CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ENTOURAGE HEALTH CORP.

For the three months ended
March 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

(Unaudited)

CONTENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of Entourage Health Corp. (the "Company"), is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements (the "condensed interim consolidated financial statements").

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim 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 condensed interim consolidated financial statements.

George Scorsis, Chief Executive Officer
May 30, 2022

Notice of No Auditor's Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements of Entourage Health Corp.

The accompanying condensed interim consolidated financial statements (unaudited) of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Chartered Professional Accountants (CPA) Canada for a review of interim financial statements by an entity's auditors.

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian dollars)

	Note		March 31, 2022		December 31, 2021
Assets					
Current					
Cash		$	9,783,979	$	21,416,073
Restricted cash			100,000		100,000
Trade and other receivables	15		7,281,330		7,677,210
Inventory	3		29,371,405		29,640,553
Biological assets	3		792,041		607,175
Prepaid expenses and deposits			2,788,773		931,090
Commodity tax receivable			651,180		1,053,312
Total current assets			50,768,708		61,425,413
Prepaid expenses and deposits			417,986		1,098,286
Property, plant and equipment	5		81,421,835		81,700,129
Total assets		$	132,608,529	$	144,223,828
Liabilities					
Current					
Accounts payables and accrued liabilities	16	$	13,597,038	$	17,437,329
Current portion of lease liabilities	4		860,114		1,106,252
Current portion of loans and borrowings	7		87,179,338		86,625,014
Current portion of unsecured convertible debentures	6		11,705,095		11,224,172
Total current liabilities			113,341,585		116,392,767
Lease liabilities	4		1,751,760		1,833,815
Loans and borrowings	7		3,738,202		3,674,615
Unsecured convertible debentures	6		904,999		896,620
Total liabilities		$	119,736,546	$	122,797,817
Shareholders' equity					
Common shares	8	$	185,813,639	$	185,813,639
Warrants reserve	9		13,341,946		13,341,946
Conversion feature	6		1,626,120		1,626,120
Contributed surplus	10		17,075,451		16,865,880
Accumulated deficit			(204,985,173)		(196,221,574)
Total shareholders' equity			12,871,983		21,426,011
Total liabilities and shareholders' equity		$	132,608,529	$	144,223,828

Going concern (Note 2)

Commitments and Contingencies (Note 19)

Subsequent events (Note 24)

See accompanying notes to the condensed interim consolidated financial statements

"George Scorsis" (signed)
Director

"Bruce Croxon" (signed)
Director

Entourage Health Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)

For the three months ended March 31,	Note		2022	2021
Revenue	17	$	**15,770,569**	12,899,981
Excise taxes			**(3,346,599)**	(2,621,913)
Revenue, net			**12,423,970**	**10,278,068**
Cost of goods sold			**(9,686,786)**	(10,027,328)
Gross profit before changes in fair value			**2,737,184**	**250,740**
Realized fair value amounts included in inventory sold	3		**1,326,699**	4,408,644
Unrealized gain on changes in fair value of biological assets	3		**(528,291)**	(4,081,729)
Gross profit (loss)			**1,938,776**	**(76,175)**
Depreciation and amortization			**7,401**	1,274,205
Selling, general and administrative expenses	11		**6,669,698**	6,020,665
Finance costs	12		**3,815,705**	2,480,958
Share based compensation	10		**209,571**	399,204
Loss from operations			**(8,763,599)**	**(10,251,207)**
Other income, net	22		-	3,198,258
Government grant	23		-	45,014
Loss and comprehensive loss			**(8,763,599)**	**(7,007,935)**
Basic and diluted loss per share	13	$	**(0.03)**	**(0.03)**

See accompanying notes to condensed interim consolidated financial statements

Entourage Health Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian dollars)

	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		-	-	-	-	399,204	-	399,204
Common shares issued upon private placement		35,937,500	13,976,016	3,273,984	-	-	-	17,250,000
Issuance cost		-	(1,351,120)	(316,510)	-	-	-	(1,667,630)
Shares issued on exercise of stock option		425,000	255,000	-	-	-	-	255,000
Loss and comprehensive loss		-	-	-	-	-	(7,007,935)	(7,007,935)
Balance, March 31, 2021		**246,624,215**	**176,109,633**	**13,555,037**	**1,514,025**	**16,434,350**	**(124,294,376)**	**83,318,669**
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**
Share based compensation		-	-	-	-	209,571	-	209,571
Loss and comprehensive loss		-	-	-	-	-	(8,763,599)	(8,763,599)
Balance, March 31, 2022		**303,976,702**	**185,813,639**	**13,341,946**	**1,626,120**	**17,075,451**	**(204,985,173)**	**12,871,983**

See accompanying notes to the condensed interim consolidated financial statements

Entourage Health Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

For the three months ended March 31,	Note		2022		2021
Cashflows provided by (used in):					
Operating					
Net loss		$	**(8,763,599)**	$	(7,007,935)
Adjustments for:					
Depreciation and amortization			**1,522,135**		1,274,205
Impairment of inventory included in cost of goods sold			**592,468**		-
Share based compensation			**209,571**		399,204
Finance costs			**3,815,705**		2,480,958
Realized fair value amounts included in inventory sold			**1,326,699**		4,408,644
Unrealized (gain) on changes in fair value of biological assets and inventory			**(528,291)**		(4,081,729)
			(1,825,312)		(2,526,653)
Change in non-cash working capital	14		**(5,558,101)**		(12,253,844)
		$	**(7,383,413)**	$	(14,780,497)
Investing					
Purchase of property, plant and equipment	5		**(1,306,641)**		-
Purchase of intangible assets			-		(26,963)
Proceeds from disposal of property, plant and equipment			**62,801**		-
		$	**(1,243,840)**	$	(26,963)
Financing					
Proceeds from issuance of share capital, net of issuance cost	8 & 9		-		16,089,174
Shares issued on exercise of stock option	8		-		255,000
Payment of lease liabilities	4		**(384,391)**		(206,598)
Repayment of loans and borrowings	7		**(1,857,500)**		(2,682,617)
Interest paid			**(762,950)**		(455,501)
		$	**(3,004,841)**	$	12,999,458
Decrease in cash			**(11,632,094)**		(1,808,002)
Cash, beginning of the period			**21,516,073**		25,618,083
Cash, end of the period		$	**9,883,979**	$	23,810,081
Cash			**9,783,979**		20,513,922
Restricted cash			**100,000**		3,296,159
		$	**9,883,979**	$	23,810,081

See accompanying notes to the condensed interim consolidated financial statements

1. Nature of Operations

Entourage Health Corp. is the publicly traded parent company of Entourage Brands Corp., 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 ("Strathroy Facility"), 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 condensed interim consolidated financial statements of the Company for the three months ended March 31, 2022, are comprised of Entourage Health Corp. and its wholly-owned subsidiaries: Entourage Brands Corp., 2686912 Ontario Limited, 2686913 Ontario Inc., CannTx Life Sciences Inc. ("CannTx" was acquired on October 29, 2021), Pioneer Cannabis Corp. ("Pioneer") (50.1% ownership-inactive 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.

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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of Entourage Health Corp. for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 30, 2022.

b) Basis of presentation

The condensed interim 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.

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

c) Basis of consolidation

The financial statements of subsidiaries are included in the condensed interim 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 condensed interim consolidated financial statements.

d) Accounting estimates and judgments

The preparation of these condensed interim 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 condensed interim 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. In calculating the value of the biological assets and the net realizable value of inventory, 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 condensed interim 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 three months ended March 31, 2022, 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 condensed interim 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 condensed interim 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 March 31, 2022, the Company had a negative working capital of $62,572,877 (December 31, 2021 – negative working capital of $54,967,354) and an accumulated deficit of $204,985,173 (December 31, 2021 - $196,221,574). For the three months ended, the Company used cash in operating activities of $7,383,413 (three months ended March 31, 2021 - $14,780,497), resulting primarily from the net loss of $8,763,599 (three months ended March 31, 2021 - $7,007,935) 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 condensed interim 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.

g) New and Amended Accounting Pronouncements

Accounting pronouncements not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2022 and, accordingly, have not been applied in preparing these interim financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges identified after IFRS 17 was published in 2017. The amendments also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

(Unaudited – Expressed in Canadian Dollars)

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 – Presentation of Financial Statements ("IAS 1"), IFRS Practice Statement 2 – Making Materiality Judgments ("IFRS Practice Statement 2") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies 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. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

3. Inventory and Biological Assets

Inventory

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

	March 31, 2022		December 31, 2021	
	$	Grams	$	Grams
Dried cannabis	17,019,262	20,023,872	17,736,539	20,023,872
Harvested work in progress	4,828,904	7,955,362	4,121,413	9,110,900
Extracts				
Resin	151,385	297,505	144,616	289,045
Crude oil	1,091,074	198,555	998,714	109,770
Finished oil	4,087,861	1,925,928	4,391,981	1,925,928
Non-cannabis inventory	2,192,919	-	2,247,290	-
	29,371,405		29,640,553	

During the three months ended March 31, 2022, the Company recognized impairment of inventory amounting to $592,469 (March 31, 2021 - $2,207,345) included in cost of goods sold and $(331,804) (March 31, 2021 - $3,389,271) included in realized fair value amounts included in inventory sold in the statements of loss and comprehensive loss.

Included in COGS are expenses of $1,779,604, representing costs incurred through a pause in production in five cultivation rooms for approximately six weeks during the three months ended March 31, 2022. Production was paused to remediate certain structural deficiencies at the Strathroy facility.

(Unaudited – Expressed in Canadian Dollars)

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, 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**
Changes in fair value less costs to sell due to biological transformation	528,291
Production costs capitalized	1,118,096
Transferred to inventory upon harvest	(1,461,521)
Carrying amount, March 31, 2022	**792,041**

All of the plants are to be harvested as agricultural produce. Indoor grow plants are up to sixteen weeks from harvest (December 31, 2021: up to twelve weeks) and the life cycle is estimated to be one hundred and forty days (December 31, 2021: one hundred and two days). The Company did not hold plants to be sold as live plants at March 31, 2022 and December 31, 2021. 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 up to 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.

(Unaudited – Expressed in Canadian Dollars)

The Company estimates harvest yields for the plants at various stages of growth. As of March 31, 2022, it is expected that the Company's biological assets that are to be harvested from its greenhouse facility will yield approximately 1,515,213 grams (December 31, 2021: 1,105,431 grams) with a value of $792,041 (December 31, 2021: $607,175), based on the current stage of growth. The weighted average selling price used in the valuation is $0.86 per gram (December 31, 2021: $0.59 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 March 31, 2022, have incurred an average of 61% of costs to harvest (December 31, 2021: 40%).

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.

	March 31, 2022 Valuation inputs	December 31, 2021 Valuation inputs	Percentage change used in sensitivity analysis	Change resulting for reasonable variance as at March 31, 2022	Change resulting for reasonable variance as at December 30, 2021
Increase or decrease of Selling price	0 to 1.31	0 to 1.52	10%	$176,162	$349,356
Increase or decrease of Yield by plant	92 grams	136 grams	15%	$118,806	$91,076
Increase in average life cycle	95 days	110 days	10%	($61,310)	$47,019
Decrease in average life cycle	95 days	110 days	10%	$79,204	($50,255)
Increase in percentage of costs to harvest incurred to date	61%	40%	10%	$79,204	$50,255
Decrease in percentage of costs to harvest incurred to date	61%	40%	10%	($79,204)	($50,255)

4. Right-of-Use Assets and Lease Liabilities

The following is a breakdown of the carrying amount of the Right-of-Use assets as at March 31, 2022: 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, 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	-	-	-	-	-	-	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
Additions	-	-	-	-	-	-	-	-
As at March 31, 2022	**$ 504,605**	**$ 944,521**	**$ 1,885,760**	**$ 7,968**	**$ 637,364**	**$ 181,054**	**$ 1,056,995**	**$ 5,218,267**
Depreciation								
As at, December 31, 2020	$ 196,209	$ 85,940	$ 115,732	$ 7,968	$ 318,682	$ 98,835	$ -	$ 823,366
Depreciation	98,067	91,818	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
Depreciation	-	-	-	-	-	-	-	-
As at March 31, 2022	**$ 294,276**	**$ 177,758**	**$ 206,071**	**$ 7,968**	**$ 637,364**	**$ 139,828**	**$ 23,229**	**$ 1,486,494**
Impairment								
As at, December 31, 2020	$ 9,039	$ 23,931	$ 45,249	$ -	$ -	$ -	$ -	$ 78,219
Impairment	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
Impairment	-	-	-	-	-	-	-	-
As at March 31, 2022	**$ 210,329**	**$ 766,763**	**$ 1,679,689**	**$ -**	**$ -**	**$ 41,226**	**$ 1,033,766**	**$ 3,731,773**
Net book value								
As at, December 31, 2021	-	-	-	-	-	-	-	-
As at March 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(Unaudited – Expressed in Canadian Dollars)

The following is a breakdown of the carrying amount of the Lease liabilities as at March 31, 2022:

	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, 2020	$ 97,847	$ 325,885	$ 888,598	$ 827,270	$ 15	331,477	$ 101,298	$ -	$ 2,572,390
Interest	-	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**
Interest (Note 12)	-	3,156	11,817	9,956	-	-	863	25,849	51,641
Payments	-	(28,917)	(29,643)	(268,577)	-	-	(11,640)	(45,614)	(384,391)
Modification	-	-	-	4,557	-	-	-	-	4,557
Ending lease liability, March 31, 2022	$ -	$ **200,725**	$ **803,866**	$ **542,784**	$ **15**	$ -	$ **48,938**	$ **1,015,546**	$ **2,611,874**
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
For the three months ended March 31, 2022									
Short Term Portion	$ -	$ 106,846	$ 75,257	$ 542,784	$ 15	$ -	$ 44,699	$ 90,513	$ 860,114
Long Term Portion	$ -	$ 93,879	$ 728,609	$ -	$ -	$ -	$ 4,239	$ 925,033	$ 1,751,760

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

As at	**March 31, 2022**	**December 31, 2021**
Less than one year	$ 1,028,927	$ 1,272,470
1 to 5 years	1,401,081	1,435,145
Greater than 5 years	840,138	924,356
Gross lease liabilities	**3,270,146**	3,631,971
Interest on lease liabilities	658,272	691,904
Net lease liabilities	**$ 2,611,874**	**$** 2,940,067

(Unaudited – Expressed in Canadian Dollars)

5. Property, Plant and Equipment

Cost	Balance at December 31, 2021	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at March 31, 2022
Security equipment	$ 3,355,575	$ -	$ -	$ -	$ -	$ -	$ 3,355,575
Equipment	15,262,951	775,345	205,708	-	(103,187)	-	16,140,817
Furniture & fixtures	432,820	-	-	-	-	-	432,820
Fence & signage	663,648	-	-	-	-	-	663,648
Land	3,808,002	-	-	-	-	-	3,808,002
Building	87,805,209	111,657	-	-	-	-	87,916,866
Leasehold improvements and greenhouse	4,297,500	419,639	-	-	-	-	4,717,139
Capital work in progress	284,208	-	(205,708)	-	-	-	78,500
	$ 115,909,913	$ 1,306,641	$ -	$ -	$ (103,187)	$ -	$ 117,113,367

Accumulated Depreciation	Balance at December 31, 2021	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at March 31, 2022
Security equipment	$ (1,621,412)	$ (69,983)	$ -	$ -	$ -	$ -	$ (1,691,395)
Equipment	(5,657,355)	(401,704)	-	-	40,387	-	(6,018,672)
Furniture & fixtures	(199,082)	(9,369)	-	-	-	-	(208,451)
Fence & Signage	(158,632)	(20,542)	-	-	-	-	(179,174)
Land	-	-	-	-	-	-	-
Building	(8,922,615)	(920,681)	-	-	-	-	(9,843,296)
Leasehold improvements and greenhouse	(82,994)	(99,856)	-	-	-	-	(182,850)
Capital work in progress		-	-			-	-
	$ (16,642,090)	$ (1,522,135)	$ -	$ -	$ 40,387	$ -	$ (18,123,838)

Accumulated Impairment	Balance at December 31, 2021	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at March 31, 2022
Security equipment	$ (334,498)	$ -	$ -	-	$ -	$ -	$ (334,498)
Equipment	(1,626,223)	-	-	-	-	-	(1,626,223)
Furniture & fixtures	(46,359)	-	-	-	-	-	(46,359)
Fence & signage	(94,186)	-	-	-	-	-	(94,186)
Land	(561,111)	-	-	-	-	-	(561,111)
Building	(14,150,758)	-	-	-	-	-	(14,150,758)
Leasehold improvements and greenhouse	(712,681)	-	-	-	-	-	(712,681)
Capital work in progress	(41,878)	-	-		-	-	(41,878)
	$ (17,567,694)	$ -	$ -	$ -	$ -	$ -	$ (17,567,694)

Net Book Value	Balance at December 31, 2021	Additions	Transfer	Acquisition	Disposal	Transfer to Assets held for sale	Balance at March 31, 2022
Security equipment	$ 1,399,665	$ (69,983)	$ -	-	$ -	$ -	$ 1,329,682
Equipment	7,979,373	373,641	205,708	-	(62,800)	-	8,495,922
Furniture & fixtures	187,379	(9,369)	-	-	-	-	178,010
Fence & signage	410,830	(20,542)	-	-	-	-	390,288
Land	3,246,891	-	-	-	-	-	3,246,891
Building	64,731,836	(809,024)	-	-	-	-	63,922,812
Leasehold improvements and greenhouse	3,501,825	319,783	-	-	-	-	3,821,608
Capital work in progress	242,330	-	(205,708)		-	-	36,622
	$ 81,700,129	$ (215,494)	$ -	-	$ (62,800)	$ -	$ 81,421,835

(Unaudited – Expressed in Canadian Dollars)

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)
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)	$ -	$ -	$ -	$ -	$ (17,567,694)

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

(Unaudited – Expressed in Canadian Dollars)

Total depreciation for the three months ended March 31, 2022 was $1,522,136 (March 31, 2021: $1,689,037), of which $635,044 (March 31, 2021: $621,622) has been capitalized in inventory, $880,036 has been capitalized to biological assets (March 31, 2021: $548,094) and remaining depreciation of $7,401 (March 31, 2021: $519,321) is directly expensed to Selling, general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

6. Unsecured Convertible Debentures

	Debentures	Warrants	Conversion Feature	Total
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
Accretion of debentures	480,923	-	-	480,923
Accretion of acquisition debentures	8,379	-	-	8,379
Balance, March 31, 2022	$ 12,610,094	$ 1,447,359	$ 1,626,120	$ 15,683,573

For the year ended December 31, 2021	
Short Term Portion	11,224,172
Long Term Portion	896,620
For the three months ended March 31, 2022	
Short Term Portion	11,705,095
Long Term Portion	904,999

7. Loans and Borrowings

	Financial Institution				Liuna Pension Fund ("LPF")		1217174 Ontario LTD		
Maturity date	May 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, 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
Interest	43,809	417,949	30,963	-	2,081,951	-	77,625	-	2,652,297
Repayment	-	(1,657,500)	(200,000)	-	-	-	-	-	(1,857,500)
Accretion	-	-	-	38,096	-	213,124	63,587	-	314,807
Interest payments	(50,877)	(335,765)	(27,426)	-	-	-	(77,625)	-	(491,693)
Balance, March 31, 2022	$ 2,923,089	$ 24,716,228	$ 1,823,319	$ -	$ 58,046,564	$ (361,812)	$ 3,738,202	$ 31,950	$ 90,917,540

For the year ended December 31, 2021	
Short Term Portion	86,625,014
Long Term Portion	3,674,615
For the three months ended March 31, 2022	
Short Term Portion	87,179,338
Long Term Portion	3,738,202

(Unaudited – Expressed in Canadian Dollars)

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 three months ended March 31, 2022 and 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 condensed interim consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at March 31, 2022 and December 31, 2021.

*Conversion date means May 31, 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.

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.

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

8. Share Capital

	Number of shares		Amount
Balance as at December 31, 2020	210,261,715	$	163,229,737
Common shares issued upon private placement	35,937,500		14,867,515
Issuance cost - cash	-		(1,437,305)
Issuance cost - warrants	-		(420,007)
Issuance of shares on exercise of stock option	425,000		397,301
Common shares issued upon Canntx Acquisition	57,352,487		9,176,398
Balance as at December 31, 2021 and March 31, 2022	303,976,702	$	185,813,639

9. Warrants

	Number of Warrants		Warrants reserve
Balance as at December 31, 2020	12,805,498	$	10,597,563
add: warrants issued	17,968,750		2,382,485
less: issuance cost - cash	-		(230,325)
add: broker warrants issued	2,156,250		420,007
add: warrants issued on acquisition	3,116,667		172,216
Balance as at December 31, 2021 and March 31, 2022	36,047,165	$	13,341,946

10. 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.

(Unaudited – Expressed in Canadian Dollars)

As at March 31, 2022, the Company's outstanding stock options consists of the following:

	Note	Number of options		Contributed surplus
Balance as at December 31, 2020		**14,139,665**	**$**	**16,035,146**
Stock options forfeited		(5,370,549)		(234,947)
Stock options exercised		(425,000)		(142,301)
Stock options expired		(487,000)		-
Stock options granted		125,000		21,094
Share based compensation		-		431,679
Deferred stock units issued		-		642,020
Stock options issued on acquisition		4,108,500		113,189
Balance as at December 31, 2021		**12,090,616**	**$**	**16,865,880**
Stock options forfeited		(310,338)		-
Share based compensation	10 (a)	-		5,416
Deferred stock units issued	10 (a)	-		204,155
Balance as at March 31, 2022		**11,780,278**	**$**	**17,075,451**

As at March 31, 2022, 11,780,278 (December 31, 2021: 12,090,616) 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	0.78	0.07	0.22
1.80	400,000	400,000	1.13	0.04	0.06
2.07	500,000	500,000	1.44	0.06	0.09
1.95	200,000	200,000	1.53	0.03	0.03
1.53	540,500	540,500	1.78	0.08	0.07
2.00	300,000	300,000	0.04	-	0.05
1.52	270,000	247,500	2.28	0.05	0.03
0.98	2,346,638	2,346,638	0.59	0.12	0.20
3.26	142,640	142,640	1.59	0.02	0.04
0.40	1,749,000	1,749,000	3.30	0.49	0.06
0.40	125,000	31,250	4.50	0.05	0.00
0.48	1,010,000	1,010,000	0.99	0.08	0.04
0.50	700,000	700,000	1.45	0.09	0.03
0.84	60,000	60,000	0.95	-	0.00
0.84	48,000	48,000	0.99	-	0.00
0.85	200,000	200,000	1.39	0.02	0.01
0.85	600,000	600,000	2.72	0.14	0.04
0.85	25,000	25,000	1.26	-	0.00
0.85	145,000	145,000	1.20	0.01	0.01
0.85	50,000	50,000	1.26	0.01	0.00
1.00	20,000	20,000	0.81	-	0.00
1.00	20,500	20,500	0.87	-	0.00
1.00	10,000	10,000	1.66	-	0.00
1.25	5,000	5,000	1.38	-	0.00
1.25	10,000	10,000	1.73	-	0.00
1.48	440,000	440,000	2.93	0.11	0.06
1.75	105,000	105,000	1.49	0.01	0.02
1.75	250,000	250,000	1.48	0.03	0.04
1.75	60,000	60,000	1.72	0.01	0.01
1.75	250,000	250,000	1.76	0.04	0.04
1.75	100,000	100,000	2.36	0.02	0.01
	11,780,278	**11,664,028**			1.18

(Unaudited – Expressed in Canadian Dollars)

a) On March 31, 2022, the Company determined and authorized the grant of an aggregate of 1,911,290 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 2022. 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 $204,155.

Total share-based compensation for the three months ended March 31, 2022 is $5,416 (March 31, 2021 is $399,204).

11. Selling, General and Administrative Expenses

For the three months ended March 31,		2022		2021
Salaries and benefits	$	3,628,260	$	2,821,562
Office & Administrative		723,162		703,625
Professional fees		972,716		1,271,696
Consulting fees		263,118		633,024
Travel & accomodations		-		1,204
Selling, marketing and promotion		1,034,194		447,766
Research and development		48,248		141,788
Total	$	6,669,698	$	6,020,665

12. Finance Costs

For the three months ended March 31,		2022		2021
Accretion cost	$	804,109	$	516,959
Interest expense on credit facilities		570,346		455,501
Accrued interest on term loan (Liuna)		2,081,951		1,125,000
Interest expense on unsecured convertible debentures		271,257		271,257
Interest expense on lease liabilities		51,641		48,397
Foreign exchange loss		17,741		63,844
Others bank charges		18,660		-
Total	$	3,815,705	$	2,480,958

*Interest on LPF loan is accrued, however not paid until maturity based on the terms of the loan agreement.

13. Loss per Share

For the three months ended March 31,		2022		2021
Basic and diluted loss per share:				
Loss attributable to holders of shares	$	**(8,763,599)**	$	(7,007,935)
Weighted average number of shares outstanding		**303,976,702**		212,188,324
		(0.03)		(0.03)

(Unaudited – Expressed in Canadian Dollars)

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 three months ended March 31, 2022, the Company calculated loss per share using 303,976,702 (March 31,2021: 212,188,324) common shares. The effect of options, warrants and conversion feature was anti-dilutive.

14. Change in Non-cash Operating Working Capital

For the three months ended March 31,		2022		2021
Trade and other receivables	$	395,880	$	(5,567,205)
Prepaid expenses and deposits		(1,177,383)		(206,358)
Inventory		(323,320)		1,152,932
Biological assets		(983,274)		(2,766,226)
Commodity tax receivable		402,132		(490,440)
Accounts payable and accrued liabilities		(3,872,136)		(4,242,897)
Assets held for sale		-		(133,650)
Net Changes in Non-Cash Working Capital	$	(5,558,101)	$	(12,253,844)

15. Trade and other receivables

		March 31, 2022		December 31, 2021
Gross trade receivables	$	6,791,235	$	7,573,550
Less: allowance for expected credit losses		-		-
Net trade receivables		6,791,235		7,573,550
Other receivables		490,095		103,660
Total	$	7,281,330	$	7,677,210

The ageing of outstanding receivables for the three months ended March 31, 2022 and for the year ended December 31, 2021 are detailed as below:

Trade receivables ageing				
		March 31, 2022		December 31, 2021
0-89 days	$	6,668,870	$	7,573,550
90-119 days		122,365		-
120 days and above		-		-
Total	$	6,791,235	$	7,573,550

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.

(Unaudited – Expressed in Canadian Dollars)

16. Account payables and accrued liabilities

		March 31, 2022		December 31, 2021
Trade payables	$	4,747,045	$	5,119,834
Accrued employee benefits		2,025,699		2,025,699
Accrued excise taxes		1,280,178		2,208,403
Accrued audit fees		569,016		850,000
Accrued and other payables		4,975,100		7,233,393
Total	$	13,597,038	$	17,437,329

17. Revenue

For the three months ended March 31,		2022		2021
Medical	$	7,111,839	$	5,803,815
Adult Use		8,440,668		6,802,734
Bulk		218,062		293,432
Total Revenue	$	15,770,569	$	12,899,981

For the three months ended March 31, 2022, 45% (March 31, 2021: 38%) of total revenue is from 3 customers (March 31, 2021: 2 customers) each representing more than 10% of the Company's revenue. As at March 31, 2022, the Company recognized a contract liability of $463,342 pertaining to customer returns (December 31, 2021 - $408,908) which is expected to settle within one operating cycle. During the three months ended March 31, 2022, actual returns amounted to $297,389 recorded net of revenue in the condensed interim consolidated statements of loss and comprehensive loss.

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

		March 31, 2022		December 31, 2021
Accounts payable and accrued liabilities	$	-	$	115,543

For the three months ended March 31, 2022 and 2021, total remuneration/service fees/ share based compensation expensed pertaining to the key management is as follows:

For the three months ended March 31,		2022		2021
Share based Compensation	$	334,571	$	147,737
Salaries		320,008		457,616
Bonus		-		137,500
Severance payments		-		518,397
Total	$	654,579	$	1,261,250

(Unaudited – Expressed in Canadian Dollars)

19. Commitments and Contingencies

Commitments

The commitment schedule for all future committed payments excluding lease payments disclosed in Note 4 is outlined in the table below:

Within 1 year	$	9,833
Within 2 years		9,833
Within 3 years		4,143
Greater than 3 years		-
Total	$	23,809

Contingencies

On July 2, 2021, Pioneer, an investee of the Company, commenced legal action against a former licensee 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 condensed interim consolidated financial statements.

20. 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 $7,281,330 (December 31, 2021: $7,677,210).

As at March 31, 2022, 78% (December 31, 2021: 54%) of the Company's trade and other receivables balance, is owing from 4 customers (December 31, 2021: 1 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. 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 $113,341,585 (December 31, 2021: $116,392,767) with cash on hand of $9,783,979 (December 31, 2021: $21,416,073). 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.

(Unaudited – Expressed in Canadian Dollars)

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

	2022-23 (Year 1)	2023-24 (Year 2)	2024-25 (Year 3)	2025-26 (Year 4)	2026 and later
Lease liabilities	$ 1,028,927	$ 416,047	$ 321,801	$ 328,318	$ 1,175,053
Loans and borrowings	90,210,225	491,625	310,500	310,500	5,207,000
Unsecured convertible debentures	13,658,796	1,104,225	-	-	-
Other commitments	9,833	9,833	4,143	-	-
Accounts payables and accrued liabilities	13,597,038	-	-	-	-
Total	**$ 118,504,819**	**$ 2,021,730**	**$ 636,444**	**$ 638,818**	**$ 6,382,053**

(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.

21. 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.

22. Other Income

During the three months ended March 31, 2022, out of the total other income recorded of Nil, (March 31, 2021 - $3,198,258) represents inventory received pertaining to a prepaid supply agreement that was previously written off.

23. Government Grant

The Company received Nil wage subsidy during the three months ended March 31, 2022 (March 31, 2021: $45,014) from Government of Canada pursuant to Canada Emergency Wage Subsidy program relating to Covid-19 Pandemic Crisis.

24. Subsequent Events

The Company's management has evaluated subsequent events up to May 30, 2022, the date the condensed interim consolidated financial statements were issued and determined the following events:

a. 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.

b. 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.

c. On May 13, 2022, the Company announced that it has entered into voting support agreements with certain holders of the Company's 8.5% unsecured convertible debentures due September 25, 2022 (the "Debentures"), including Hygrovest Limited, the largest holder of Debentures (collectively, the "Supporting Debenture holders"), to vote in favour of certain proposed amendments to the trust indenture dated as of September 25, 2019 between TSX Trust Company and the Company (the "Indenture") governing the Debentures (the "Proposed Amendments"). Upon approval of the Proposed Amendments (Meeting of the holders is scheduled on June 20, 2022), the Indenture would be amended to, among other things,

   (i) accelerate the maturity date of the Debentures to June 30, 2022 (the "New Maturity Date"); and
   (ii) amend the cash amount payable in respect of the Debentures on the New Maturity Date to be 60% of the principal amount of the Debentures, together with any accrued and unpaid interest thereon up to the New Maturity Date, less any tax required by law to be deducted.