SIMPLY BETTER BRANDS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of
Simply Better Brands Corp.

Opinion

We have audited the consolidated financial statements of Simply Better Brands Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, the shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 Group 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 financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises the 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.

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

We obtained Management Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, 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 IFRS, 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 Group’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 Group’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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

The engagement partner on the audit resulting in this independent auditor’s report is Giancarlo Garipoli.

Marcum LLP

New York, NY
May 2, 2022

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Simply Better Brands Corp.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	As at Note(s)	December 31, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		2,234,993	8,308,475
Accounts receivable	8	399,665	244,419
Other receivable		1,150	49,762
Loan receivable	9	-	367,772
Prepaid expenses	10	2,050,835	1,872,948
Inventory	11	1,981,187	833,937
		6,667,830	**11,677,313**
Non-current assets			
Restricted cash	19	325,000	325,000
Security deposits		12,299	10,050
Equipment		1,343	-
Right-of-use asset	12	28,861	78,338
Intangible assets	13	9,532,764	-
Goodwill	4, 6	5,237,161	-
		15,137,428	**413,388**
TOTAL ASSETS		**21,805,258**	**12,090,701**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	2,083,359	704,778
Deferred revenue		82,763	44,845
Current portion of loan payable	19	11,558,676	-
Current portion of lease obligation	18	33,756	50,855
Current portion of promissory notes	20	4,752,059	3,687,501
		18,510,613	**4,487,979**
Long term liabilities			
Convertible notes	15	3,135,054	-
Convertible preferred shares	16	-	3,132,461
Derivative liability	17	-	5,469,209
Lease obligation	18	-	33,756
Loan payable	19	-	9,726,972
Promissory notes	20	1,182,484	2,952,951
Deferred income tax liability	30	1,032,000	-
		5,349,538	**21,315,349**
TOTAL LIABILITIES		**23,860,151**	**25,803,328**

(Expressed in United States Dollars)

As at	Note(s)	December 31, 2021 $	December 31, 2020 $
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	22	23,121,479	1,911,188
Reserves	22	3,413,209	145,022
Additional paid-in capital		85,495	-
Accumulated deficit		(27,269,441)	(16,489,043)
Accumulated other comprehensive loss		(1,170)	-
Equity attributable to owners of the company		(650,428)	(14,432,833)
Non-controlling interest	22	(1,404,465)	720,206
TOTAL SHAREHOLDERS' DEFICIENCY		**(2,054,893)**	**(13,712,627)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**21,805,258**	**12,090,701**

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These audited consolidated financial statements were approved for issue on May 2, 2022 by the Board of Directors and signed on its behalf by:

/s/ Michael Galloro Director **/s/ Paul Norman Director**

(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2021 $	December 31, 2020 $
REVENUE		**15,626,433**	**13,768,320**
COST OF GOODS SOLD		**(5,916,822)**	**(4,798,760)**
GROSS MARGIN		**9,709,611**	**8,969,560**
OPERATING EXPENSES			
Amortization expense	13	604,504	-
Customer service support		187,410	227,198
Depreciation expense		50,177	49,477
General and administrative expenses		1,065,289	494,618
Impairment of accounts receivable	8	79,791	-
Impairment of equipment		-	11,886
Marketing expense		7,320,489	4,528,495
Professional fees		980,876	777,571
Regulatory and filing fees		389,441	-
Salaries and wages		3,193,587	1,510,490
Share-based payment	21	5,615,160	-
Travel and entertainment		38,910	16,736
		19,525,634	**7,616,471**
Income (loss) before other income (expenses)		**(9,816,023)**	**1,353,089**
Other income (expenses)			
Acquisition-related costs	6	(420,754)	-
Finance costs	23	(2,340,878)	(108,299)
Foreign exchange loss		(4,576)	(351)
Gain on remeasurement of loan payable	19	3,994	-
Gain on remeasurement of provision of earn-out payments	21	901,908	-
Fair value adjustment of derivative liability	17	1,219,178	(352,636)
Grant and other assistance	24	152,795	109,500
Impairment of intangible assets	7	(2,524,600)	-
Interest income	9	19,999	17,772
Listing expenses	3	-	(2,956,454)
Others		(59,655)	(45,000)
		(3,052,589)	**(3,335,468)**
Loss before income taxes		**(12,868,612)**	**(1,982,379)**
Deferred income tax recovery	30	44,000	-
Net loss for the year		**(12,824,612)**	**(1,982,379)**
Other comprehensive loss			
Foreign currency translation differences for foreign operations		(1,170)	-
Loss and comprehensive loss for the year		**(12,825,782)**	**(1,982,379)**

(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2021 $	December 31, 2020 $
Income (loss) and comprehensive income (loss) attributable to:			
Equity holders of the parent		(10,781,568)	(2,200,047)
Non-controlling interests		(2,044,214)	217,668
		(12,825,782)	**(1,982,379)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.57)**	**(0.09)**
Weighted average number of common shares outstanding		**22,626,969**	**21,016,875**

Simply Better Brands Corp.
Consolidated Statements of Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Note(s)	Share capital: Number of shares	Share capital: Amount	Reserves	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total	Non-controlling interest	Total
Balance at December 31, 2019		**375,000**	**-**	**-**	**-**	**1,206,375**	**-**	**1,206,375**	**1,201,559**	**2,407,934**
Shares issued for acquisition	3, 22	20,641,875	1,911,188	-	-	-	-	**1,911,188**	-	**1,911,188**
Fair value of warrants issued for acquisition	3, 22	-	-	52,933	-	-	-	**52,933**	-	**52,933**
Fair value of options issued for acquisition	3, 22	-	-	92,089	-	-	-	**92,089**	-	**92,089**
Initial recognition of convertible preferred shares	16	-	-	-	-	(3,083,427)	-	**(3,083,427)**	-	**(3,083,427)**
Initial recognition of derivative liability	17	-	-	-	-	(5,116,573)	-	**(5,116,573)**	-	**(5,116,573)**
Initial recognition of promissory note	20	-	-	-	-	(6,941,193)	-	**(6,941,193)**	-	**(6,941,193)**
Distribution to shareholders	22	-	-	-	-	(354,178)	-	**(354,178)**	(699,021)	**(1,053,199)**
Net loss for the year		-	-	-	-	(2,200,047)	-	**(2,200,047)**	217,668	**(1,982,379)**
Balance at December 31, 2020		**21,016,875**	**1,911,188**	**145,022**	**-**	**(16,489,043)**	**-**	**(14,432,833)**	**720,206**	**(13,712,627)**
Shares issued for acquisition	6, 7, 21	1,674,975	7,612,230	-	-	-	-	**7,612,230**	-	**7,612,230**
Shares issued for cash - exercise of warrants	22	22,500	23,636	-	-	-	-	**23,636**	-	**23,636**
Shares issued for cash - exercise of stock options	22	33,750	35,559	-	-	-	-	**35,559**	-	**35,559**
Shares issued for conversion of convertible notes	15, 17, 22	457,521	2,203,035	-	-	-	-	**2,203,035**	-	**2,203,035**
Shares issued for conversion of convertible preferred shares	16, 17, 22	2,327,833	8,773,067	-	-	-	-	**8,773,067**	-	**8,773,067**
Shares issued for services	22	47,753	225,000	-	-	-	-	**225,000**	-	**225,000**
Reclassification of grant-date fair value on exercise of warrants	22	-	52,933	(52,933)	-	-	-	**-**	-	**-**
Reclassification of grant-date fair value on issue of shares for the restricted shares units	22	485,225	2,201,951	(2,201,951)	-	-	-	**-**	-	**-**
Reclassification of grant-date fair value on exercise of stock options	22	-	82,880	(82,880)	-	-	-	**-**	-	**-**
Reclassification of grant-date fair value on expired stock options	22	-	-	(9,209)	9,209	-	-	**-**	-	**-**
Share-based payments	22	-	-	5,615,160	-	-	-	**5,615,160**	-	**5,615,160**
Distribution to shareholders	22	-	-	-	-	-	-	**-**	(4,171)	**(4,171)**
Excess contribution from non-controlling interest in connection with the No B.S. Life, LLC	22	-	-	-	76,286	-	-	**76,286**	(76,286)	**-**
Net loss for the year		-	-	-	-	(10,780,398)	-	**(10,780,398)**	(2,044,214)	**(12,824,612)**
Other comprehensive loss for the year		-	-	-	-	-	(1,170)	**(1,170)**	-	**(1,170)**
Balance at December 31, 2021		**26,066,432**	**23,121,479**	**3,413,209**	**85,495**	**(27,269,441)**	**(1,170)**	**(650,428)**	**(1,404,465)**	**(2,054,893)**

Simply Better Brands Corp.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2021 $	December 31, 2020 $
OPERATING ACTIVITIES			
Net income (loss) for the year		(12,824,612)	(1,982,379)
Adjustments for items not affecting cash			
Accretion of interest of convertible notes	15	188,097	-
Accretion of interest of loan payable	19	385,379	20,722
Accretion of interest of preferred shares	16	752,823	49,034
Accretion of interest of promissory notes	20	563,223	24,909
Accretion of interest of provision of earn-out payments	21	319,393	-
Acquisition costs paid by common shares	6	407,501	-
Amortization	13	604,504	-
Depreciation		50,177	49,477
Grant and other assistance	24	-	(109,500)
Impairment loss of property and equipment		-	11,886
Impairment of intangible assets	7	2,524,600	-
Interest expenses of loan payable	19	9,076	-
Interest income		(19,999)	(17,772)
Listing expenses	3	-	1,974,921
Gain on debt forgiveness		(152,795)	-
Gain on modification of loan payable	19	(3,994)	-
Fair value adjustment of derivative liability	17	(1,219,178)	352,636
Gain on remeasurement of provision of earn-out payments	21	(901,908)	-
Share-based payments	22	5,615,160	-
Shares issued for services	22	225,000	-
Impairment of accounts receivable	8	79,791	-
Deferred income tax recovery		(44,000)	-
Change in non-cash working capital			
Accounts receivable, credit card processor, net		(24,544)	620,519
Other receivable		71,479	(49,762)
Prepaid expenses		(1,636,842)	(5,793)
Inventory		(431,981)	441,006
Accounts payable and accrued liabilities		445,581	(433,587)
Deferred revenue		37,918	(876)
Cash flow from (used in) operating activities		**(4,980,151)**	**945,441**
INVESTING ACTIVITIES			
Cash paid acquisition costs for No B.S. Skincare	4	-	(1,500,000)
Net cash paid for acquisition of No B.S. Life, LLC	4	(905,956)	-
Cash assumed on acquisition of TRU Brands Inc., less transaction costs	6	192,958	83,503
Loan receivable	9	-	(350,000)
Cash flow used in investing activities		**(712,998)**	**(1,766,497)**

(Expressed in United States Dollars)

		For the years ended	
		December 31, 2021	**December 31, 2020**
	Note(s)	**$**	**$**
FINANCING ACTIVITIES			
Debt issuance costs		(63,668)	-
Distribution to shareholders		(4,171)	(1,053,199)
Lease payments	18	(50,855)	(44,116)
Proceeds from government loan	24	-	109,500
Proceeds on exercise of options	22	35,559	-
Proceeds on exercise of warrants	22	23,636	-
Proceeds on issuance of promissory notes, net of financing costs	20	1,610,000	-
Proceeds on loan payable, net of transaction costs	19	1,441,243	9,381,250
Repayment of promissory notes	20	(3,371,539)	(325,650)
Cash flow from (used in) financing activities		**(379,795)**	**8,067,785**
Effects of exchange rate changes on cash		(538)	-
Increase (decrease) in cash		**(6,073,482)**	**7,246,729**
Cash, beginning of year		**8,308,475**	**1,061,746**
Cash, end of year		**2,234,993**	**8,308,475**
Supplemental cash flow information			
Cash paid during the year for income taxes		-	-
Cash paid during the year for interest		-	-
Convertible notes issued for acquisition	4, 5	5,149,991	-
Fair value of options issued for acquisition		-	92,089
Fair value of provision of earn-out payments at the date of acquisition	21	1,220,268	-
Fair value of warrants issued for acquisition	3	-	52,933
Initial recognition of convertible preferred shares	16	-	3,083,427
Initial recognition of derivative liability	17	-	5,116,573
Initial recognition of promissory note	20	-	6,941,193
Promissory note for acquisition	4, 20	492,407	-
Reclassification of fair value of derivative liability related to the provision of earn-out payments	17	637,752	-
Reclassification of grant-date fair value on exercised options	22	82,880	-
Reclassification of grant-date fair value on exercised warrants	22	52,933	-
Reclassification of grant-date fair value on expired options	22	9,209	-
Reclassification of the current portion of lease obligation	18	17,099	8,508
Reclassification of the prepaid expenses related to the acquisition of No BS Life, LLC.	4, 10	1,500,000	-
Shares issued for conversion of convertible notes	15, 22	2,203,035	-
Shares issued for conversion of convertible preferred shares	16	8,773,067	-
Reclassification of the current portion of promissory notes	20	4,752,059	1,274,125
Recognition of the deferred income tax liability related the recognition of goodwill acquired through the acquisition of TRU Brands Inc.		1,076,000	-
Shares issued for acquisition	3, 4, 5, 6	7,204,729	1,274,125
Shares issued for finders' fees	3	-	637,063
Shares issued for restricted share units	22	2,201,951	-

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Simply Better Brands Corp. (the "Company" or "SBBC") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 19, 2018 and changed its name from AF1 Capital Corp. to PureK Holdings Corp. on December 8, 2020 and from PureK Holdings Corp. to Simply Better Brands Corp. on May 3, 2021.

The Company is listed on the TSX Venture Exchange (the "Exchange").

In connection with the name changes, on May 3, 2021, the Company's common shares commence trading on the TSX under the symbol "SBBC". Prior to May 3, 2021, the Company's common shares traded on the TSX under the symbol "PKAN".

The Company is an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. The Company focuses on innovation for the informed Millennial and Generation Z generations in the rapidly growing plant-based, natural, and clean ingredient space. The Company also focuses on expansion into high-growth consumer product categories including CBD products, plant-based food and beverage, and the global pet care and skin care industries. The head office and the registered address of the Company are 206-595 Howe Street Vancouver, British Columbia V6C 2T5.

Stock split

On February 22, 2021, the Company implemented a 3 for 1 forward split (the "Stock Split") of the Company's issued and outstanding common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and options and exercise price per warrant and option presented in these financial statements had been retroactively adjusted accordingly.

Business combination

- **Purekana, LLC ("PureKana")**
  On November 20, 2020, the Company entered into a business combination agreement with Heavenly Rx Ltd. ("Heavenly"), Heavenly Rx, LLC ("Heavenly Subco"), PureKana, Cody J. Alt and Jeff Yauck (the "PureKana Founders") to acquire 50.1% equity interest of PureKana, which was indirectly held by Heavenly (the "PK Transaction"), of the Company. The PK Transaction was completed on December 8, 2020. See Note 3 for details

- **No B.S. Life, LLC ("No B.S. Skincare")**
  On February 18, 2021, the Company completed the acquisition of No B.S. Skincare. See Note 4 for details.

- **Nirvana Group, LLC ("Nirvana")**
  On April 28, 2021, the Company completed the acquisition of Nirvana. See Note 5 for details.

- **TRU Brands Inc. ("Tru Brands")**
  On August 17, 2021, the Company completed the acquisition of Tru Brands. See Note 6 for details.

- **Crisp Management Group Inc. ("CMG")**
  On September 17, 2021, the Company completed the acquisition of CMG. See Note 7 for details.

  (Collectively the "Acquisition")

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern. Such adjustments could be material.

At December 31, 2021, the Company had an accumulated deficit of $27,269,441 (December 31, 2020 – $16,489,043) and a working capital deficit of $11,842,783 (December 31, 2020 – working capital of $7,189,334). The Company incurred a net loss of $12,824,612 during the year ended December 31, 2021 (December 31, 2020 – $1,982,379). These circumstances raise material uncertainties which may cast substantial doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate financing to meet its present and future commitments and to generate profitable operations in the future.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated financial statements of the Company for the year ended December 31, 2021 were approved by the Board of Directors on May 2, 2022.

Statement of compliance to International Financial Reporting Standards

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

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2021.

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

			Percentage owned		
	Note(s)	Country of incorporation	December 31, 2021	December 31, 2020	Reporting date
Purekana, LLC ("PureKana")	3	USA	50.10%	50.10%	December 31
No B.S. Skincare ("No B.S. Skincare")	4	USA	82.54%	N/A	December 31
Nirvana Group LLC ("Nirvana")	5	USA	100.00%	N/A	December 31
Tru Brands US Corp ("Tru Brands")	6	USA	100.00%	N/A	December 31
Tru Brands Snack Company ("TBS")	6	Canada	100.00%	N/A	December 31
Crisp Management Group Inc. ("CMG")	7	USA	60%	N/A	December 31

- **Subsidiaries**

  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

- **Acquisitions and disposals**

  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the carrying value of net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

- **Coronavirus (COVID-19) pandemic**

  Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Critical accounting judgements, estimates and assumptions

- **Determination of functional currency**
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currencies of the Company and its subsidiaries are United States dollar ("$", "US$" or "US dollar") as this is the currency of the primary economic environment in which the Company operates.

- **Share-based payment transactions**
  The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

- **Revenue from contracts with customers involving sale of goods**
  When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

- **Determination of variable consideration**
  Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Company where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- **Provision for impairment of inventories**
  The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

- **Fair value measurement hierarchy**
  The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

  Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
  Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
  Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

  The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Critical accounting judgements, estimates and assumptions

- **Income tax**
  The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

- **Recovery of deferred tax assets**
  Deferred tax assets are recognized for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

- **Lease term**
  The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

- **Incremental borrowing rate**
  Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

- **Grant and other assistance**
  Judgement is exercised in determining if there is reasonable assurance that the Company will meet the terms for forgiveness of the loan.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies

- **Cash and cash equivalents**
  Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- **Trade and other receivables**
  Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

  The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

  Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

- **Inventories**
  Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value on a weighted average cost basis. Cost comprises of direct materials and delivery costs, direct labor, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

  Stock in transit is stated at the lower of cost and net realizable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

  Net realizable value is 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.

- **Derivative financial instruments**
  Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

- **Right-of-use assets**
  A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

  Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies (continued)

- **Right-of-use assets (continued)**

  The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

- **Intangible assets**

  Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and any impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

  Goodwill

  Goodwill arises on the acquisition of a business. Goodwill is not amortized. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

  Customer contracts

  Customer contracts acquired in a business combination are amortized on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

  Patents and trademarks

  Significant costs associated with patents and trademarks are deferred and amortized on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

- **Impairment of non-financial assets**

  Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

  Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

- **Borrowings**

  Loans and borrowings are initially recognized at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies (continued)

- **Lease liabilities**

  A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

  Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

- **Earnings (loss) per share**

  Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

- **Share based payments**

  The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payments reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

- **Financial instruments**

  Financial assets

  - Classification and measurement

    The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies (continued)

- **Financial instruments (continued)**

  Financial assets (continued)

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

  - Impairment of financial assets at amortized cost
    The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

    Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

  - Derecognition of financial assets
    Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies (continued)

- **Financial instruments (continued)**

  Financial liabilities

  - Classification and measurement
    The Company classifies its financial liabilities into one of two categories as follows:

    Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

    Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

    Refer to Note 29 for further disclosures.

- **Foreign currency translation**

  Foreign currency transactions
  Foreign currency transactions are translated into US dollar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

  Foreign operations
  The assets and liabilities of foreign operations are translated into US dollar using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollar using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognized in other comprehensive income through the foreign currency reserve in equity.

  The foreign currency reserve is recognized in profit or loss when the foreign operation or net investment is disposed of.

- **Revenue recognition**
  The Company recognizes revenue as follows:

  Revenue from contracts with customers
  Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Significant accounting policies (continued)

- **Revenue recognition (continued)**

Revenue from contracts with customers (continued)
Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognized as a refund liability.

Sale of goods
Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

- **Taxation**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or 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 year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on 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 profit; and differences relating to investments in subsidiaries 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 financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

- **Government Assistance**

The Company received government assistance in the form of forgivable loans from the Paycheck Protection Program (PPP) administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act. Pursuant to IAS 20 Accounting for Government Grants and Disclosure, a forgivable loan from government is treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. If the benefit of a government loan at below market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate is measured as the difference between the initial carrying value of the loan and the proceeds received. The difference will be accredited to the loan liability over the term of the loan and offset to other income on the statement of income (loss) and comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2011. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2011will have a significant impact on the Company's results of operations or financial position.

3. REVERSE ACQUISITION

On December 8, 2020, the Company completed by the PK Transaction with Heavenly, Heavenly Subco, PureKana, and the PureKana Founders to acquire 50.1% equity interest of PureKana, which was indirectly held by Heavenly.

In connection with the PK Transaction:

- the Company amended its articles and notice of articles to create a series of convertible preferred shares (the "Series 1 Preferred Shares");
- the Company implemented the share consolidation of one post-consolidation common share for forty pre-consolidation common shares;
- the Company merged with a subsidiary of Heavenly which holds the 50.1% equity interest in PureKana and the former Heavenly security holders received 12,000,000 post-consolidation common shares of the Company in exchange for membership units of PureKana;
- the Company assumed the Heavenly's obligation to pay the PureKana Founders $22,500,000 via issuance of 8,454,375 post-consolidation common shares;
- the Company issued 187,500 post-consolidation common shares with a fair value of $637,063 as the finder's fees;
- the Company issued 22,500 agent's warrants with a fair value of $52,933. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of CA$1.33 at any time prior to January 29, 2021 (note 15);
- the Company issued 37,500 post-consolidation options with a fair value of $92,089 to replace the outstanding options previously issued by SBBC. Each option entitles the holder to purchase one common share of the Company at an exercise price of CA$1.33 at any time prior to December 11, 2021 (note 15); and
- the Company incurred transaction costs of $981,533.

The PK Transaction is accounted for in accordance with guidance provided IFRS 2, "Share-Based Payment" and IFRS 3, "Business Combinations". As PureK did not qualify as a business according to the definition in IFRS 3, this Transaction does not constitute a business combination; rather it is treated as an issuance of shares by PureKana for the net assets of SBBC and the SBBC's listing status.

The Company has accounted for this Transaction as a reverse acquisition in accordance with IFRS 2, as upon the completion of the PK Transaction, the members of PureKana acquired control of SBBC by virtue of senior management and the board directors of SBBC being drawn predominantly from PureKana, whom will have the authority and responsibility for planning, directing, and controlling the activities of SBBC.

As a share-based payment transaction, the Company measures the goods or services received at the more reliable measure of the fair value of the goods and services received, or the fair value of the equity instruments granted. Management has determined that the fair value of the equity instruments granted was the more reliable measure, which resulted in a total consideration of $1,274,125.

(Expressed in United States Dollars)

3. REVERSE ACQUISITION (CONTINUED)

The total consideration of $1,274,125 and the transaction costs of $1,763,618 have been allocated as follows:

	$
Cash and cash equivalents	83,503
Accounts payable and accrued liabilities	(2,214)
	81,289
Listing expense	**2,956,454**
Purchase price	**3,037,743**

	$
Fair value of SBBC common shares	1,274,125
Fair value of common shares issued as finder's fees	637,063
Warrants issued for transaction costs (Note 22)	52,933
Replacement options issued for SBBC's option holders (Note 22)	92,089
Cash paid for transaction costs	981,533
	3,037,743

4. ACQUISITION OF NO B.S. LIFE, LLC (“NO BS”)

As discussed in Note 1, on February 18, 2021 (the “No BS Closing Date”), the Company completed the acquisition of No B.S. Skincare with DTC Brands LLC (“DTC”).

Pursuant to the Membership Interest Purchase Agreement (the “No BS Agreement”), the Company and PureKana, acquired all of the issued and outstanding membership units of No B.S. Skincare, with 65% of the purchase price to be paid by the Company and 35% to be paid by PureKana, with resulting proportional ownership interests (the “Acquisition of No B.S.”), for the total consideration paid of $6,706,066.

The Acquisition of No B.S. is accounted for in accordance with guidance provided IFRS 3, “Business Combinations”.

(Expressed in United States Dollars)

4. ACQUISITION OF NO B.S. LIFE, LLC ("NO BS") (CONTINUED)

The total consideration of $6,706,066 have been allocated as follows:

	$
Cash and cash equivalents	94,044
Accounts receivable, credit card processor, net	90,939
Other receivable	48,379
Prepaid expenses	20,695
Inventory	644,237
Security deposits	2,249
Equipment	2,043
Trademark	3,855,700
Customer Base	981,000
Non-Competes	4,700
Accounts payable and accrued liabilities	(219,888)
Government loan	(152,795)
Fair value of net assets acquired	**5,371,303**
Goodwill	**1,334,763**
	6,706,066

	$
Consideration comprised of:	
Cash*	2,500,000
Promissory note** (Note 20)	492,407
Convertible notes (Note 15)	3,713,659
	6,706,066
Consideration paid by:	
- The Company	5,534,852
- Non-controlling interest	1,171,214
	6,706,066

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* $1,500,000 was made during the year ended December 31, 2020.

** The promissory note including interest was repaid during the year ended December 31, 2021 (Note 20).

(Expressed in United States Dollars)

5. ACQUISITION OF NIRVANA GROUP, LLC ("NG")

As discussed in Note 1, on February 17, 2021 (the "NG Closing Date"), the Company entered into a definitive agreement ("the NG Agreement") to acquire Nirvana (the "Acquisition of NG"), a Florida-based company specializing in the development, manufacturing, and distribution of all-natural pet wellness products and which includes the BudaPets brand. Under the terms of the NG Agreement, the Company acquired all of the issued and outstanding membership units of Nirvana (the "Acquisition of NG"), for the total consideration paid of $2,720,268.

	$
Consideration comprised of:	
Convertible notes (Note 15)	1,500,000
Fair value of earn-out payments (Note 21)	1,220,268
	2,720,268

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

The total consideration of $2,720,268 have been allocated to trademarks which will be amortized over the useful life of 3 years.

6. ACQUISITION OF TRU BRANDS INC. ("TRU BRANDS")

On March 3, 2021, the Company entered into a binding term sheet to acquire 100% of the issued and outstanding shares of Tru Brands. Tru Brands is a health and wellness brand specializing in nutritious snacks for women.

On August 17, 2021 (the "Tru Brands Closing Date"), the Company completed the acquisition. Under the terms of the acquisition, the Company issued 1,471,945 common shares with fair value of $6,704,729 (the "TB Exchange Consideration") to acquire 24,586,477 shares of common stock with $0.001 par value per share of Tru Brands and 25,000,000 shares of Series A preferred stock with $0.001 par value per share of Tru Brands and satisfied certain outstanding indebtedness of Tru Brands.

In connection with the acquisition, the Company issued 89,462 common shares with fair value of $407,500 as finder's fee (the "TB Finders' Shares").

The TB Exchange Consideration and TB Finders' Shares (collectively the "TB Locked-Up Securities") are subject to a 24-month lock-up agreement (the "Lock-Up) and will released as follows:

- 25% of the Locked-Up Securities shall be released from the Lock-Up on February 17, 2022 which is the six-month anniversary of the Tru Brands Closing Date;
- 25% of the Locked-Up Securities shall be released from the Lock-Up on August 17, 2022 which is the twelve-month anniversary of the Tru Brands Closing Date;
- 25% of the Locked-Up Securities shall be released from the Lock-Up on February 17, 2023 which is the eighteen-month anniversary of the Tru Brands Closing Date; and
- 25% of the Locked-Up Securities shall be released from the Lock-Up on August 17, 2023 which is the twenty-four-month anniversary of the Tru Brands Closing Date.

In addition, the Company assumed the $387,771 loan payable owned by Tru Brands to PureKana.

(Expressed in United States Dollars)

6. ACQUISITION OF TRU BRANDS INC. ("TRU BRANDS") (CONTINUED)

The Acquisition of Tru Brands is accounted for in accordance with guidance provided IFRS 3, "Business Combinations".

The total consideration of $7,092,500 have been allocated as follows:

	$
Cash and cash equivalents	192,958
Accounts receivable, credit card processor, net	120,605
Prepaid expenses	20,350
Inventory	71,564
Trademark	2,698,200
Customer Base	1,902,000
Accounts payable and accrued liabilities	(739,575)
Deferred income tax liability	(1,076,000)
Fair value of net assets acquired	**3,190,102**
Goodwill	**3,902,398**
	7,092,500

	$
Consideration comprised of:	
Indebtedness owed to Purekana, LLC assumed by the Company	387,771
Fair value of common shares issued	6,704,729
	7,092,500

The fair value of the TB Finders' Shares ($407,501) and the associated acquisition costs of $13,253 was charged to the statement of income (loss) and comprehensive income (loss) during the year ended December 31, 2021 as acquisition-related costs.

7. ACQUISITION OF CRISP MANAGEMENT GROUP INC. ("CMG")

On August 20, 2021, the Company entered into a non-binding term sheet to acquire 60% of CMG to focus on the sale and distribution of CBD and Hemp products through Breakaway Music Festivals in North America as well as through E-commerce. The acquisition was completed on September 17, 2021 (the "CMG Closing Date").

On the CMG Closing Date, the Company issued 113,568 common shares with fair value of $500,000 (the "CMG Share Consideration") to acquire 60% of the outstanding shares of CMG.

The CMG Share Consideration is subject to escrow and will be released with 15% releasable every four months in the first twenty months after the CMG Closing Date, and the remaining 25% releasable twenty-four months from the CMG Closing Date.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations" and is accounted for in accordance with guidance provided IFRS 2, "Share-Based Payment".

The total consideration of $500,000 have been allocated to trademarks.

(Expressed in United States Dollars)

8. ACCOUNTS RECEIVABLE

Following is the aging of the Company's account receivable as of December 31, 2021 and 2020:

	Total	Neither past due nor impaired	< 90 days	91 - 181 days	>180 days
	$	$	$	$	$
December 31, 2021	**399,665**	84,140	121,335	194,190	-
December 31, 2020	**244,419**	244,419	-	-	-

As at December 31, 2021 and 2020, the majority of the accounts receivable was comprised of amounts from credit card processors for sales made to online customers and invoices for sales made to retail offline customers. The payments from credit card processors will be remitted to the Company within two business days. The balances as of December 31, 2021 and 2020 were remitted to the Company subsequent to December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, the Company recognized an impairment of receivable of $79,791 (December 31, 2020 – $nil).

9. LOAN RECEIVABLE

On October 13, 2020, PureKana entered into a loan agreement (the "TB Promissory Note") with an amount of $350,000 with Tru Brands. The Promissory Note matured on June 30, 2021.

The TB Promissory Notes bear 12% interest per annum compounded annually (the "PN Interest Rate") and an origination fee of $10,000 which is due on the maturity date. The interest payment due on the maturity date is the greater of:

i) $10,000 or
ii) the amount determined by the PN Interest Rate.

The TB Promissory Note is secured with all of the assets of Tru Brands.

During the year ended December 31, 2021, the Company recognized interest income of $19,999 related to the TB Promissory Note (December 31, 2020 – $17,772).

As discussed in Note 6, in connection with the acquisition of Tru Brands, the Company assumed the $387,771 loan payable owned by Tru Brands to PureKana.

As of December 31, 2021, the carrying value of the TB Promissory Notes was $nil (December 31, 2020 – $367,772).

(Expressed in United States Dollars)

10. PREPAID EXPENSES

	December 31, 2021	December 31, 2020
	$	$
Vendor deposits	1,975,889	372,948
Others	74,946	-
Deposit paid to No B.S. Life, LLC for acquisition (Note 4)	-	1,500,000
	2,050,835	**1,872,948**

11. INVENTORY

Inventories are comprised substantially of packaged finished goods ready for sale. Cost of goods sold is comprised of the cost of inventory sold and any adjustments to reduce the inventory to net realizable value.

12. RIGHT-OF-USE ASSET

	Cost	Accumulated depreciation	Carrying value
As at December 31, 2019	**131,938**	**(4,123)**	**127,815**
Additions	-	(49,477)	(49,477)
As at December 31, 2020	**131,938**	**(53,600)**	**78,338**
Additions	-	(49,477)	(49,477)
As at December 31, 2021	**131,938**	**(103,077)**	**28,861**

(Expressed in United States Dollars)

13. INTANGBILE ASSETS

In connection with the Acquisitions (Notes 4 to 7), the Company recognized the following intangible assets:

	Trademark	Customer Base	Non-Competes	Total
As at December 31, 2020 and 2019	-	-	-	-
Additions	9,274,168	2,883,000	504,700	**12,661,868**
Amortization	(604,504)	-	-	**(604,504)**
Impairment	(1,952,900)	(567,000)	(4,700)	**(2,524,600)**
As at December 31, 2021	**6,716,764**	**2,316,000**	**500,000**	**9,532,764**

<u>During the year ended December 31, 2021</u>

- The Company recognized amortization expenses of $604,504;
- The Company impaired the trademarks acquired through the acquisition of CMG with an amount of $500,000; and
- The Company impaired the trademark, customer base and non-competes acquired through the acquisition of No BS with an amount of $1,452,900, 567,000 and 4,700, respectively.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	$	$
Accounts payable	1,645,442	374,852
Direct deposit payable and credit card	30,886	12,854
Sales tax payable	407,031	317,072
	2,083,359	**704,778**

15. CONVERTIBLE NOTES

	$
Initial recognition	5,149,991
Finance costs	188,097
Conversion	(2,203,035)
As at December 31, 2021	**3,135,054**

- **Acquisition of No B.S (Note 4)**

  In connection with the Acquisition of No B.S., the Company issued unsecured convertible notes with a face value of $4,000,000. The convertible notes bear an interest of 3.25% and mature on February 17, 2023.

  At the date of issuance, the Company determined that the fair value of the convertible notes was $3,713,659. The carrying value of the convertible notes is being accreted to $4,000,000 between the date of issuance to February 17, 2023, by the effective interest rate method.

  The convertible notes were convertible at the option of the holders. Interest on these convertible notes is payable when the notes are converted or become due.

15. CONVERTIBLE NOTES (CONTINUED)

- **Acquisition of No B.S (Note 4) (continued)**
  The convertible notes holders may convert the convertible notes to the common shares of the Company any time before the maturity date at the highest price of:

  i) The volume weighted average closing price ("VWAP") of the Company's common shares on the Exchange during the 15 days trading days immediately preceding the date of conversion: or
  ii) CA$3.33.
  (the "NO BS Conversion Price")

  The convertible notes holders are not entitled to exercise the conversion right in respect of the convertible notes if the convertible notes holders will hold in excess of 7% of the issued and outstanding commons shares of the Company.

- **Acquisition of NG (Note 5)**
  In connection with the Acquisition of NG, the Company issued $1,500,000 3.25% unsecured convertible notes with a maturity date of April 27, 2023. The convertible notes were convertible at the option of the holders. Interest on these convertible notes is payable when the notes are converted or become due.

  The convertible notes holders may convert the convertible notes to the common shares of the Company any time before the maturity date at the highest price of:

  i) the VWAP of the Company's common shares on the Exchange during the 15 days trading days immediately preceding the date of conversion; or
  ii) CA$3.50.
  (the "NG Conversion Price")

  In connection with the convertible notes, the Company incurred issuance costs of $63,668. These issuance costs are recorded as a reduction of the carrying value of the convertible notes. The carrying value of the convertible notes is being accreted to $1,500,000 between the date of issuance to April 27, 2023, by the effective interest rate method.

During the year ended December 31, 2021, convertible notes with a principal value of $2,328,050 were converted into common shares (Note 22); as a result of conversion, the Company reclassified the carrying value of the converted convertible notes of $2,203,035 to share capital.

During the year ended December 31, 2021, accretion expense of $118,097 was recorded as finance cost with a corresponding increase in the carrying value of the convertible notes.

As of December 31, 2021, the carrying value of the convertible notes was $3,135,054 (December 31, 2020 – $nil).

(Expressed in United States Dollars)

16. CONVERTIBLE PREFERRED SHARES

Following is the change of the convertible preferred shares during the years ended December 31, 2021 and 2020:

	$
At the date of acquisition (Note 3)	3,083,427
Finance costs	49,034
As at December 31, 2020	**3,132,461**
Finance costs	752,823
Conversion	(3,885,284)
As at December 31, 2021	-

In connection with the PK Transaction the Company assumed the secured debts in the aggregate principal amount plus accrued interest of $15,134,298 payable to the PureKana Founders and repaid $8,200,000 (the "Redemption Value") of the outstanding aggregate principal amount and interest accrued thereon through the issuance of an aggregate of 1,025,000 Series 1 Preferred Shares with a redemption amount of $8.00 (the "Redemption Amount") to the PureKana Founders.

The holders of the Series 1 Preferred Shares (the "PS Holders") are entitled to receive a preferential cumulative cash dividend at the rate of 6% per annum.

The PS Holders may convert the Series 1 Preferred Shares to the common shares of the Company for a period of five years from the date of issuance at the highest price of:

i) The discounted market price which is determined based on the closing price of the common shares of the Company on the Exchange on the last trading day immediately before the conversion date, less the maximum discount permitted under the rules of the Exchange; or
ii) CA$2.80.

The PS Holders are not entitled to exercise the conversion right in respect of the Series 1 Preferred Shares unless:

i) the total common shares of the Company, including the common shares issued upon the conversion of the Series 1 Preferred Shares, held by the PS Holders is less than 9.9% of the issued and outstanding common shares of the Company, and
ii) the conversion would not constitute a change of control, which is defined in the policies of the Exchange, of the Company.

The Company has the right, exercisable at any time after five years from the date of issuance of the Series 1 Preferred Shares to redeem the outstanding the Series 1 Preferred Shares plus any accrued and unpaid dividends on the Series 1 Preferred Shares payable in cash or the issuance the common shares of the Company based on the market price on the Exchange.

The Company determined that it had an obligation to the PS Holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ and CA$ at the date of conversion. At the date of issuance, the Company allocated $5,116,573 as a derivate liability (Note 17) and the remaining balance of $3,083,427 was recorded as convertible preferred shares. The carrying value of the convertible preferred shares is being accreted to $8,200,000 between the date of issuance to December 4, 2025, by the effective interest rate method.

(Expressed in United States Dollars)

16. CONVERTIBLE PREFERRED SHARES (CONTINUED)

As the date of the PK Transaction, the fair value of the convertible preferred shares $3,083,427 was charged directly to retained earnings.

During the year ended December 31, 2021, the Company completed a conversion agreement with the PS Holders to convert the entire convertible preferred shares ($8,200,000) and outstanding interest payment into common shares. As a result, the Company reclassified the fair value ($3,885,284) of convertible preferred shares associated with the derivative liability (Note 17) at the conversion date to common shares (Note 22).

During the year ended December 31, 2021, accretion expense of $752,823 was recorded as finance cost with a corresponding increase in the carrying value of the convertible preferred shares (December 31, 2020 – $49,034).

As of December 31, 2021, the carrying value of the convertible preferred shares was $nil (December 31, 2020 – $3,132,461).

17. DERIVATIVE LIABILITY

Following is the change of the derivative liability during the years ended December 31, 2021 and 2020:

Related to:	Convertible preferred shares (Note 16)	Provision of earn-out payments (Note 20)	TOTAL
	$	$	$
Initial recognition	5,116,573	-	**5,116,573**
Remeasurement	352,636	-	**352,636**
As at December 31, 2020	**5,469,209**	**-**	**5,469,209**
Addition	-	637,752	**637,752**
Conversion	(4,887,783)	-	**(4,887,783)**
Remeasurement	(581,426)	(637,752)	**(1,219,178)**
As at December 31, 2021	**-**	**-**	**-**

The Company recognized the derivative liability for the financial liability issued with an option to convert or settle the liability by issuing the Company's common shares, and the number of shares of the Company to be issued upon the conversion or the settlement would depend on the market price of the common shares of the Company and/or the foreign exchange rate between US$ and CA$ at the date of conversion or settlement. The derivative liability is re-measured at each reporting period.

(Expressed in United States Dollars)

17. DERIVATIVE LIABILITY (CONTINUED)

Convertible preferred shares

As discussed in Note 16, the Company issued convertible preferred shares In connection with the PK Transaction to the PureKana Founders.

The Company determined that it had an obligation to the PS Holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ and CA$ at the date of conversion.

For accounting purposes, the Company calculated the fair value of the derivate liability at the date of issuance using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.38%, an expected life of 5 years, an expected volatility of 100% and an expected dividend yield of 6%, which totaled $5,116,573 and recorded these values as a derivate liability. The remaining balance of $3,083,427 was recorded as convertible preferred shares.

As the date of the PK Transaction, the fair value of the derivative liability ($5,116,573) was charged directly to retained earnings.

During the year ended December 31, 2021, the Company completed a conversion agreement with the PS Holders to convert the entire convertible preferred shares ($8,200,000) into common shares. As a result, the Company reclassified the fair value ($4,887,783) of derivative liability associated with the convertible preferred shares (Note 15) at the conversion date to common shares (Note 22).

Provision of earn-out payments

Pursuant to the NG Agreement, the current members of Nirvana will be eligible to receive earnout compensation of $500,000 payable in the Company’s common shares (the “2021 NG Earn-Out Payments”), if sales from Nirvana’s products equals or exceeds $1 million for the 2021 fiscal year (the “2021 NG Target”), and an additional $1 million payable in the Company’s common shares (the “2022 NG Earn-Out Payments”) (the “NG Earn-Out Payments”) if sales from Nirvana’s products exceeds USD$2.5 million for the 2022 fiscal year (the “2022 NG Target”).

The number of common shares to be issued for the NG Earn-Out Payments is determined based on the NG Conversion Price.

For accounting purposes, the Company calculated the fair value of the derivate liability ($637,752) at the date of issuance using the Black-Scholes option pricing model with the following:

	2021 Earn-Out Payments	2022 Earn-Out Payments
Risk-free interest rate	0.30%	0.30%
Expected annual volatility	92%	96%
Expected life (in years)	0.92	1.92
Expected dividend yield	-	-
Grant date fair value ($)	186,381	451,371

(Expressed in United States Dollars)

17. DERIVATIVE LIABILITY (CONTINUED)

Provision of earn-out payments (continued)
During the year ended December 31, 2021, the Company reassessed the fair value of derivative liability and determined the criterion of the 2021 NG Earn-Out Payments and 2022 NG Earn-Out Payments will not be met; as a result, the Company derecognized the corresponding derivative liability.

During the year ended December 31, 2021, a gain on fair value adjustment of derivative liability of $1,219,178 (December 31, 2020 – a loss of $352,636) was recorded in the statements of income (loss) and comprehensive income (loss) of with a corresponding decrease (increase) in the carrying value of the derivative liability.

As of December 31, 2021, the fair value of derivative liability was $nil (December 31, 2020 – $5,469,209).

18. LEASE OBLIGATION

As at December 31, 2021, future minimum lease payments under finance lease are as follows:

	$
As at December 31, 2019	128,727
Add: Finance costs	13,634
Less: Payments	(57,750)
As at December 31, 2020	**84,611**
Add: Finance costs	8,695
Less: Payments	(59,550)
As at December 31, 2021	**33,756**

19. LOAN PAYABLE

Line of Credit Agreement
During the year ended December 31, 2021, the Company through its subsidiary Tru Brands entered into a line of credit agreement (the "Credit Facility") with a credit facility of $2,500,000. The Credit Facility bears interest of 8% per annum calculated daily with no fixed payment term.

During the year ended December 31, 2021, the Company withdrew $1,441,243 and accrued interest of $9,076.

As of December 31, 2021, the outstanding balance of the Credit Facility, including the accrued interest, was $1,450,319 (December 31, 2020 – $nil).

(Expressed in United States Dollars)

19. LOAN PAYABLE (CONTINUED)

Loan Agreement

	$
Initial recognition	
Gross amount	10,000,000
Less: Transaction costs	(293,750)
	9,706,250
Finance costs	20,722
As at December 31, 2020	**9,726,972**
Finance costs	385,379
Gain on modification	(3,994)
As at December 31, 2021	**10,108,357**

On December 11, 2020 (the "PKL Funding Date"), the Company through its subsidiary PureKana entered into a loan agreement (the "PK Loan") with a financial institution with an amount of $10,000,000 (the "PK Loan Amount"). The PK Loan is secured with all of the assets of the Company and guaranteed by the members of the Company. The PK Loan matures on December 11, 2025 (the "PKL Maturity Date").

From and after the PKL Funding Date until and including the PKL Maturity Date, the PK Loan bears an interest rate of US$ 3-month LIBOR determined as of the PKL Funding Date and as will adjust at each calendar quarter thereafter, plus 3.00% (the "FF Interest Rate").

Pursuant to the PK Loan, the Company is required to set aside $325,000 as interest reserve.

From the PKL Funding Date to December 11, 2021, interest on the outstanding PK Loan Amount will be capitalized to the PK Loan Amount (the "PKL Capitalized Interest"). Subsequently, any outstanding interest will be payable on the fifth day of each calendar quarter commencing January 5, 2022 (the "PKL Quarterly Payment"), and on the PKL Maturity Date.

The PK Loan Amount and PKL Capitalized Interest should be paid as follows:

- On December 11, 2023 – 15% of the PK Loan Amount and the PKL Capitalized Interest
- On December 11, 2024 – 15% of the PK Loan Amount and the PKL Capitalized Interest
- On December 11, 2024 – the remaining PK Loan Amount and the PKL Capitalized Interest

The PK Loan contains financial covenants stating that the debt service coverage ratio (the "Debt Service Coverage Ratio") of the Company at the end of each calendar year from December 31, 2020 to the PKL Maturity Date should not be less than 1.20. As of December 31, 2021, to the Company was not in compliance with the Debt service coverage ratio; as a result, the Company reclassified the PK Loan as current.

Pursuant to the PK Loan, the Debt Service Coverage Ratio is defined as the quotient of PureKana's adjusted earnings before interest, taxes, depreciation, and amortization (the "Adjusted EBITDA") for each reporting period divided by a ten-year amortization of the Loan which is the sum of the interest expense for the reporting period and the scheduled principal payments made with respect to the PK Loan Amount for the reporting period. The Adjusted EBITDA is defined as the unadjusted EBITDA adjusted for any non-recurring, one-time, or irregular items.

(Expressed in United States Dollars)

19. LOAN PAYABLE (CONTINUED)

Loan Agreement (continued)
During the year ended December 31, 2021, the Company remeasured the fair value of the PK Loan due to the change of the US$ 3-month LIBOR; as a result, the Company recognized a gain on modification of $3,994 (December 31, 2020 – $nil).

During the year ended December 31, 2021, the Company recognized $385,379 as finance costs (December 31, 2020 – $20,722).

As at December 31, 2021, the carrying value of the PK Loan is $10,108,357 which is classified as current liability (December 31, 2020 – $9,726,972 which was classified as long-term liability).

Subsequent to December 31, 2021, the Company made two PKL Quarterly Payments with an amount of $105,758.

20. PROMISSORY NOTES

	$
Initial recognition	
At the date of acquisition	6,941,193
Addition	24,909
Payments	(325,650)
As at December 31, 2020	**6,640,452**
Additions	2,110,000
Finance costs	555,630
Payments	(3,371,539)
As at December 31, 2021	**5,934,543**
Current	4,752,059
Long-term	1,182,484
As at December 31, 2021	**5,934,543**

Promissory note issued in connection with the reverse takeover (Note 3)
In connection with the PK Transaction, the Company assumed the secured debts with a principal amount of $6,934,298 (the "PK Promissory Notes") which were issued to the PureKana Founders on December 4, 2020. As the date of the PK Transaction, the aggregate principal amount plus accrued interest of $6,941,193 was charged directly to retained earnings.

The PK Promissory Notes bear interest at 6% per annum and compounded annually. The Company is required to repay the PK Promissory Notes as follows:

- $4,000,000 plus outstanding interest on December 31, 2021; and
- remaining balances including outstanding interest on March 11, 2022. (Note 31)

During the year ended December 31, 2021 and 2020, the Company partially repaid the Promissory Notes with $2,865,929 and $325,650, respectively.

During the year ended December 31, 2021 and 2020, an interest expense of $475,825 and $24,909, respectively, was recorded as finance costs with a corresponding increase in the carrying value of the liability.

20. PROMISSORY NOTES (CONTINUED)

Promissory note issued in connection with the reverse takeover (Note 3)

As at December 31, 2021, the carrying value of the PK Promissory Notes is $4,250,348 (December 31, 2020 – $6,640,452) of which $4,250,348 (December 31, 2020 – $3,687,501) was classified as current liability.

Promissory note issued in connection with the acquisition of No BS (Note 4)

In connection with the Acquisition of No BS (Note 3), the Company issued an unsecured promissory note of $500,000 with fair value of $492,407, on April 13, 2021 (the "No BS Promissory Note"). The No BS Promissory Note bears a non-compounding interest at 3.25% per annum and payable at the maturity date, which is August 17, 2021.

The No BS Promissory Note including interest with an amount of $505,610 was paid during the year ended December 31, 2021.

As at December 31, 2021, the carrying value of the No BS Promissory Note is $nil (December 31, 2020 – $nil).

Others

- On March 3, 2021, the Company issued a promissory note for cash proceeds of $480,000. The promissory note bears interest at 9% per annum and matures on March 3, 2023.

- On May 4, 2021, the Company issued a promissory note for cash proceeds of $630,000. The promissory note bears interest at 9% per annum and matures on May 4, 2023.

- On December 20, 2021, the Company issued a promissory note for cash proceeds of $500,000. The promissory note bears interest at 12% per annum and matures on December 20, 2022.

(collectively the "Other Promissory Notes")

During the year ended December 31, 2021, an interest expense of $74,195 was recorded as finance costs for the Other Promissory Notes with a corresponding increase in the carrying value of the liability (December 31, 2020 – $nil).

As at December 31, 2021, the carrying value of the Other Promissory Notes is $1,684,195 (December 31, 2020 – $nil) of which $501,711 (December 31, 2020 – $nil) was classified as current liability.

(Expressed in United States Dollars)

21. PROVISION OF EARN-OUT PAYMENTS

Following is the change of the provision of earn-out payments during the year ended December 31, 2021:

	$
Initial recognition	582,516
Finance costs	319,393
Remeasurement	(901,909)
As at December 31, 2021	**-**

Pursuant to the NG Agreement (Note 4), the current members of Nirvana will be eligible to receive the NG Earn-Out Payments.

The Company valued the NG Earn-Out Payments based on an analysis using a cash flow model to determine the expected contingent consideration payment as $1,220,268 at the date of acquisition and allocated $637,752 as a derivate liability (Note 17) and the remaining balance of $582,516 was recorded as provision of earn-out payments.

During the year ended December 31, 2021, accretion expense of $319,393 was recorded as finance cost with a corresponding increase in the carrying value of the provision of earn-out payments.

As discussion in Note 17, as of December 31, 2021, the Company determined the current members of DTC are not eligible to the 2021 NO BS Earn-Out Payments as No B.S. did not meet the 2021 NO BS Target; as a result, the Company derecognized the correspondence earn-out payments and recognized a gain on remeasurement of provision of earn-out payments with an amount of $849,529.

As discussion in Note 17, as of December 31, 2021, the Company determined the criterion of the 2021 NG Earn-Out Payments and 2022 NG Earn-Out Payments will not be met; as a result, the Company derecognized the correspondence earn-out payments and recognized a gain on remeasurement of provision of earn-out payments with an amount of $901,909.

As of December 31, 2021, the carrying value of the provision of earn-out payments was $nil (December 31, 2020 – $nil).

22. SHARE CAPITAL

Authorized share capital
Unlimited number of series 1 preferred shares without par value.
Unlimited number of common shares without par value.

Escrow shares
On December 11, 2020, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release as follows:

- December 11, 2020: 5,535,469 common shares (released)
- June 11, 2021: 5,160,469 common shares (released)
- December 11, 2021: 5,160,469 common shares (released)
- June 11, 2022: 5,160,468 common shares

During the year ended December 31, 2021 and 2020, 10,320,938 and 5,535,469 common shares, respectively, were released from escrow.

As of December 31, 2021, there were 5,160,468 common shares held in escrow (December 31, 2020 –15,481,406).

Issued share capital
As at December 31, 2021, the Company had 26,066,432 common shares (December 31, 2020 – 21,016,875) common shares issued and outstanding.

During the year ended December 31, 2021

- The Company issued the TB Exchange Consideration to acquire 100% of the issued and outstanding shares of Tru Brands (Note 6).

- In connection with the acquisition of Tru Brands, the Company issued the TB Finders' Shares (Note 6).

- The Company issued the CMG Share Consideration to acquire 60% of the outstanding shares of CMG (Note 7).

- The Company issued 457,521 common shares for conversion of the convertible notes. As a result of the conversion, the Company reclassified the carrying value of the convertible notes ($2,203,035) (Note 15) to share capital.

- The Company issued 2,327,833 common shares for conversion of the preferred shares. As a result of the conversion, the Company reclassified the carrying value of the preferred shares ($3,885,284) (Note 16) and the fair value of the derivative liability of the converted preferred shares ($4,887,783) (Note 17) to share capital.

- The Company issued 47,753 common shares with fair value of $225,000 for advisory services.

- 22,500 warrants were exercised for cash proceeds of $23,636 (CA$30,000). In addition, the Company reclassified the grant date fair value of the exercised warrants of $52,933 from reserve to share capital.

- 33,750 stock options were exercised for cash proceeds of $35,559 (CA$45,000). In addition, the Company reclassified the grant date fair value of the exercised warrants of $82,880 from reserve to share capital.

- The Company issued 485,225 common shares with fair value of $2,201,951 for the restricted share unit.

(Expressed in United States Dollars)

22. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended December 31, 2020

- On December 8, 2020, the completed the reverse acquisition of SBBC as explained in Note 3.

Warrants

The changes in warrants during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price (CA$)	Number outstanding	Weighted average exercise price (CA$)
Balance, beginning of year	**22,500**	**1.33**	**-**	**-**
Issued	-	-	**22,500**	**1.33**
Exercised	(22,500)	1.33	-	-
Balance, end of year	**-**	**-**	**22,500**	**1.33**

During the year ended December 31, 2020

On December 8, 2020, in connection with the PK Transaction, the Company issued 22,500 agent's warrants. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of CA$1.33 at any time prior to January 29, 2021.

The Company estimated the grant date fair value of finders' warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.25%, an expected life of 1.5 months, an expected volatility of 100% and an expected dividend yield of 0%, which totaled $52,933, and recorded this value in reserve.

Equity Incentive Plan (the "Incentive Plan")

To provide a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Company and its subsidiaries, the Company implemented an Incentive Plan which includes the stock options, Restricted Share Unit ("RSU") Plan and Deferred Share Unit (the "DSU"). The Incentive Plan is administered by the Board of Directors, which sets the terms of incentive awards under the Incentive Plan. The maximum number of common shares available for issuance under the Incentive Plan is limited to 10% of the Company's outstanding common shares at any one time.

Under the Incentive Plan, an option's maximum term is five years from the grant date. Under the stock option plan, the Board has the option of determining vesting periods. Grants of RSUs and DSUs vest as to one-third on each of the first, second and third anniversaries of the date of grant, unless otherwise set by the Board or plan administrator.

The Incentive Plan was approved at the annual general and special meeting held on July 15, 2021.

(Expressed in United States Dollars)

22. SHARE CAPITAL (CONTINUED)

Equity incentive plan (continued)

- **Stock options**

  The changes in stock options during the years ended December 31, 2021 and 2020, are as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price (CA$)	Number outstanding	Weighted average exercise price (CA$)
Balance, beginning of year	**37,500**	1.33	-	-
Granted	1,351,030	5.70	37,500	1.33
Exercised	(33,750)	1.33	-	-
Expired	(3,750)	1.33	-	-
Balance, end of year	**1,351,030**	**5.70**	**37,500**	**1.33**

During the year ended December 31, 2021

- On July 26, 2021, the Company granted 932,030 options with an exercise price of CA$5.70 to its officers of the Company. The options are exercisable for a period of five years. One-third vest on date of grant and one-third will vest every nine months thereafter.

- On July 26, 2021, the Company granted 419,000 options with an exercise price of CA$5.70 to its employees and consultants of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

The estimated grant date fair value of the options granted during the year ended December 31, 2021 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	**1,351,030**
Risk-free interest rate	**0.73%**
Expected annual volatility	**95%**
Expected life (in years)	**5.00**
Expected dividend yield	**0%**
Grant date fair value per option ($)	**3.20**
Share price at grant date ($)	**5.70**

During the year ended December 31, 2021, the Company recognized share-based payments expense of $2,208,609 arising from the stock options granted during the year ended December 31, 2021.

During the year ended December 31, 2020

On December 8, 2020, in connection with the Transaction, the Company issued 37,500 options to replace the outstanding options previously issued by PureK. Each option entitles the holder to purchase one common share of the Company at an exercise price of CA$1.33 at any time prior to December 11, 2021.

The Company estimated the grant date fair value of the stock options, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.25%, an expected life of 1 year, an expected volatility of 100% and an expected dividend yield of 0%, which totaled $92,089, and recorded this value in reserve.

(Expressed in United States Dollars)

22. SHARE CAPITAL (CONTINUED)

Equity incentive plan (continued)

- **Stock options (continued)**

The following summarizes information about stock options outstanding and exercisable as at December 31, 2021:

Expiry date	Exercise price (CA$)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
July 26, 2026	5.70	1,351,030	310,678	4,324,107	4.57

The weighted average remaining vesting period of the unvested options is 1.05 years.

- **RSU**

The Incentive Plan permits the Company to either redeem RSUs for cash, issue common shares of the Company from treasury, or purchase common shares of the Company on the open market, to satisfy all or any portion of a vested RSU award.

- On July 27, 2021, the Company issued 472,100 RSUs with fair value of $2,142,390 to its directors, employees and consultants. All of the RSUs granted vested immediately at the date of grant. During the year ended December 31, 2021, the Company issued 472,100 common shares for the RSUs.

- On July 27, 2021, the Company issued 432,000 RSUs with fair value of $1,960,416 to its employees and consultants. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

During the year ended December 31, 2021, the Company recognized share-based payments expense arising from the RSUs of $3,406,551 (December 31, 2020 – $nil).

As of December 31, 2021, the Company had 418,875 RSUs, of which 94,875 were vested, issued and outstanding.

- **DSU**

The Incentive Plan permits the Company to either redeem DSUs for cash or issue common shares of the Company from treasury, to satisfy all or any portion of a vested DSU award.

Distribution to shareholders

During the year ended December 31, 2021, PureKana made a cash distribution of $4,171 (December 31, 2020 – $1,053,199) to its members.

(Expressed in United States Dollars)

22. SHARE CAPITAL (CONTINUED)

Non-controlling interest

The following schedule shows the effects of the changes in non-controlling interest during the years ended December 31, 2021 and 2020:

	$
Balance as of December 31, 2019	1,201,559
Distribution	(699,021)
Share of income	217,668
Balance as of December 31, 2020	**720,206**
Distribution	(4,171)
Excess contribution from non-controlling interest in connection with the No B.S. Life, LLC	(76,286)
Share of loss	(2,044,214)
Balance as of December 31, 2021	**(1,404,465)**

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of the common shares issued and outstanding during the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

(Expressed in United States Dollars)

23. FINANCE COSTS

	Note(s)	December 31, 2021 $	December 31, 2020 $
Accretion of interest of convertible notes	15	188,097	-
Accretion of interest of lease obligation	18	8,695	13,634
Accretion of interest of loan payable	19	385,379	20,722
Accretion of interest of preferred shares	16	752,823	49,034
Accretion of interest of promissory notes	20	555,630	24,909
Accretion of interest of provision of earn-out payments	21	319,393	-
Interest expense of loan payable	19	9,076	-
Others		121,785	-
		2,340,878	**108,299**

24. GRANT AND OTHER ASSISTANCE

On March 27, 2020, Congress passed, and the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act, which is commonly known as the CARES Act which provides a stimulus package to certain businesses and individuals affected by the novel COVID-19 emergency.

On December 27, 2020, the President of the United States signed new stimulus legislation into law. The new law, the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*, P.L. 116-260 (the "Economic Aid Act"), authorizes new and additional loans under the Paycheck Protection Program (the “PPP Loan”) and modifies the law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) for this purpose.

The proceeds from the PPP Loan may only be used to fund following eligible expenses:

- Payroll, rent, covered mortgage interest and utilities;
- Certain worker protection and facility modification expenditures, including personal protective equipment, to comply with COVID-19 federal health and safety guideline;
- Certain property damage costs related to property damage and vandalism or looting due to public disturbances in 2020 that were not covered by insurance or other compensation;
- Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations; and
- Other certain operating expenditures, such as payments for business software or cloud computing services; product or service delivery expenses; the processing, payment, or tracking of payroll expenses; human resources; sales and billing functions; or accounting or tracking of supplies, inventory, records, and expenses.

For expenses to be forgivable, the proceeds of the PPP Loan will have to be spent at least 60% on payroll over 8 or 24 weeks covered period.

24. GRANT AND OTHER ASSISTANCE (CONTINUED)

The PPP Loan bears 1% interest per annum. The Company may repay the PPP Loan anytime or before June 17, 2022.

During the year ended December 31, 2021

- On January 21, 2021, No B.S. received the PPP Loan in the amount of $152,795. No B.S. received an approval of the loan forgiveness during the year ended December 31, 2021; as a result, the Company recognized a grant and other assistance of $152,795 during the year ended December 31, 2021.

During the year ended December 31, 2020

- On June 17, 2020, PureKana received the PPP Loan in the amount of $109,500 (the "PPP Loan"). PureKana received an approval of the loan forgiveness subsequent to December 31, 2020; as a result, the Company recognized the PPA Loan as a grant and other assistance during the year ended December 31, 2020.

25. RELATED PARTIES

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

Key management compensation, including benefits, for the year ended December 31, 2021 was $820,783 (December 31, 2021 – $448,009).

During the year ended December 31, 2021

- The Board approved a performance bonus of $128,625 to be paid to the Company's Chief Financial Officer. The amount was paid during the year ended December 31, 2021.

- On July 27, 2021, the Company granted 932,030 options with an exercise price of $5.70 to its officers. The options are exercisable for a period of five years with fair value of $1,353,411 which will amortize over the vesting period (Note 22).

- On July 27, 2021, the Company issued 345,000 RSUs with fair value of $1,565,610 to its directors (Note 22). The fair value of the RSUs will amortize over the vesting period.

26. CONTINGENCIES

Litigation
In the normal course of business, the Company may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. After consulting legal counsel, the Company does not believe any adverse judgments will have a material effect on the operations of the Company.

27. SEGMENTED INFORMATION

The Company operates in one reportable segment being the sale of consumer health and wellness products with sales principally generated from the United States. All of the Company's non-current assets are located in United States.

During the years ended December 31, 2021 and 2020, 5 and 7 vendors represented more than 75% of the Company's inventory purchases, respectively.

During the years ended December 31, 2021 and 2020, there were no significant customers which made up more than 10% of sales.

28. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 19. As of December 31, 2021, the Company the Company was not in compliance with these financial covenants.

(Expressed in United States Dollars)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

	December 31, 2021	FVTPL $	Amortized costs $	FVTOCI $
Financial assets:				
ASSETS				
Cash	2,234,993	-	2,234,993	-
Accounts receivable	399,665	-	399,665	-
Other receivable	1,150	-	1,150	-
Restricted cash	325,000	-	325,000	-
Security deposits	12,299	-	12,299	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	2,083,359	-	2,083,359	-
Current portion of lease obligation	33,756	-	33,756	-
Current portion of promissory notes	4,752,059	-	4,752,059	-
Current portion of loan payable	11,558,676	-	11,558,676	-
Convertible notes	3,135,054	-	3,135,054	-
Promissory notes	1,182,484	-	1,182,484	-

	December 31, 2020	FVTPL $	Amortized costs $	FVTOCI $
Financial assets:				
ASSETS				
Cash	8,308,475	-	8,308,475	-
Accounts receivable	244,419	-	244,419	-
Other receivable	49,762	-	49,762	-
Loan receivable	367,772	-	367,772	-
Restricted cash	325,000	-	325,000	-
Security deposits	10,050	-	10,050	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	704,778	-	704,778	-
Current portion of lease obligation	50,855	-	50,855	-
Current portion of promissory notes	3,687,501	-	3,687,501	-
Convertible preferred shares	3,132,461	-	3,132,461	-
Derivative liability	5,469,209	5,469,209	-	-
Loan payable	9,726,972	-	9,726,972	-
Promissory notes	2,952,951	-	2,952,951	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3 – Unobservable (supported by little or no market activity) prices.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The financial instrument recorded at fair value on the statement of financial position is derivative liability which is measured using Level 3 of the fair value hierarchy. Level 3 inputs for other derivative liability include the use of the Black-Scholes option pricing model. Estimates are made regarding (i) the discount rate used, (ii) the expected life of the instruments, (iii) the volatility of the Company's common shares price which are driven by historical information and the expected dividend yield. Refer to Note 17 for further disclosures.

As of December 31, 2021 and 2020, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1 and Level 2 in the fair value hierarchy above.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of being affected by these risks. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. When material, these risks are also reviewed and monitored by the Board of Directors.

Market risk

- Foreign currency risk

  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US$. The Company has not entered into any foreign currency contracts to mitigate this risk. The risk is measured using sensitivity analysis and cash flow forecasting.

  As of December 31, 2021, the majority of the Company’s monetary assets and liabilities are denominated in US$; as a result, management believes the currency risk is minimal.

  The Company’s derivative liability may expose to the currency risk as the Company’s share is trading in CA$. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% appreciation or depreciation of the US$ against CA$ would provide insignificant impacts on the fair value of the derivative liability.

(Expressed in United States Dollars)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Market risk (continued)

- Interest rate risk
  The Company's interest rate risk principally arises from fluctuations in the US$ LIBOR rate as it relates to the Company's loan payable. A 1% change in the US$ LIBOR rate would result in approximately a $100,000 impact on the Company's profit or loss for the year ended December 31, 2021. The Company has not entered into any interest rate swaps to mitigate this risk.

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of December 31, 2021, the Company had cash of $2,234,993 to meet short-term business requirements. As of December 31, 2021, the Company had current liabilities of $18,510,613 (Note 1 – Going Concern).

30. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021 $	2020 $
Loss for the year	(12,868,612)	(1,982,379)
Expected income tax (recovery)	(3,475,000)	(535,000)
Change in statutory, foreign tax, foreign exchange rates	441,000	8,000
Permanent differences	(125,000)	586,000
Non-controlling interest	471,000	(207,000)
Other	(68,000)	-
Adjustment to prior years provision versus statutory tax returns	109,000	-
Change in unrecognized deferred tax assets	2,603,000	148,000
Total income tax expense (recovery)	**(44,000)**	**-**

(Expressed in United States Dollars)

30. INCOME TAXES (CONTINUED)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2021 $	2020 $
Deferred tax assets (liabilities)		
Stock-based compensation and other	1,403,000	(20,000)
Intangible assets	(605,000)	-
Convertible preferred shares	(810,000)	108,000
Convertible notes	(5,000)	-
Losses available for future periods	1,736,000	60,000
Net deferred tax liability	**1,719,000**	**148,000**
Unrecognized deferred tax assets	**(2,751,000)**	**(148,000)**
Net deferred tax liabilities	**(1,032,000)**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Share issue costs	299,000	2042 to 2045	29,000	2041 to 2043
Stock-based compensation and other	5,647,000	No expiry date	3,000	No expiry date
Intangible assets	2,105,000	No expiry date	-	N/A
Convertible preferred shares	-	No expiry date	402,000	No expiry date
Losses available for future periods	3,567,000		131,000	
Canada	1,077,000	2040 to 2041	43,000	2040
USA	2,490,000	No expiry date	88,000	No expiry date

31. SUBSEQUENT EVENTS

Subsequent to December 31, 2021

- On January 26, 2022, the Company issued 202,875 common shares for the restricted share units.
- On February 11, 2022, the Company issued 19,157 common shares with fair value of $75,000 for advisory services.
- Convertible notes with a principal value of $1,021,820 including outstanding interest were converted into 283,527 common shares.
- The Company made a repayment on the PK Promissory Notes with an amount of $2,054,521.

31. SUBSEQUENT EVENTS (CONTINUED)

- On February 10, 2022, the Company announced a non-brokered private placement (the "2022 Offering") of up to 580,046 units of the Company (the "Units") at a price of CA$4.31 per Unit for aggregate gross proceeds of up to CA$2,500,000. Each Unit will consist of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "2022 Warrant"). Each 2022 Warrant will entitle the holder thereof to purchase one common share of the Company at a price of CA$5.06 for a period of 24 months.

  A $250,000 subscription receipt was received, followed by the announcement of the 2022 Offering.

- On February 23, 2022, the Company granted 15,000 options with an exercise price of CA$4.70 to the consultant of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

- On February 23, 2022, the Company issued the following RSUs:

  - 24,370 RSUs to its employees and consultants. One-third will vest every six months thereafter.

  - 500,000 RSUs to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.

  - 285,000 RSUs to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.

  - 50,000 RSUs to its director. All RSUs granted vest on the first anniversary.

- On March 1, 2022, the Company through No B.S. entered into a brand ambassador agreement (the "Sponsorship Agreement") with Julianna, the mixed martial artist who won the UFC Women's Bantamweight Championship this past December and was named MMA Junkie's Female Fighter of the Year.

  Pursuant to the Sponsorship Agreement, Julianna agreed to act as a brand ambassador for No B.S., providing certain online posts, endorsements and social media content. In consideration for the services provided under the Sponsorship Agreement, No B.S. agreed to pay Julianna an engagement fee of $100,000 (the "Engagement Fee"), a royalty fee equal to 10% of the gross revenues generated from sales achieved by No B.S. from certain sales, and a one-time bonus of $25,000 in the event the campaign generates a minimum of $500,000 in gross revenues. Each of these amounts is payable in common shares of the Company or cash, at the discretion of No B.S. and subject to approval of the Exchange. The Engagement Fee is payable in four equal installments, to be paid quarterly commencing on May 1, 2022. The other fees will be payable upon achievement of the associated sales targets. The number of common shares will be determined based on the higher of i) the 10-day VWAP of the common shares on the payment date and ii) the discounted market price as defined by the Exchange Policy 1.1.

- On March 2, 2022, the Company entered into a one-year advisory agreement (the "Opensky Agreement") with Opensky Opportunities Fund Ltd. (the "Opensky") for business development services and branding and business development analysis and data consulting services (the "Advisory Services"). The Agreement contemplates payment to the Opensky of an aggregate amount of $600,000 payable in four equal installments, to be paid quarterly commencing on May 26, 2022. Subject to the Exchange approval, the Advisory Services will be paid by the common shares of the Company. The number of common shares will be determined based on the higher of i) the 15-day VWAP of the common shares on the payment date and ii) the discounted market price as defined by the Exchange Policy 1.1. The Opensky Agreement may be renewed and/or extended for such period or periods and under such terms and conditions as may be mutually agreed to by the Company and Opensky.

31. SUBSEQUENT EVENTS (CONTINUED)

- On March 3, 2022, the Company issued a promissory note for cash proceeds of $350,000. The promissory note bears interest at 12% per annum and matures on March 3, 2023.

- On March 18, 2022, the Company completed an acquisition of Hervé Edibles Limited ("Hervé"). Pursuant to the share price agreement, the Company acquired all of the issued and outstanding common shares of Hervé for an aggregate purchase consideration of CA$8,000,000, payable in the form of issuance of 1,705,755 common shares ("Hervé Consideration Shares") of the Company, to the shareholders Hervé, at a price per Hervé Consideration Share of CA$4.69, calculated on the basis of the VWAP of the Company's shares on the TSXV determined based on the 15 trading days immediately preceding the closing date.

  In addition, CA$1,000,000 of additional Hervé Consideration Shares may be issued upon the Company achieving specific sales revenue targets of Hervé products.

  The Hervé Consideration Shares are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.

  The Company will pay a finder's fee of CA$300,000, payable in the form of issuance of SBBC shares in relation to the acquisition to an arm's length third party. The shares issued pursuant to the finder's fee will be subject to a statutory 4-month hold period.

- On April 1, 2022, the Company completed an acquisition of BRN. Pursuant to the terms of the acquisition, the Company acquired of all of the issued and outstanding common shares of The BRN Group Inc. ("BRN") in exchange for an aggregate of 2,729,763 common shares of the Company at a price of $3.66 (CA$4.69) per common share of the Company ("BRN Consideration Shares") for a total purchase price of $10 million.

  $1.5 million of the BRN Consideration Shares have been placed in escrow, subject to release upon the satisfaction of certain conditions. The BRN Consideration Shares issued at the closing date are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.

- On April 21, 2022, The Company entered into a binding letter of intent (the "Jones LOI") with Jones Soda Co. ("Jones"). Pursuant to the Jones LOI, SBBC and Jones will complete an arm's length business combination by the acquisition by SBBC of all the issued and outstanding common shares of Jones (the "Jones Shares") at a deemed value of $0.75 per Jones Share (the "Jones Transaction"), payable in full by the common shares of SBBC based on a price a deemed price of US$3.65 ("Jones Share Consideration"). In addition, SBBC will assume all outstanding debt of Jones and exchange any dilutive securities of Jones for materially similar securities of SBBC based on an implied ratio of 0.20548 of SBBC's share for each one Jones Share held.

- On April 21, 2022, the Company entered into a debt settlement arrangement with Heavenly Rx LLC to settle the $480,000 promissory note issued on March 3, 2021, by the common shares of the Company. Pursuant to the debt settlement agreement, the principal amount of $480,000, including outstanding interest, was satisfied by issuing 140,351 common shares of the Company.

- 45,000 options and 8,310 RSUs forfeited.