance as at December 30, 2021	Change resulting for reasonable variance as at December 31, 2020
Increase or decrease of Selling price	0 to 1.52	$0 to $2.38	10%	349,356	$524,001
Increase or decrease of Yield by plant	136 grams	92 grams	15%	91,076	$293,355
Increase in average life cycle	110 days	116 days	10%	47,019	$160,302
Decrease in average life cycle	110 days	116 days	10%	(50,255)	($136,368)
Increase in percentage of costs to harvest incurred to date	40%	46%	10%	50,255	$145,543
Decrease in percentage of costs to harvest incurred to date	40%	46%	10%	(50,255)	($150,005)

7. Right-of-Use Assets and Lease Liabilities

The following is a breakdown of the carrying amount of the Right-of-Use assets as at December 31, 2021 and 2020: The weighted average incremental borrowing rate was applied from 5.95% to 15.5% for the leases.

	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Equipment Spectrum	Starseed Office Space/ Bowmanville	Canntx Office Space	Total
Cost								
As at, December 31, 2019	$ 504,605	$ -	$ 1,762,359	$ 7,968	$ -	$ 1,870,154	$ -	$ 4,145,086
Additions	-	944,521	-	-	637,364	-	-	1,581,885
Assets held for sale (Note 10)	-	-	-	-	-	(1,689,100)	-	(1,689,100)
As at, December 31, 2020	504,605	944,521	1,762,359	7,968	637,364	181,054	-	4,037,871
Additions	-	-	-	-	-	-	-	-
Modification	-	-	123,401	-	-	-	-	123,401
Acquisition - Canntx (Note 4)	-	-	-	-	-	-	1,056,995	1,056,995
As at December 31, 2021	$ 504,605	$ 944,521	$ 1,885,760	$ 7,968	$ 637,364	$ 181,054	$ 1,056,995	$ 5,218,267
Depreciation								
As at, December 31, 2019	95,949	-	29,373	5,625	-	697,401	-	828,348
Depreciation	100,260	85,940	86,359	2,343	318,682	498,496	-	1,092,080
Assets held for sale (Note 10)	-	-	-	-	-	(1,097,062)	-	(1,097,062)
As at, December 31, 2020	196,209	85,940	115,732	7,968	318,682	98,835	-	823,366
Depreciation	98,067	91,818	0 90,339	-	318,682	40,993	23,229	663,128
As at December 31, 2021	$ 294,276	$ 177,758	$ 206,071	$ 7,968	$ 637,364	$ 139,828	$ 23,229	$ 1,486,494
Impairment								
As at, December 31, 2019	-	-	-	-	-	-	-	-
Impairment (Note 9)	9,039	23,931	45,249	-	-	21,781	-	100,000
Assets held for sale (Note 10)	-	-	-	-	-	(21,781)	-	(21,781)
As at, December 31, 2020	9,039	23,931	45,249	-	-	-	-	78,219
Impairment (Note 9)	201,290	742,832	1,634,440	-	-	41,226	1,033,766	3,653,554
As at December 31, 2021	$ 210,329	$ 766,763	$ 1,679,689	$ -	$ -	$ 41,226	$ 1,033,766	$ 3,731,773
Net book value								
As at, December 31, 2020	299,357	834,650	1,601,378	-	318,682	82,219	-	3,136,286
As at December 31, 2021	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The Company has transferred assets held for sale related to Starseed Medicinal. Refer to Note 10.

The following is a breakdown of the carrying amount of the Lease liabilities as at December 31, 2021 and 2020:

	Office Space 232 Central Ave.	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Equipment Spectrum	Starseed Office Space	Canntx Office Space	Total
Ending lease liability, December 31, 2019	$ 112,847	$ 419,702	$ -	$ 1,709,590	$ 2,150	$ -	$ 1,408,206	$ -	$ 3,652,495
Additions	-	-	944,521	-	-	637,364	-	-	1,581,885
Interest (Note 18)	-	21,851	48,824	95,048	11	48,561	70,266	-	284,561
Payments	(15,000)	(115,668)	(104,747)	(977,368)	(2,146)	(354,448)	(574,889)	-	(2,144,266)
Assets held for sale	-	-	-	-	-	-	(802,285)	-	(802,285)
Ending lease liability, December 31, 2020	$ **97,847**	$ **325,885**	$ **888,598**	$ **827,270**	$ **15**	$ **331,477**	$ **101,298**	$ -	$ **2,572,390**
Interest (Note 18)	-	16,269	49,730	72,487	-	18,635	4,977	8,725	170,823
Payments	(15,000)	(115,668)	(116,636)	(226,310)	-	(350,112)	(46,560)	(30,409)	(900,695)
Modification	-	-	-	123,401	-	-	-	-	123,401
Reclassification	(82,847)	-	-	-	-	-	-	-	(82,847)
Acquisition - Canntx	-	-	-	-	-	-	-	1,056,995	1,056,995
Ending lease liability, December 31, 2021	$ -	$ **226,486**	$ **821,692**	$ **796,848**	$ **15**	$ -	$ **59,715**	$ **1,035,311**	$ **2,940,067**
For the year ended December 31, 2020									
Short Term Portion	$ 15,000	$ 99,399	$ 66,905	$ 827,270	$ 15	$ 331,477	$ 41,583	$ -	$ 1,381,649
Long Term Portion	$ 82,847	$ 226,486	$ 821,693	$ -	$ -	$ -	$ 59,715	$ -	$ 1,190,741
For the year ended December 31, 2021									
Short Term Portion	$	$ 105,314	$ 73,536	$ 796,848	$ 15	$ -	$ 44,057	$ 86,482	$ 1,106,252
Long Term Portion	$	$ 121,172	$ 748,156	$ -	$ -	$ -	$ 15,658	$ 948,829	$ 1,833,815

The lease commitment schedule for all future lease payments is outlined in the table below:

As at December 31,	**2021**	**2020**
Less than one year	$ 1,272,470	$ 1,526,486
1 to 5 years	1,435,145	855,830
Greater than 5 years	924,356	567,967
Gross lease liabilities	**3,631,971**	2,950,283
Interest on lease liabilities	691,904	377,893
Net lease liabilities	$ **2,940,067**	$ **2,572,390**

8. Property, Plant and Equipment

Cost	Balance at December 31, 2020	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2021
Security equipment	$ 3,355,575	$ -	$ -	$ -	$ -	$ -	$ 3,355,575
Equipment	14,322,495	81,311	-	1,599,400	(740,255)	-	15,262,951
Furniture & fixtures	432,820	-	-	-	-	-	432,820
Fence & signage	663,648	-	-	-	-	-	663,648
Land	3,808,002	-	-	-	-	-	3,808,002
Building	87,721,299	83,910	-		-	-	87,805,209
Leasehold improvements and greenhouse	97,500		-	4,200,000	-	-	4,297,500
Capital work in progress	-	284,208		-			284,208
	$ 110,401,339	$ 449,429	$ -	$ 5,799,400	$ (740,255)	$ -	$ 115,909,913

Accumulated Depreciation	Balance at December 31, 2020	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2021
Security equipment	$ (1,247,570)	$ (373,842)	$ -	$ -	$ -	$ -	$ (1,621,412)
Equipment	(3,860,700)	(2,015,772)	-	-	219,117	-	(5,657,355)
Furniture & fixtures	(149,034)	(50,048)	-	-	-	-	(199,082)
Fence & Signage	(107,280)	(51,352)	-	-	-	-	(158,632)
Land	-	-	-	-	-	-	-
Building	(4,676,873)	(4,245,742)	-	-	-	-	(8,922,615)
Leasehold improvements and greenhouse	(5,216)	(77,778)	-	-	-	-	(82,994)
Capital work in progress	-	-	-			-	-
	$ (10,046,673)	$ (6,814,534)	$ -	$ -	$ 219,117	$ -	$ (16,642,090)

Accumulated Impairment	Balance at December 31, 2020	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2021
Security equipment	$ (92,615)	$ (241,883)	$ -	-	$ -	$ -	$ (334,498)
Equipment	(247,268)	(1,378,955)	-	-	-	-	(1,626,223)
Furniture & fixtures	(13,977)	(32,382)	-	-	-	-	(46,359)
Fence & signage	(23,188)	(70,998)	-	-	-	-	(94,186)
Land	-	(561,111)	-	-	-	-	(561,111)
Building	(2,964,126)	(11,186,632)	-	-	-	-	(14,150,758)
Leasehold improvements and greenhouse	(107,513)	(605,168)	-	-	-	-	(712,681)
Capital work in progress	-	(41,878)	-		-	-	(41,878)
	$ (3,448,687)	$ (14,119,007)	$ -	$ -	$ -	$ -	$ (17,525,816)

Net Book Value	Balance at December 31, 2020	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2021
Security equipment	$ 2,015,390	$ (615,725)	$ -	-	$ -	$ -	$ 1,399,665
Equipment	10,214,527	(3,313,416)	-	1,599,400	(521,138)	-	7,979,373
Furniture & fixtures	269,809	(82,430)	-	-	-	-	187,379
Fence & signage	533,180	(122,350)	-	-	-	-	410,830
Land	3,808,002	(561,111)	-	-	-	-	3,246,891
Building	80,080,300	(15,348,464)	-	-	-	-	64,731,836
Leasehold improvements and greenhouse	(15,229)	(682,946)	-	4,200,000	-	-	3,501,825
Capital work in progress	-	242,330	-		-	-	242,330
	$ 96,905,979	$ (20,484,112)	$ -	5,799,400	$ (521,138)	$ -	$ 81,700,129

Cost	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ 3,297,634	$ 57,941	$ -	$ -	$ -	$ -	$ 3,355,575
Equipment	16,213,312	376,210	(754,807)	-	-	(1,512,220)	14,322,495
Furniture & fixtures	395,766	99,835	-	-	-	(62,781)	432,820
Fence & signage	663,648	-	-	-	-	-	663,648
Land	3,808,002	-	-	-	-	-	3,808,002
Building	86,063,658	1,657,641	-	-	-	-	87,721,299
Leasehold improvements and greenhouse	1,837,322	3,507	-	-	-	(1,743,329)	97,500
	$ 112,279,342	$ 2,195,134	$ (754,807)	$ -	$ -	$ (3,318,330)	$ 110,401,339

Accumulated Depreciation	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ (780,862)	$ (466,708)	$ -	$ -	$ -	$ -	$ (1,247,570)
Equipment	(1,575,100)	(2,575,425)	55,567	-	-	234,258	(3,860,700)
Furniture & fixtures	(98,456)	(59,109)	-	-	-	8,531	(149,034)
Fence & Signage	(48,625)	(58,655)	-	-	-	-	(107,280)
Building	(1,003,033)	(3,673,840)	-	-	-	-	(4,676,873)
Leasehold improvements and greenhouse	(1,450)	(69,134)	-	-	-	65,368	(5,216)
	$ (3,507,526)	$ (6,902,871)	$ 55,567	$ -	$ -	$ 308,157	$ (10,046,673)

Accumulated Impairment	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ -	$ (92,615)	$ -	-	$ -	$ -	$ (92,615)
Equipment	-	(1,433,217)	-	-	-	1,185,949	(247,268)
Furniture & fixtures	-	(63,591)	-	-	-	49,614	(13,977)
Fence & signage	-	(23,188)	-	-	-	-	(23,188)
Land	-	-	-	-	-	-	-
Building	-	(2,964,126)	-	-	-	-	(2,964,126)
Leasehold improvements and greenhouse	-	(1,623,263)	-	-	-	1,515,750	(107,513)
	$ -	$ (6,200,000)	$ -	$ -	$ -	$ 2,751,313	$ (3,448,687)

Net Book Value	Balance at December 31, 2019	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ 2,516,772	$ (501,382)	$ -	-	$ -	$ -	$ 2,015,390
Equipment	14,638,212	(3,632,432)	(699,240)	-	-	(92,013)	10,214,527
Furniture & fixtures	297,310	(22,865)	-	-	-	(4,636)	269,809
Fence & signage	615,023	(81,843)	-	-	-	-	533,180
Land	3,808,002	-	-	-	-	-	3,808,002
Building	85,060,625	(4,980,325)	-	-	-	-	80,080,300
Leasehold improvements and greenhouse	1,835,872	(1,688,890)	-	-	-	(162,211)	(15,229)
	$ 108,771,816	$ (10,907,737)	$ (699,240)	-	$ -	$ (258,860)	$ 96,905,979

Total depreciation for the year ended December 31, 2021 was $6,814,534 (year ended December 31, 2020: $6,902,871), of which $3,334,169 (year ended December 31, 2020: $5,122,889) has been capitalized in inventory, $2,420,151 has been capitalized to biological assets (year ended December 31, 2020: $2,790,804) and remaining depreciation of $1,060,214 (December 31, 2020: $nil) is directly expensed to Selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss. During the year, the Company has recorded an impairment of $14,119,007 (December 31, 2020: $6,200,000) on property, plant and equipment Refer to Note 9.

During the year ended December 31, 2020, the Company transferred certain assets related to Starseed Medicinal to assets held for sale and subsequent sale was completed in 2021. Refer Note to 10.

9. Intangible Assets

Cost	Balance at December 31, 2020	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2021
Software	$ 1,749,634	$ 53,444	$ -	$ -	$ 1,803,078
Brands and trademarks	2,188,498	-	-	-	2,188,498
Customer relationships	1,623,278	-		-	1,623,278
Technology	-	-	3,844,000	-	3,844,000
	$ 5,561,410	$ 53,444	$ 3,844,000	$ -	$ 9,458,854

Accumulated Amortization	Balance at December 31, 2020	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2021
Software	$ (419,225)	$ (436,921)	$ -	$ -	$ (856,146)
Brands and trademarks	(222,719)	(234,326)	-	-	(457,045)
Customer relationships	(232,827)	(235,615)	-	-	(468,442)
Technology	-	(106,779)	-	-	(106,779)
	$ (874,771)	$ (1,013,641)	$ -	$ -	$ (1,888,412)

Accumulated Impairment	Balance at December 31, 2020	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2021
Software	$ (17,365)	$ (929,567)	-	$ -	$ (946,932)
Brands and trademarks	(20,981)	(1,710,472)	-	-	(1,731,453)
Customer relationships	(150,681)	(1,004,155)	-	-	(1,154,836)
Technology	-	(3,737,221)	-	-	(3,737,221)
	$ (189,027)	$ (7,381,415)	-	$ -	$ (7,570,442)

Net book value	Balance at December 31, 2020	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2021
Software	$ 1,313,044	$ (1,313,044)	-	$ -	$ -
Brands and trademarks	1,944,798	(1,944,798)	-	-	-
Customer relationships	1,239,770	(1,239,770)	-	-	-
Technology	-	(3,844,000)	3,844,000	-	-
	$ 4,497,612	$ (8,341,612)	3,844,000	$ -	$ -

Cost	Balance at December 31, 2019	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2020
Software	$ 1,555,018	$ 357,772	$ -	$ (163,156)	$ 1,749,634
Brands and trademarks	2,188,498	-	-	-	2,188,498
Customer relationships	1,623,278	-	-	-	1,623,278
Licences	15,735,600	-	-	(15,735,600)	-
	$ 21,102,394	$ 357,772	$ -	$ (15,898,756)	$ 5,561,410

Accumulated Amortization	December 31, 2019	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2020
Software	$ (51,404)	$ (376,758)	$ -	$ 8,937	$ (419,225)
Brands and trademarks	-	(222,719)	-	-	(222,719)
Customer relationships	-	(232,827)	-	-	(232,827)
Licences	(52,079)	(1,180,170)	-	1,232,249	-
	$ (103,483)	$ (2,012,474)	$ -	$ 1,241,186	$ (874,771)

Accumulated Impairment	Balance at December 31,	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2020
Software	$ -	$ (18,435)	$ -	$ 1,070	$ (17,365)
Brands and trademarks	-	(20,981)	-	-	(20,981)
Customer relationships	-	(150,681)	-	-	(150,681)
Licences	-	(12,186,302)	-	12,186,302	-
	$ -	$ (12,376,399)	$ -	$ 12,187,372	$ (189,027)

Net book value	Balance at December 31,	Additions	Acquisition	Net assets held for sale	Balance at December 31, 2020
Software	$ 1,503,614	$ (37,421)	$ -	$ (153,149)	$ 1,313,044
Brands and trademarks	2,188,498	(243,700)	-	-	1,944,798
Customer relationships	1,623,278	(383,508)	-	-	1,239,770
Licences	15,683,521	(13,366,472)	-	(2,317,049)	-
	$ 20,998,911	$ (14,031,101)	$ -	$ (2,470,198)	$ 4,497,612

Impairment

At the end of each year, the Company assesses whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Goodwill was initially recognized on acquisition of Starseed Holdings Inc. in December, 2019 and on acquisition of CannTx (Refer Note 4) and is monitored at company-wide CGU level. The Company noted indicators of impairment as at December 31, 2021 and 2020, including market capitalization and ongoing business transformation plans and, as a result, carried out an assessment of the impairment of its goodwill and other assets. In testing for impairment, goodwill and other assets acquired in a business combination were allocated to the cash-generating units to which they related. As a result of impairment testing performed December 31, 2021 and 2020, the Company determined an impairment loss of $31,165,073 (December 31, 2020 - $34,800,000), representing the difference between the recoverable amount and the carrying value of the CGU.

The impairment loss during the years ended December 31, 2021 and 2020 has been allocated as follows:

- Goodwill - $6,011,097 (December 31, 2020- $16,123,601);
- Intangible assets - $7,381,415 (December 31, 2020- $12,376,399);
- Property, plant and equipment - $14,119,007 (December 31, 2020- $6,200,000); and
- Right of use assets -$3,653,554 (December 31, 2020- $100,000)

The significant assumptions applied in the determination of the value in use amount as at December 31 2020 and fair value less cost of disposal for 2021, are as explained as follows:

- Cash flows: Estimated cash flows were projected based on estimated operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The forecasts are extended to a total of five years (and a terminal year thereafter) and were approved by the management. In 2021, a cost of disposal of 5% and tax rate of 26.50% was used in the cash flow projection model;

- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;

- Pre-tax discount rate: The pre-tax discount rate is reflective of the CGUs Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a direct comparison approach, an unsystematic risk premium, and cost of debt based on corporate bond yields; and

The key assumptions used are as follows:

	2021	2020
Terminal value growth	6x	8x
Budgeted revenue growth rate	36%	26%
Weighted average cost of capital	16.02%	16.50%

In allocating the impairment loss for the current year, consideration was given to not reducing the carrying value of the property, plant and equipment comprising the Company's land and building below its fair value less costs of disposal. Such fair value was determined based on a third-party appraisal using market and cost approaches. Consideration was given to information from manufacturers, historical data and industry standards which constitute both observable and unobservable inputs (level 2 and level 3).

10. Assets held for sale

On January 19, 2021, the Company entered into a letter of intent (LOI) with a third-party buyer to sell all of the outstanding shares (Transaction) of SMI, a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company. A share purchase agreement was signed on March 15, 2021 to sell 100% of the outstanding shares of SMI on a cash-free and debt-free basis for a purchase price of $2,500,000. SMI is a holder of a licence to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Bowmanville Facility"). The lease liabilities along with right-of-use assets and related licence, as well as all property, plant and equipment of SMI were included in the sale of SMI. Certain key contracts and customer relationships have been excluded from the share purchase, and were transferred, along with the medical cannabis operations, SMI trademarks and ongoing business of SMI, to SHI. The Company vacated from and ceased all meaningful operations at the Bowmanville Facility during the first quarter of 2021.

The initial decision to initiate a sale process for the Bowmanville Facility happened in November 2020 when management signed a non-disclosure agreement with the first broker engaged by management on October 30, 2020 and formal discussions initiated with a second broker on November 3, 2020.

On November 20, 2020, a memorandum was prepared by management to outline the transaction structure possibilities and later more formality was added to the process by delivering to all interested parties a process letter on November 30, 2020. Assets at the Bowmanville Facility are classified as held for sale as management considered the net assets to be included in the sale to meet the criteria to be classified as held for sale at that date for the following reasons:

- Assets at the Bowmanville Facility are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- The Company approved the plan to sell in November 2020.

The transfer of the assets held at the Bowmanville Facility were completed by the end of the second quarter of 2021. The net assets of SMI included in the share purchase agreement, classified as a disposal group held of sale, and measured at the lower of carrying value and fair value less costs to sell. The fair value less costs to sell was determined to be $2,179,699 which includes the $2,500,000 sale price, net of $453,951 costs to sell and $133,650 pertains to reduction in lease liability. The costs to sell include legal fees, advisory fees and costs to the landlord of the Bowmanville Facility.

During the second quarter of 2021, the Company received $1,990,881 from the disposal of assets held for sale, $188,818 was transferred to receivables as it pertains to lease payments recoverable from the third party buyer and $332,696 was loss on sale of assets held for sale.

Assets	Note	$
Right-of-use assets	7	573,227
License - Intangible assets	9	2,470,198
Deposits		332,696
Property, plant and equipment	8	258,860
Assets held for sale		3,634,981
Less: Cost to sell		(453,951)
		3,181,030
Lease liabilities	7	(668,635)
Net assets held for sale		2,512,395
Less:		
Cash proceeds from disposal of assets held for sale		1,990,881
Transfer to receivables		188,818
Loss on assets held for sale		332,696
Net assets held for sale		-

11. Unsecured Convertible Debentures

		Debentures		Warrants		Conversion Feature		Total
Balance, December 31, 2019	$	8,321,120	$	1,447,359	$	1,514,025	$	11,282,504
Accretion of debentures		1,263,749		-		-		1,263,749
Balance, December 31, 2020	$	9,584,869	$	1,447,359	$	1,514,025	$	12,546,253
Accretion of debentures		1,639,303		-		-		1,639,303
Debentures issued on acquisition		886,035		-		112,095		998,130
Accretion of acquisition debentures		10,585		-		-		10,585
Balance, December 31, 2021	$	12,120,792	$	1,447,359	$	1,626,120	$	15,194,271

For the year ended December 31, 2020	
Short Term Portion	-
Long Term Portion	9,584,869
For the year ended December 31, 2021	
Short Term Portion	11,224,172
Long Term Portion	896,620

a) *2019 convertible debenture*

On September 25, 2019, the Company closed a bought-deal short-form prospectus offering of 13,115 convertible unsecured debentures units (the "2019 Unsecured Convertible Debentures") at a price per 2019 Unsecured Convertible Debenture of $1,000 for gross proceeds of $13,115,000 (the "Offering") with a syndicate of underwriters. The 2019 Unsecured Convertible Debentures bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The 2019 Unsecured Convertible Debentures have a maturity date of September 25, 2022 (the "Maturity Date").

The 2019 Unsecured Convertible Debentures are convertible at the option of the holder into Shares of the Company at any time prior to the earlier of:

(i) close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the 2019 Unsecured Convertible Debentures upon a change in control at a conversion price of $1.60 per Share (the "Conversion Price").

The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $3.20 for the consecutive 20 trading days preceding the notice.

Upon a Change of Control of the Company, holders of the 2019 Unsecured Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

In connection with the Company's 2019 Unsecured Convertible Debenture, the Company issued 8,196,875 warrants to the holders of the 2019 Unsecured Convertible Debentures. Each warrant is exercisable into one Share at the Conversion Price ($1.80) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $3,977,461 with reference to the Monte Carlo option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.53%; (iv) share price of $1.33; (v) forfeiture rate of nil; (vi) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The Monte Carlo option pricing model was deemed applicable to these warrants and the conversion feature as they have accelerated vesting terms based on the volume weighted average trading price of the outstanding common shares on the TSX Venture Exchange. The Black Scholes option pricing model does not address the accelerated vesting terms, and potential change in the time to the warrant's and conversion feature's expiry. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the 2019 Unsecured Convertible Debentures assuming a market interest rate of 20.92%, which was the estimated rate for the 2019 Unsecured Convertible Debentures without the equity component of the conversion feature. The effective interest rate of the 2019 Unsecured Convertible Debentures after reflecting issuance costs was 26.67%.

The residual of the principal less the present value of the liability component was allocated to the conversion option and the warrants based on their relative fair value, resulting in an allocation of $1,514,025 to the conversion option and $1,447,359 to the warrants.

The fair value of the conversion feature has been estimated as $4,283,419 using the Monte Carlo pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free interest rate of 1.53%; (iv) share price of $1.33; forfeiture rate of nil; and (v) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

The Company also issued to the Underwriters 983,624 compensation warrants with a fair value of $587,293. 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.60 per share for a period of up to 36 months following the close of the Offering and 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.80 per share for a period of up to 36 months following the close of the Offering. The Company paid $1,262,942 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability, warrants and conversion feature components in proportion to their initial carrying amounts.

During the year ended December 31, 2019, $350,000 of the Company's 2019 Unsecured Convertible Debentures were converted into 218,750 common shares at the option of the holder. There were no debentures converted during the years ended December 31, 2021 and 2020.

During the year ended December 31, 2021, the Company made interest payments amounting to $1,100,262 (December 31, 2020 - $1,070,162).

As a part of the acquisition (Note 4), the company also acquired unsecured convertible debentures issued for gross proceeds of $1,013,500. On acquisition date, these convertible debentures were fair valued amounting to $886,035 using a present value technique, by discounting the contractual cash flows using a market interest rate of companies with similar credit risk. The discount rate applied in determining the discounted cash flows of the debentures was 16.6%. The fair value of the conversion feature on acquired convertible debentures were recorded in the consolidated statements of changes in shareholders' equity amounting to $112,095 using the below stated assumptions. During the year ended, the Company incurred $10,585 in accretion expense relating to these debentures.

The following assumptions were used in Monte- Carlo Simulation model on acquisition date:

- Stock price of $0.16
- Expected maturity of 2.42 years
- Volatility of 86%
- Discount rate of 1.1%
- Conversion price of $0.5

12. Loans and Borrowings

	Financial Institution				LPF		1217174 Ontario LTD		
Maturity date	March 2022				August 2022		October 2026		
	Facility 1	Facility 2	Facility 3	Transaction costs	Term loan	Transaction costs	Canntx Loan	Canntx short term loan	Total
Balance, December 31, 2019	$ -	$ 33,150,000	$ 3,000,000	$ (321,505)	$ -	$ -	$ -	$ -	$ 35,828,495
Proceeds	3,290,620	-	-	-	30,000,000	(854,848)	-	-	32,435,772
Interest	73,709	1,684,284	173,294	-	1,125,000	-	-	-	3,056,287
Loss on loan modification	-	113,349	-	-	-	-	-	-	113,349
Repayment	-	(828,750)	(200,000)	-	-	-	-	-	(1,028,750)
Accretion	-	-	-	137,086	-	110,105	-	-	247,191
Interest payments	(73,709)	(1,684,284)	(173,294)	-	-	-	-	-	(1,931,287)
Balance, December 31, 2020	**$ 3,290,620**	**$ 32,434,599**	**$ 2,800,000**	**$ (184,419)**	**$ 31,125,000**	**$ (744,743)**	**$ -**	**$**	**$ 68,721,057**
Proceeds	1,300,000	-	-	-	20,000,000	(308,872)	-	-	20,991,128
Acquisition	-	-	-	-	-		3,653,050	71,950	3,725,000
Interest	92,049	1,855,440	149,623	-	5,083,944	-	25,875	-	7,206,931
Gain on loan modification	(14,051)	33,529	(2,303)	-	(244,331)	-	-	-	(227,156)
Repayment	(1,653,867)	(6,498,900)	(800,000)	-	-	-	-	(40,000)	(8,992,767)
Accretion	-	-	-	146,323	-	478,679	21,565	-	646,567
Interest payments	(84,594)	(1,533,124)	(127,538)	-	-	-	(25,875)	-	(1,771,131)
Balance, December 31, 2021	**$ 2,930,157**	**$ 26,291,544**	**$ 2,019,782**	**$ (38,096)**	**$ 55,964,613**	**$ (574,936)**	**$ 3,674,615**	**$ 31,950**	**$ 90,299,629**
								-	
For the year ended December 31, 2020									
Short Term Portion									3,986,677
Long Term Portion									64,734,380
For the year ended December 31, 2021									
Short Term Portion									86,625,014
Long Term Portion									3,674,615

<u>Financial Institution loan</u>

On March 29, 2019, the Company entered into combined secured credit agreements totaling $39.1 million (collectively, "Credit Facilities"). The Credit Facilities are comprised of the following:

Facility 1: $3,000,000 committed Revolving Credit Facility (the "Revolver");
Facility 2: $33,150,000 committed term loan;
Facility 3: $3,000,000 committed term loan.
Facility 4: $500,000 for working capital purposes (not yet withdrawn as of December 31, 2021)

The Credit Facilities mature March 29, 2022 ("Maturity Date").

The guarantors are 2686912 Ontario Limited, 2686913 Ontario Inc, Starseed Holdings Inc, North Star Wellness Inc and 2690870 Ontario Inc. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property (carrying value amounting to $81,700,129 pertaining to property, plant and equipment), leased property, insurance and shareholder loan.

The amount available under Facility 4 shall be added to the Revolving Credit Commitment (Facility 1) for the period commencing on the date that the Sixth Amendment to the Credit Agreement becomes effective until the earlier of (a) the date on which the Additional LiUNA Pension Fund of Central and Eastern Canada (“LPF”) Loan becomes available or (b) December 31, 2021. On that date, Facility 4 terminates and the amount available under the Revolving Credit remains at $3,000,000. Any amount outstanding under the Revolving Facility in excess of $3,000,000 must be repaid immediately. Facility 4 was expired on December 31, 2021.

Facility 1 requires interest-only payments with the balance due on the Maturity Date. As at December 31, 2021, $2,930,157 (December 31, 2020: $3,290,620) was outstanding.

Facility 2 requires interest-only payments until December 31, 2020, or such later date agreed upon conversion date, at which point the principal will become payable and will amortize over ten years with the remaining due upon the maturity date. The amortization period is 10 years but the term is for 3 years. As at December 31, 2021, $26,291,544 (December 31, 2020- $32,434,599) was outstanding.

Facility 3 requires interest-only payments until the Conversion Date*, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date. The amortization period is 10 years but the term is for 3 years. As at December 31, 2021, $2,019,782 (December 31, 2020- $2,800,000) was outstanding.

*Conversion date means March 28, 2022 or such later date as the Lenders and the Borrower may agree provided that, as of the date of any request for extension of the then applicable conversion date, the Required Lenders are satisfied that:

(a) no Default or Event of Default has occurred and is continuing; and
(b) the Credit Parties shall be in compliance with all terms and conditions of the Loan Documents, including all financial covenants that apply after the Conversion Date.

On June 30, 2020, the Company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the conversion date was amended from June 30, 2020, to June 30, 2021, and was further extended to December 31, 2021, resulting in a deferral of certain covenants by another six months. In addition, the Company has agreed to a 50-basis point increase in the applicable interest rate margin on the Credit Facility (first amendment), which was further increased by 25 basis points on October 18, 2021.

Due to the modification of interest and principal repayment (repayment of principal payment of $3 million from restricted cash), the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognized in profit or loss. The adjusted carrying amount is then amortized over the remaining term of the (modified) liability using the original effective interest rate.

On December 23, 2021, the Company announced that it had signed an amendment to its secured credit facility entered into on March 29, 2019 (the "Credit Facility"). Under the terms of the amendment, the Company secured a deferral of certain of its financial covenants to December 31, 2021, including the amendment of Conversion Date from December 31, 2021, to March 28, 2022. In addition, the Company has agreed to a 25-basis point increase in the applicable interest rate margin on the Credit Facility and retains the option, at the Company's discretion, to add interest accrued to the principal loan amount. The Credit Facility provides the Company with non-dilutive financing and greater financial flexibility in alignment with market conditions.

There is no change in the principal repayment other than the restricted cash of $3 million was adjusted against the principal repayment.

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the year ended December 31, 2020, the Company was in compliance with the applicable covenants. For the year ended December 31, 2021, the Company was in breach to comply with only one of the covenants specific to total funded debt to tangible net worth ratio of not more than 1:1, however the Company received a written waiver from the lender prior to issuance of the consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at December 31, 2021.

On March 30, 2022, the Company secured an extension of the maturity date of the Credit Facility from March 28, 2022 to May 31, 2022, and a deferral of certain of its financial covenants to May 31, 2022, subject to certain conditions (Refer subsequent events Note 30).

The Company is currently in discussion with its lenders to amend the payment terms.

LiUNA Pension Fund of Central and Eastern Canada (“LPF”) Loan

On September 23, 2020, the Company had entered into a credit facility with LPF. Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to add interest accrued to the principal loan amount.

The guarantors are 2686912 Ontario Limited, 2686913 Ontario Inc, Starseed Holdings Inc, North Star Wellness Inc and 2690870 Ontario Inc. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property (carrying value amounting to $81,700,129 pertaining to property, plant and equipment), leased property, insurance and shareholder loan.

On October 28, 2021, the Company amended its existing credit facility ("Credit Facility") with LPF resulting in an interest rate increase of 25 basis points.

Based on the agreement dated December 23, 2021, the Company received additional disbursement of $20 million proceeds from LPF for use by the Company for general working Capital purposes, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to add interest accrued to the principal loan amount. LPF is a shareholder of the Company (2021: 7.5%; 2020: 10.9%). As at December 31, 2021, $55,964,613 (December 31, 2020- $31,125,000) was outstanding.

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the year ended December 31, 2020, the Company was in compliance with the applicable covenants. For the year ended December 31, 2021, the Company was in breach to comply with only one of the covenants specific to total funded debt to tangible net worth ratio of not more than 1:1, however the Company received a written waiver from the lender prior to issuance of the consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at December 31, 2021.

1217174 Ontario LTD

As a part of the acquisition (refer note 4), the Company entered into a Loan agreement with 1217174 Ontario LTD for an aggregate principal balance of $5,000,000. The maturity date of the loan is 5 years from the date of acquisition. The interest rate of the loan is 6.21% payable on a monthly basis. There is a General Security agreement in place.

Concurrent with the loan, 1217174 Ontario LTD was granted 3,116,667 warrants with an exercise price of $0.354 per share purchase warrant. The expiry date of the warrants is December 15, 2024. The fair value estimate has been determined from the perspective of a market participant that holds similar loans without the share purchase warrants attached. The fair value of $3,653,050 on draw down date was estimated using a present value technique, by discounting the contractual cash flows using a market interest rate of companies with similar credit risk.

The discount rate applied in determining the discounted cash flows of the loan was 16.6%.

During the year ended, the Company incurred $51,750 in interest and $21,565 in accretion expense relating to these loans.

Restricted Cash

As at December 31, 2021, restricted cash amounted to $100,000 pertains to Credit card security (As at December 31, 2020 - $3,296,180 pertains to Credit card security and the debt service reserve). During the year ended December 31, 2021, the amendment in the agreement with the financial institution deleted the requirement for maintaining the debt service reserve ratio and the Company used $3,012,650 of restricted cash to repay the principal amount of the financial institution loan.

13. Share Capital

	Note	Number of shares		Amount
Balance as at December 31, 2019		186,489,559	$	137,646,156
Common shares issued upon private placement	13 (a)	23,079,763		25,000,000
Transfer on issuance of shares		692,393		583,581
Balance as at December 31, 2020		210,261,715	$	163,229,737
Common shares issued upon private placement	13 (c)	35,937,500		14,867,515
Issuance cost - cash	14 (b)	-		(1,437,305)
Issuance cost - warrants	14 (b)	-		(420,007)
Issuance of shares on exercise of stock option	13 (b)	425,000		397,301
Common shares issued upon Canntx Acquisition	13 (d)	57,352,487		9,176,398
Balance as at December 31, 2021		303,976,702	$	185,813,639

a) On February 4, 2020, the Company announced that its shareholders voted in favour of the resolution approving the private placement and exercise of subscription receipts with the LiUNA Pension of Central and Eastern Canada for gross proceeds of $25 million, which was completed as part of the Company's acquisition of Starseed Holdings Inc. With the approval, the subscription receipts automatically convert into 23,079,763 common shares of the Company and resulted in the creation of a new control person as defined under the applicable policies of the TSX Venture Exchange.

b) On February 10, 2021, one consultant exercised an option for 425,000 shares when the share price was $0.94.

c) On March 2, 2021, the Company announced a $17.5 million bought deal financing as the Company entered into an amended and restated underwriting agreement dated March 2, 2021, with Eight Capital and Canaccord Genuity Corp., as joint bookrunners and co-lead underwriters, and INFOR Financial Inc. (together with the co-lead underwriters, to amend the terms of the Offering to issue to the underwriters 31,250,000 units of the Company at a price per unit of $0.48 for gross proceeds of $15,000,000. Each unit comprised of one common share of the Company and one-half of one common share purchase warrant. Each Warrant shall entitle the holder thereof to purchase one common share at an exercise price of $0.60, for a period of 24 months following the closing of the Offering. On March 12, 2021, the Company closed its previously announced bought deal short-form prospectus offering of 35,937,500 units at a price of $0.48 per unit for aggregate gross proceeds of $17,250,000, including full exercise of the over-allotment. The Units were offered and sold by way of a short-form prospectus filed with the securities commissions in each of the provinces of Canada, other than Quebec and Newfoundland. Each unit will be comprised of one common share of the Company and one-half of one common share purchase warrant. If after March 12, 2022 the daily volume weighted average trading price of the common shares on the TSXV is equal to or greater than $0.96 per common share for the preceding 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the Warrants to a date that is 30 trading days following the date of the Company issues a press release disclosing such acceleration. Also refer Note 14.

d) Upon closing of the Acquisition, Entourage issued an aggregate of 57,352,487 Entourage common shares ("Common Shares") to CannTx shareholders of which an aggregate of 3,571,429 of such Common Shares will be held in escrow for a period of 12 months to secure indemnification and other obligations undertaken by certain vendors.

Under the terms of the Acquisition, certain former CannTx shareholders entered into agreements pursuant to which an aggregate of 14,685,278 Common Shares is subject to a post-closing lock-up arrangement whereby one quarter of such Common Shares shall be released from lock-up in equal installments at the end of each six (6) month period following closing of the Acquisition.

On October 29, 2021 the closing price of Entourage common shares on the TSXV was $0.16 per share, which translates to $9,176,398 as the consideration paid. Also refer Note 4 for additional details.

14. Warrants

	Note	Number of Warrants		Warrants reserve
Balance as at December 31, 2019		20,828,754	$	10,597,563
less: Warrants expired	14(a)	(8,023,256)		-
Balance as at December 31, 2020		12,805,498	$	10,597,563
add: warrants issued	14(b)	17,968,750		2,382,485
less: issuance cost - cash	14(b)	-		(230,325)
add: broker warrants issued	14(b)	2,156,250		420,007
add: warrants issued on acquisition	14(c)	3,116,667		172,216
Balance as at December 31, 2021		36,047,165	$	13,341,946

a) The warrants issued on January 11, 2018 with a total of 8,023,256 was expired on January 11, 2020.

b) Pursuant to the closing of the offering of 35,937,500 units on March 12, 2021, the Company received aggregate gross proceeds of $17,250,000. Each unit comprised of one common share of the Company and one-half of one common share purchase warrant. The Company incurred in total cash issuance cost of $1,667,630, which includes an accrual of $506,804. Warrants issued during the year ended December 31, 2021, are classified as equity as it meets the fixed-to-fixed criteria as there is no variability in the exercise price and the number of shares to be converted on exercise of warrants are known at inception. The Company used Monte-Carlo Simulation model to determine the fair value of these warrants of $2,382,485 on issuance date. The gross proceeds and the issuance cost have been allocated into share capital and warrants based on their relative fair values.

In addition, On March 12, 2021, the Company also issued 2,156,250 of broker warrant units to be exercised at $0.48, for a period of 24 months following the closing of the Offering subject to adjustments of certain events. Each warrant unit comprised of one common share of the Company and one-half of one common share purchase warrant. Each Warrant shall entitle the holder thereof to purchase one common share at an exercise price of $0.60, for a period of 24 months following the closing of the Offering. The Company used Monte-Carlo Simulation model to determine the fair value of these warrant units of $420,007 on issuance date. The fair value of these broker warrant units is considered as issuance costs and have been allocated into share capital and warrants based on their relative fair values.

The following assumptions were used in Monte- Carlo Simulation model on issuance date:

- Stock price of $0.48
- Expected maturity of 2 years
- Volatility of 89.91%
- Discount rate of 0.31%
- Exercise price of $0.48 - $0.60

Warrant pricing models require the input of subjective assumptions, and changes in the input assumptions can materially affect the fair value estimation. Expected volatility is based on the historical volatility in the stock price. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on the zero-coupon government of Canada bonds with a remaining term equal to the expected life of the warrants.

c) As a part of the acquisition (refer note 4), the Company entered into a Loan agreement with 1217174 Ontario LTD for an aggregate principal balance of $5,000,000 (Refer note 12)

Concurrent with the loan, 1217174 Ontario LTD was granted 3,116,667 warrants with an exercise price of $0.354 per share purchase warrant. The expiry date of the warrants is December 15, 2024. The fair value estimate has been determined from the perspective of a market participant that holds similar loans without the share purchase warrants attached. The fair value of the loan component amounting to $3,653,050 on draw down date was estimated using a present value technique, by discounting the contractual cash flows using a market interest rate of companies with similar credit risk. Warrants were fair valued using the below stated assumptions amounting to $172,216 and were recorded in the warrant reserves in the consolidated statements of changes in shareholders' equity.

The following assumptions were used in Monte- Carlo Simulation model on acquisition date:

- Stock price of $0.16
- Expected maturity of 3.13 years
- Volatility of 80.8%
- Discount rate of 1.16%
- Exercise price of $0.354

Warrant pricing models require the input of subjective assumptions, and changes in the input assumptions can materially affect the fair value estimation. Expected volatility is based on the historical volatility in the stock price. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on the zero-coupon government of Canada bonds with a remaining term equal to the expected life of the warrants.

15. Contributed Surplus

The Company has established a stock option plan for its directors, officers, employees and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

As at December 31, 2021, the Company's outstanding stock options consists of the following:

	Note	Number of options		Contributed surplus
Balance as at December 31, 2019		**16,345,026**	**$**	**13,980,748**
Stock options cancelled		(420,834)		-
Stock options forfeited		(3,742,512)		-
Stock options expired		(511,515)		-
Transfer on issuance of shares		-		(583,581)
Share based compensation	15(a)	-		943,243
Stock options granted	15(a)	2,469,500		531,514
Deferred stock units issued	15(b,c,d,e)	-		1,163,222
Balance as at December 31, 2020		**14,139,665**	**$**	**16,035,146**
Stock options forfeited		(5,370,549)		(234,947)
Stock options exercised	13 (b)	(425,000)		(142,301)
Stock options expired	15(k)	(487,000)		-
Stock options granted	15(j)	125,000		21,094
Share based compensation	15(j)	-		431,679
Deferred stock units issued	15(f,g,h,i)	-		642,020
Stock options issued on acquisition	4	4,108,500		113,189
Balance as at December 31, 2021		**12,090,616**	**$**	**16,865,880**

As at December 31, 2021, 12,090,616 (December 31, 2020: 14,139,665) Shares have been reserved for stock options as follows:

Exercise price	Number of options outstanding	Number of options exercisable	Remaining life (years)	Weighted average remaining life (years)	Weighted average exercise price
2.36	1,098,000	1,098,000	1.03	0.09	0.21
1.80	400,000	400,000	1.38	0.05	0.06
2.07	650,000	650,000	1.68	0.09	0.11
1.95	200,000	200,000	1.78	0.03	0.03
1.53	540,500	540,500	2.02	0.09	0.07
2.00	300,000	300,000	0.29	0.01	0.05
1.52	270,000	225,000	2.52	0.06	0.03
0.98	2,346,638	2,346,638	0.84	0.16	0.19
3.26	157,978	157,978	1.83	0.02	0.04
0.40	1,894,000	1,894,000	3.54	0.55	0.06
0.40	125,000	31,250	4.75	0.05	0.00
0.48	1,010,000	1,010,000	1.24	0.10	0.04
0.50	700,000	700,000	1.70	0.10	0.03
0.84	60,000	60,000	1.20	0.01	0.00
0.84	48,000	48,000	1.24	-	0.00
0.85	200,000	200,000	1.64	0.03	0.01
0.85	600,000	600,000	2.96	0.15	0.04
0.85	25,000	25,000	1.50	-	0.00
0.85	145,000	145,000	1.45	0.02	0.01
0.85	50,000	50,000	1.50	0.01	0.00
1.00	20,000	20,000	1.06	-	0.00
1.00	20,500	20,500	1.12	-	0.00
1.00	10,000	10,000	1.91	-	0.00
1.25	5,000	5,000	1.62	-	0.00
1.25	10,000	10,000	1.98	-	0.00
1.48	440,000	440,000	3.18	0.12	0.05
1.75	105,000	105,000	1.73	0.02	0.02
1.75	250,000	250,000	1.73	0.04	0.04
1.75	60,000	60,000	1.97	0.01	0.01
1.75	250,000	250,000	2.00	0.04	0.04
1.75	100,000	100,000	2.60	0.02	0.01
	12,090,616	**11,951,866**			1.19

a) On July 17, 2020, the Company granted 2,469,500 options to management, employees, directors and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $0.40, until July 16, 2025. 832,167 of the options vest over four months, 832,167 of the options vest over eight month, 832,166 of the options vest over 12 months, The fair value of the Options has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 106.6%; (iii) risk-free interest rate of 0.35%; (iv) share price of $0.41; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $781,000. Total share-based compensation for the year ended December 31, 2020 is $1,474,757 which includes $531,514 pertaining to stock options issued in 2020.

b) On July 20, 2020, the Company determined and authorized the grant of an aggregate of 2,688,314 deferred share units (“DSUs”) to certain directors and officers of the Company based on the fair value of the services provided. Of the DSUs granted, 1,441,647 will vest immediately, 623,334 vested on December 8, 2020, and 623,333 will vest on June 8, 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date and value of the services provided.

   Management estimates the total fair value of the DSUs to be $1,048,442. Share-based compensation for the year ended December 31, 2020 is $928,774 and December 31, 2021 is $119,668.

c) On August 5, 2020, the Company determined and authorized the grant of an aggregate of 356,434 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first and second quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $128,316 included in the share-based compensation for the year ended December 31, 2020.

d) On October 22, 2020, the Company determined and authorized the grant of an aggregate of 158,026 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $41,087 included in the share-based compensation for the year ended December 31, 2020.

e) On December 31, 2020, the Company determined and authorized the grant of an aggregate of 265,491 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the fourth quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $65,045 included in the share-based compensation for the year ended December 31, 2020.

f) On April 07, 2021, the Company determined and authorized the grant of an aggregate of 275,864 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $80,000.

g) On June 30, 2021, the Company determined and authorized the grant of an aggregate of 280,700 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the second quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $80,000.

h) On September 30, 2021, the Company determined and authorized the grant of an aggregate of 736,018 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $139,843.

i) On December 31, 2021, the Company determined and authorized the grant of an aggregate of 2,226,473 deferred share units ("DSUs") to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the fourth quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $222,509.

j) On September 31, 2021, the Company granted 125,000 options to an employee of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $0.40, until September 31, 2026. These options vest quarterly over 12 months. The fair value of the Options has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90.8%; (iii) risk-free interest rate of 0.48%; (iv) share price of $0.19; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $21,038. Total share-based compensation for the year ended December 31, 2021 is $452,773.

k) Stock options expired during the year ended December 31, 2021 represents options expired due to employee turnover.

16. Income Taxes

Income Tax Rate Reconciliation

As at December 31,		2021		2020
Net loss before income taxes	$	(78,935,133)	$	(89,607,134)
Combined Federal and Provincial statutory income tax rate		26.50%		26.50%
Expected recovery at statutary rate		(20,917,810)		(23,745,891)
Impairment of goodwill		890,352		4,272,754
Non-deductible expenses and other permanent differences		626,402		1,168,591
Transaction cost		826,317		-
Disposal of Starseed Medicinal Inc.		2,753,301		-
Share issuance cost booked through equity		(380,886)		-
Adjustments relating to inventory provision and others		(3,520,059)		-
Others		328,162		-
Change in deferred tax assets not recognized		19,394,221		18,304,546
Expected deferred income tax expense (recovery)	$	-	$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Deferred Taxes

The following summarizes the components of deferred tax:

As at December 31,		2021		2020
Reserves and loss carry-forwards	$	50,853,709	$	29,925,137
Inventory		(1,805,431)		(3,153,195)
Biological assets		-		(50,260)
Share issue costs		356,440		171,660
Property, plant and equipment		3,790,956		4,253,388
ROU assets		-		(831,116)
Lease liabilities		779,118		681,552
Intangible assets		250,647		1,335,962
Others		5,685		(15,403)
Deferred tax assets not recognized		(54,231,124)		(32,317,725)
	$	-	$	-

The Canadian non-capital loss carry forwards expire as noted in the table below:

The net capital losses may be carried forward indefinitely, but can only be used to reduce capital gains.

Share issue and financing costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets of $54,231,124 have not been recognized because it is not probable that future taxable profits will be available against which the company can utilize the benefits therefrom.

Loss Carry Forwards
The Company's unrecognized non-capital income tax losses expire as follows:

As at December 31,		2021		2020
2033	$	-	$	462,204
2034		-		311,646
2035		-		4,296,698
2036		-		4,949,712
2037		2,573,646		15,559,551
2038		10,211,295		25,897,619
2039		39,136,240		12,767,420
2040		72,267,259		47,941,171
2041		50,835,968		-
	$	175,024,408	$	112,186,021
Net capital loss expiry:				
Indefinite		5,799,587		1,478,048
		5,799,587		1,478,048

17. Selling, General and Administrative Expenses

For the year ended December 31,		2021		2020
Salaries and benefits	$	11,946,564	$	12,494,636
Rent & occupancy		313,810		240,835
Office & Administrative		5,580,991		6,027,928
Professional fees		3,696,793		2,900,198
Consulting fees		3,333,263		2,196,832
Travel & accomodations		1,587		209,767
Selling, marketing and promotion		3,458,800		1,773,889
Research and development		396,964		834,422
Impairment of promissory note receivable		-		963,917
Total	$	28,728,772	$	27,642,424

For the year ended December 31, 2021, Salaries and benefits included in COGS amount to $ 3,947,647.

18. Finance Costs

For the year ended December 31,		2021		2020
Accretion cost	$	2,296,455	$	1,489,958
Interest expense on credit facilities		2,122,987		1,931,287
Accrued interest on term loan (Liuna)		5,083,944		1,011,307
Interest expense on unsecured convertible debentures		1,100,262		1,100,262
Interest expense on lease liabilities		170,823		284,561
Foreign exchange loss		134,484		92,082
Others bank charges		115,681		-
	$	11,024,636	$	5,909,457

19. Loss per Share

For the year ended December 31,		2021		2020
Basic and diluted loss per share:				
Loss attributable to holders of shares	$	**(78,935,133)**	$	(89,607,134)
Weighted average number of shares outstanding		**249,012,535**		208,047,322
		(0.32)		(0.43)

For periods where the Company records a loss, the Company calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive. Consequently, for the year ended December 31, 2021, the Company calculated loss per share using 249,012,535 (December 31,2020: 208,047,322) common shares. The effect of options, warrants and conversion feature was anti-dilutive.

20. Change in Non-cash Operating Working Capital

For the years ended December 31,		2021		2020
Trade and other receivables	$	(4,576,378)	$	1,093,605
Prepaid expenses and deposits		(679,417)		2,026,943
Inventory		(7,105,840)		(19,245,637)
Biological assets		(4,353,684)		3,502,927
Commodity tax receivable		871,203		346,662
Accounts payable and accrued liabilities		(2,373,974)		(12,458,838)
Unearned revenue		-		(2,512,967)
Net Changes in Non-Cash Working Capital	$	(18,218,090)	$	(27,247,305)

Unearned revenue consists mainly of revenue relating to Bulk Sale made to one customer as at December 31, 2019 amounting to $2,512,967. Unearned revenue is recognized as revenue upon acceptance of delivery by the customer. Unearned revenue was recognized as revenue at the beginning of the year ended December 31, 2020. As at year ended December 31, 2021, the company recorded Nil (December 31, 2020- $Nil) as unearned revenue.

21. Trade and other receivables

		December 31, 2021		December 31, 2020
Gross trade receivables	$	7,573,550	$	1,740,758
Less: allowance for expected credit losses		-		-
Net trade receivables		7,573,550		1,740,758
Other receivables		103,660		512,062
Total	$	7,677,210	$	2,252,820

The ageing of outstanding receivables for the years ended December 31, 2021 and 2020 are detailed as below:

Trade receivables ageing		December 31, 2021		December 31, 2020
0-89 days	$	7,573,550	$	1,478,058
90-119 days		-		262,700
120 days and above		-		-
Total	$	7,573,550	$	1,740,758

Trade receivables are from sale of dried cannabis and cannabis extracts sold directly to medical patients (“Medical”), wholesale of finished products to provinces and provincially regulated distributors (“Adult Use”), and wholesale of bulk to other Licensed Producers and Provincially regulated distributors (“Bulk”).

Trade receivables for Medical are mostly paid upfront or settled by Insurance providers through direct billing, Adult use receivables are generally received within 90 days of sale from the provincial boards and bulk use receivables are outstanding as at year end but do not exceed aging above 30 days due to which there are no expected credit losses for the Company.

22. Account payables and accrued liabilities

		December 31, 2021		December 31, 2020
Trade payables	$	5,119,834	$	7,620,240
Accrued employee benefits		2,025,699		352,148
Accrued excise taxes		2,208,403		3,545,600
Accrued audit fees		850,000		650,000
Accrued and other payables		7,233,393		3,390,738
Total	$	17,437,329	$	15,558,726

23. Revenue

For the years ended December 31,		2021		2020
Medical	$	17,121,869	$	13,650,620
Adult Use		36,371,845		16,610,316
Bulk		1,735,656		5,222,839
Total Revenue	$	55,229,370	$	35,483,775

For the year ended December 31, 2021, 58% (December 31, 2020: 48%) of total revenue is from 3 customers (December 31, 2020: 3 customers) each representing more than 10% of the Company's revenue. As at December 31, 2021, the Company recognized a contract liability of $408,908 pertaining to customer returns (December 31, 2020 - $514,656) which is expected to settle within one operating cycle. During the year ended December 31, 2021, actual returns amounted to $616,472 recorded net of revenue in the consolidated statements of loss and comprehensive loss.

24. Related Party Transactions

The Company's key management includes the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Commercial Officer, Senior Vice President of Operations and all directors. Transactions with related parties include salaries, share based compensation and service fees.

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing, unsecured and have no fixed repayment terms, other than the credit facility within LiUNA Pension Fund of Central and Eastern Canada ("LPF")

On September 23, 2020, the Company had entered into a credit facility with the LPF – a major shareholder of the Company. Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan.

On October 18, 2021, the Company signed an amendment to the credit facility with the LiUNA Pension Fund of Central and Eastern Canada ("LPF"). Under the revised terms, LPF provided the Company with an additional disbursement of $20 million and increased the interest rate by 25 basis points with other terms remaining the same. The transaction cost of $0.3 million was adjusted against the loan and will be accreted over the terms of the loan.

The total interest charged on loan was $5,083,944 for the year ended December 31, 2021 (December 31, 2020 - $1,125,000).

The balances outstanding for remuneration/service fees/ share based compensation payable to key management are as follows:

For the years ended December 31,		**2021**	**2020**
Accounts payable and accrued liabilities	**$**	**115,543**	146,900

For the year ended December 31, 2021 and 2020, total remuneration/service fees/ share based compensation expensed pertaining to the key management is as follows:

For the years ended December 31,		2021	2020
Share based Compensation	$	1,113,012	835,899
Salaries		1,676,261	1,157,640
Bonus		187,394	110,000
Severance payments		859,310	906,891
Fees		-	425,000
	$	3,835,977	3,435,430

During the year ended December 31, 2021, 125,000 stock options (year ended December 31, 2020: 3,468,265) were issued with fair value of $21,094 (year ended December 31, 2020: $1,282,891).

25. Commitments and Contingencies

Commitments

The commitment schedule for all future committed payments excluding lease payments disclosed in Note 7 is outlined in the table below:

Within 1 year	$	10,547
Within 2 years		9,833
Within 3 years		6,051
Within 4 years		550
Greater than 4 years		-
	$	26,981

Contingencies

On July 2, 2021, Pioneer (Note 5), an investee of the Company, commenced legal action against a former executive of Pioneer to seek damages in the amount of $1,235,292 for the recovery of funds advanced to the former executive. These advances were partially funded through a promissory note issued by the Company. On November 22, 2021, Pioneer received a counterclaim from the former Pioneer executive, amounting to $1,000,000 for breach of contract, misrepresentation, and breach of franchise disclosure obligations. The Company believes that the outcome of this claim and counterclaim will not have any material effect on its consolidated financial statements.

26. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

The carrying values of cash (Level 1), trade and other receivables (Level 2), accounts payable (Level 2) and accrued liabilities (Level 2), short term loan and borrowings (Level 2) approximate their fair values because of the short-term nature of these financial instruments. Long term loan and borrowings and unsecured convertible debentures are recorded at amortized cost.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on its trade and other receivables which has a balance of $7,677,210 (December 31, 2020: $2,252,820).

As at December 31, 2021, 54% (December 31, 2020: 61%) of the Company's trade and other receivables balance, is owing from 1 customer (December 31, 2020: 2 customers), each representing more than 10% of trade and other receivables.

Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables are from government bodies and participants in the cannabis industry and are received within a short period of time. As at December 31, 2021 the Company has $Nil of impaired receivables and promissory notes receivable (Promissory note receivable: December 31, 2020: $963,917). Management expects credit risk to be minimal.

(c) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at the time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due.

The Company has total current liabilities of $116,392,767 (December 31, 2020: $21,729,337) with cash on hand of $21,416,073 (December 31, 2020: $22,321,903). In the opinion of management, the liquidity risk exposure to the Company is moderate. The Company will manage the risk exposure through increased future sales, minimizing expenses by increasing efficiency and productivity, accessing the Revolving Credit Facility, and if necessary, raise additional capital through debt and/or equity.

The contractual maturities of all liabilities and lease obligations by year is as follows:

	2022	2023	2024	2025	2026 and later
Lease liabilities	$ 1,272,470	$ 445,371	$ 329,827	$ 326,686	$ 1,257,617
Loans and borrowings	91,161,350	569,250	310,500	310,500	5,310,500
Unsecured convertible debentures	14,083,450	97,798	570,640	-	-
Other commitments	10,547	9,833	6,051	550	-
Accounts payables and accrued liabilities	17,437,329	-	-	-	-
Total	**$ 123,965,146**	**$ 1,122,252**	**$ 1,217,018**	**$ 637,736**	**$ 6,568,117**

(e) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the Company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of management, the cash flow risk exposure to the Company is low.

27. Capital Management

The Company includes shareholders' equity, comprised of common shares, warrants reserve, conversion feature, contributed surplus and accumulated deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

(i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and

(ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

28. Other Income

During the year ended December 31, 2021, out of the total other income recorded of $5,959,738 (December 31, 2020 - $3,980,274), $3,917,278 (December 31, 2020 - $3,980,274) represents inventory received pertaining to a prepaid supply agreement that was previously written off and $987,893 represents HST receivable and the remaining balance pertains to write back of certain accounts payable and Commodity tax payable.

29. Government Grant

The Company received $2,301,857 wage subsidy during the year ended December 31, 2021 (December 31, 2020: $4,215,868) from Government of Canada pursuant to Canada Emergency Wage Subsidy program relating to Covid-19 Pandemic Crisis.

30. Reclassification of comparative information

Certain comparative figures have been reclassified in these consolidated financial statements, as described below:

Consolidated Statement of Financial Position as at December 31, 2020

An amount of $485,195 was reclassified from prepaid expenses and deposits classified as current assets to prepaid expenses and deposits classified as non-current assets. There was no change in total assets.

Consolidated Statement of Cash Flows for the year ended December 31, 2020

Certain non-cash items were reclassified to changes in non-cash working capital as follows:

- Depreciation and amortization was increased by $4,849,324.
- Impairment of inventory amounting to $27,721,116 was included as non-cash item.
- Impairment of long lived assets was reduced by $453,951.
- Changes in non-cash working capital was reduced by $32,116,489.

There was no change in cash flows from operating activities.

31. Subsequent Events

The Company's management has evaluated subsequent events up to May 9, 2022, the date the consolidated financial statements were issued and determined the following events:

- On March 30, 2022 the Company confirmed it has signed an additional amendment (the "Amendment") to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility"). The Amendment modifies the terms under which Entourage secured up to $39 million of debt financing over a three-year term ending in 2022. Under the terms of the Amendment, the Company secured an extension of the maturity date of the Credit Facility from March 28, 2022 to May 31, 2022, and a deferral of certain of its financial covenants to May 31, 2022, subject to certain conditions.

- On April 6, 2022 the Company implemented its transformational initiative to transition all cultivation activities pertaining to the commercial sale of products to the Strathroy facility. Moving forward, the Guelph site will be fully utilized as a tissue culture centre of excellence that specializes in highly regarded genetics and cultivars. The invaluable expertise of the Guelph tissue culture, genetics and propagations team has helped the Company enhance its Strathroy cultivation platform for Color Cannabis, Saturday Cannabis and Starseed Medicinal. Production of premium flower for small-batch Royal City Cannabis Co. line will be done in Strathroy.

- On April 29, 2022, the Company announced that it has amended and upsized its existing credit facility (the "Credit Facility") with an affiliate of the LiUNA Pension Fund of Central and Eastern Canada ("LPF"), adding an additional $15 million in funding availability. The Credit Facility will be used by Entourage for general working capital purposes as the Company continue to execute a balanced approach to achieving sustainable growth by the end of 2022.