

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC.,
11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS
CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

APPLICATION RECORD OF THE APPLICANTS

June 5, 2023

STIKEMAN ELLIOTT LLP

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Lawyers for the Applicants

TO: THE SERVICE LIST

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

**SERVICE LIST
(as at June 5, 2023)**

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<p>DAVIES WARD PHILLIPS & VINEBERG LLP 1501 McGill College Avenue 8th Floor Montreal, QC H3A 3N9</p> <p>Lawyers for 2707031 Ontario Inc. ("270 Ontario") and 270 Ontario, in its capacity as the DIP Lender</p>	<p>Christian Lachance Tel: 514-841-6576 Email: clachance@dwpv.com</p> <p>Natalie Renner Tel: 416-367-7489 Email: nrenner@dwpv.com</p>
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INDEX

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Applicants

I N D E X

TAB	DOCUMENT
1.	Notice of Application dated June 5, 2023
2.	Affidavit of Stephane Trudel, sworn June 5, 2023
A.	Exhibit "A" – Corporate structure chart
B.	Exhibit "B" – List of trademarks
C.	Exhibit "C" - Copies of the Companies' audited financial statements for the fiscal years ended February 2, 2019
D.	Exhibit "D" - Companies' audited financial statements for the fiscal years ended February 1, 2020
E.	Exhibit "E" - Companies' audited financial statements for the fiscal years ended January 30, 2021
F.	Exhibit "F" - Companies' audited financial statements for the fiscal years ended January 29, 2022
G.	Exhibit "G" - Companies' audited financial statements for the fiscal years ended December 31, 2022
H.	Exhibit "H" - Companies' unaudited interim consolidated financial statement for the quarter ended March 31, 2023
I.	Exhibit "I" – ACT Loan Agreement, dated October 17, 2022

TAB	DOCUMENT
J.	Exhibit "J" – Guarantee, dated October 17, 2022
K.	Exhibit "K" – General Security Agreement, dated October 17, 2022
L.	Exhibit "L" – Summaries of PPSA searches
M.	Exhibit "M" – FTI's Consent to act as Court-appointed Monitor
N.	Exhibit "N" – DIP Facility Agreement
3.	Draft Initial Order
4.	Blackline of Initial Order to Model CCAA Order

TAB 1

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.
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CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicants appear on the following pages.

THIS APPLICATION will come on for a hearing (*choose one of the following*)

- In writing
- In person
- By telephone conference
- By video conference

at the following location:

Coordinates to be provided

on **Monday, June 5, 2023, at 12:00 p.m.**

IF YOU WISH TO OPPOSE THIS APPLICATION, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, AN ORDER MAY BE MADE IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. If you wish to oppose this application but are unable to pay legal fees, legal aid may be available to you by contracting a Local Legal Aid office.

Date:

Issued by: _____
Local Registrar

Address of court office:
330 University Avenue, 7th Floor
Toronto, ON M5G 1R7

APPLICATION

1. **THIS APPLICATION IS MADE BY** Fire & Flower Holdings Corp. (“**FFHC**” or the “**Company**”), Fire & Flower Inc. (“**FFI**”), 13318184 Canada Inc., (“**133 Canada**”), 11180703 Canada Inc. (“**Hi-Line Ventures**”), 10926671 Canada Ltd. (“**Open Fields Distribution**”), Friendly Stranger Holdings Corp. (“**Friendly Stranger**”), Pineapple Express Delivery Inc. (“**Pineapple Express Delivery**”), Hifyre Inc. (“**Hifyre**”, and collectively, the “**Applicants**”), for an order, substantially in the form attached at Tab 3 of this Application Record (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), *inter alia*:

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are each a debtor company to which the CCAA applies;
- (c) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants, any of their assets, property, and undertakings (“**Property**”) or business, or their directors and officers (the “**D&Os**”), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”), for an initial period of ten (10) days in accordance with the CCAA (the “**Stay Period**”);
- (d) appointing FTI Consulting Canada Inc. (“**FTI**” or the “**Proposed Monitor**”) as the monitor of the Applicants (if appointed, the “**Monitor**”) in these CCAA proceedings;
- (e) approving the execution by the Applicants of an interim facility loan agreement (the “**DIP Facility Agreement**”) entered into on June 5, 2023 with 2707031 Ontario Inc.

(“**ACT Investor**”, and in its capacity as lender under the DIP Facility Agreement, the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance to the Applicants a total amount of up to \$9.8 million (the “**DIP Facility**”), which will be made available to the Applicants during these CCAA Proceedings, of which an initial amount of \$2.7 million will be advanced during the initial 10-day Stay Period (the “**Initial Advance**”);

- (f) granting the following priority charges against the Property:
- (i) an “**Administration Charge**” against the Property in the initial amount of \$600,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Proposed Monitor, counsel to the Proposed Monitor, and counsel to the Applicants, in connection with the CCAA Proceedings both before and after the making of the Initial Order;
 - (ii) a “**DIP Lender’s Charge**” against the Property in the amount of the Initial Advance as security for the Applicants’ obligations under the DIP Facility Agreement;
 - (iii) a “**D&O Charge**” against the Property in the maximum amount of \$2.8 million in favour of the D&Os of the Applicants as security for the Applicants’ obligation to indemnify such D&Os for obligations and liabilities they may incur in such capacities after the commencement of the CCAA Proceedings, including with respect to employee vacation pay which may have accrued prior to the commencement of these proceedings, but which may become due and payable after the commencement of these proceedings, except to the extent that such obligation or liability was

incurred as a result of the director's or officer's gross negligence or wilful misconduct.

2. If the Initial Order is granted, the Applicants intend to return to Court within ten (10) days (the "**Comeback Motion**") to seek approval of an Amended and Restated Initial Order ("**ARIO**"), granting, among other things:

- (a) an extension of the Stay Period until and including September 1, 2023;
- (b) an increase in the amounts which may be borrowed by the Applicants under the DIP Facility Agreement;
- (c) approval of the key employee retention plan (the "**KERP**");
- (d) approval of a sale and investment solicitation process (the "**SISP**") and authorizing the Applicants and the Monitor to immediately commence the SISP;
- (e) authority for the Applicants to incur no further expenses in relation to the Securities Filings (as defined below) and declare that none of the D&Os, employees, and other representatives of the Applicants or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings;
- (f) an extension of the time limit to hold the annual shareholders' meeting of FFHC scheduled for June 22, 2023 until after the conclusion of the CCAA Proceedings, subject to further order of this Court;
- (g) the following priority charges against the Property, and increasing the quantum of the charges granted in the Initial Order as follows:

- (i) an increase to the Administration Charge;
 - (ii) an increase to the DIP Lender's Charge;
 - (iii) an increase to the D&O Charge; and
 - (iv) a new "**KERP Charge**" against the Property as security for payments under the KERP; and
- (h) seek such other relief as may be required to advance the Applicants' restructuring.
3. Such further and other relief as Honourable Court deems just.
4. **THE GROUNDS FOR THE APPLICATION ARE:**

Overview

- (a) FFHC, through its wholly-owned subsidiaries, is an independent cannabis retail chain with 91 retail stores open across Canada. Certain subsidiaries of FFHC also carry on business as a wholesale cannabis distributor, a logistics provider, and operate digital platforms which provide various services and software products relating to cannabis products;
- (b) The Applicants are all companies incorporated by or under an Act of Parliament or of the legislature of a province, with each having assets or doing business in Canada;
- (c) The Applicants and FFHC's two wholly-owned U.S. subsidiaries (together, the "**Companies**") have been operating at a loss since they began operating in 2018. Most recently, the Companies have suffered operating losses of approximately

\$45.4 million and \$83.4 million in the fiscal years ended January 29, 2022 and December 31, 2022, respectively;

- (d) While the Companies' financial difficulties were driven by a variety of factors, the significant losses suffered by the Companies have largely stemmed from their cannabis retail operations. Increased competition and operating costs, margin pressure, and regulatory restrictions experienced by the Companies and the cannabis industry generally have collectively contributed to significantly lower revenues and higher costs than what the Applicants expected their cannabis retail stores would face;
- (e) This Application is filed in a context wherein the Applicants have made various efforts since September 2022 to raise additional liquidity and pursue strategic alternatives;
- (f) Without the protection of the CCAA and the relief available thereunder, the Applicants will be unable to meet their obligations as they become due imminently. The Applicants' liabilities exceed \$5 million;
- (g) If the Applicants are insolvent without the protection of the CCAA, the Applicants would be forced to shut down operations, which would be extremely detrimental to the Applicants' landlords, suppliers, lenders, customers, and their 774 employees;
- (h) Each of the Applicants are companies to which the CCAA applies;

Stay of Proceedings

- (i) The Applicants require a Stay of Proceedings for an initial period of ten days and intend to seek an extension to same at the Comeback Motion to September 1, 2023;
- (j) The Stay of Proceedings is necessary and in the best interests of Applicants and their stakeholders as it will allow the Applicants to have the breathing space to maintain operations, for the benefit of most of its employees and other stakeholders, disclaim certain unprofitable leases, streamline their remaining operations with a view to generating a profit, and prepare a sale and investment solicitation process for a going-concern solution to maximize value for their stakeholders, which the Applicants will seek approval at the Comeback Motion;
- (k) Without the benefit of the Stay of Proceedings and the protections of the CCAA, the Applicants do not have the available liquidity to meet its liabilities and will be forced to cease operations;

Appointment of FTI as Monitor

- (l) FTI has consented to act as the Court-appointed Monitor of the Applicants, subject to Court approval;
- (m) FTI is a trustee within the meaning of section 2 of the Bankruptcy and Insolvency Act, R.S.C., 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA;

Administration Charge

- (n) The Applicants seek an Administration Charge on their Property in the maximum principal amount of \$600,000 as part of the proposed Initial Order, to secure the fees and disbursements incurred in connection with services rendered to the Applicants in favour of the Monitor, counsel to the Monitor, and the Applicants' counsel;
- (o) The Applicants require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA proceedings in order to complete a successful restructuring;
- (p) The Administration Charge is proposed to have first priority over all other charges;

DIP Facility Agreement and DIP Lender's Charge

- (q) The cash flow statement prepared by the Applicants and reviewed by the Proposed Monitor indicates that the Applicants anticipate the need for interim financing to fund these CCAA proceedings, including during the initial ten day Stay Period;
- (r) In connection with the commencement of these CCAA proceedings, the Applicants entered into the DIP Facility Agreement with the DIP Lender, pursuant to which the DIP Lender has agreed to provide the DIP Facility to the Applicants, the initial advance of \$2.7 million and a maximum principal amount of \$9.8 million, approval of which will be sought at the Comeback Motion;
- (s) The DIP Facility is conditional upon, among other things, the obtaining of an order of this Court approving the DIP Facility Agreement and other documents to be

executed and delivered thereunder, as necessary, and granting the DIP Lender's Charge over the Applicants' Property;

- (t) The DIP Lender's Charge is proposed to rank behind the Administration Charge but ahead of the D&O Charge;

D&O Charge

- (u) The Initial Order seeks a D&O Charge over the Property to indemnify the D&Os of the Applicants in respect of liabilities they may incur as directors and officers during the CCAA proceedings, up to a maximum principal amount of \$2.8 million;
- (v) While the Applicants maintain directors' and officers' liability insurance, same may include contractual contingencies and uncertainty associated with possible coverage related issues;
- (w) The D&O Charge is proposed to rank subordinate to the Administration Charge and the DIP Lender's Charge;

Other Grounds

- (x) The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (y) Rules 1.04, 2.01, 2.03, 3.02, 14.05 and 16 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (z) Such further and other grounds as counsel may advise and this Court may permit.

4. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the application:

- (a) The Affidavit of Stephane Trudel, sworn June 5, 2023, and the Exhibits attached thereto;
- (b) The Consent of FTI to act as the Monitor;
- (c) The Pre-Filing Report of FTI; and
- (d) Such further and other documentary evidence as counsel may advise and this Court may permit.

June 5, 2023

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Lawyers for the Applicants

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Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF APPLICATION

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Lawyers for the Applicants

TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

**AFFIDAVIT OF STEPHANE TRUDEL
(Sworn June 5, 2023)**

I, Stephane Trudel, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am the Chief Executive Officer ("**CEO**") of Fire & Flower Holdings Corp. ("**FFHC**" or the "**Company**"), Fire & Flower Inc. ("**FFI**"), 13318184 Canada Inc., ("**133 Canada**"), 11180703 Canada Inc. ("**Hi-Line Ventures**"), 10926671 Canada Ltd. ("**Open Fields Distribution**"), Friendly Stranger Holdings Corp. ("**Friendly Stranger**"), Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**"), Hifyre Inc. ("**Hifyre**", and collectively, the "**Applicants**"), Hifyre US, Inc., ("**Hifyre US**"), and PGED Corp. ("**PotGuide**", and together with Hifyre US and the Applicants, the "**Companies**") and a member of its board of directors. I have been a member of the board of directors of FFHC since June 8, 2020 and have been the CEO of the Companies and a member of the boards of directors of the Companies, other than FFHC, since June 1, 2022.

2. I am responsible for overseeing the operations of the Companies, their liquidity management and, ultimately, for assisting in their restructuring process. Because of my involvement with the Companies, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records, press releases, and public filings of the Companies and have spoken with certain of the directors, officers and/or employees of the Companies, as necessary. Where I have relied upon such information, I do verily believe such information to be true.

3. This affidavit is sworn in support of an application (the “**Application**”) returnable before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on June 5, 2023 to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in respect of the Applicants. The Applicants are seeking an initial order (the “**Initial Order**”) in the form contained in the Application Record, among other things:

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are each a debtor company to which the CCAA applies;
- (c) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants, any of their assets, property, and undertakings (“**Property**”) or business, or their directors and officers (the “**D&Os**”), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”), for an initial period of ten (10) days in accordance with the CCAA (the “**Stay Period**”);
- (d) appointing FTI Consulting Canada Inc. (“**FTI**” or the “**Proposed Monitor**”) as the monitor of the Applicants in these CCAA Proceedings;
- (e) approving the execution by the Applicants of an interim facility loan agreement (the “**DIP Facility Agreement**”) entered into on June 5, 2023 with 2707031 Ontario Inc. (“**ACT Investor**”, and in its capacity as lender under the DIP Facility Agreement, the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance to the Applicants a total amount of up to \$9.8 million (the “**DIP Facility**”), which will be made available to the Applicants during these CCAA Proceedings, of which an initial amount of \$2.7 million will be advanced during the initial 10-day Stay Period (the “**Initial Advance**”);
- (f) granting the following priority charges against the Property:
 - i. an “**Administration Charge**” against the Property in the initial amount of \$600,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Proposed Monitor,

counsel to the Proposed Monitor, and counsel to the Applicants, in connection with the CCAA Proceedings both before and after the making of the Initial Order;

- ii. a “**DIP Lender’s Charge**” against the Property in the amount of the Initial Advance as security for the Applicants’ obligations under the DIP Facility Agreement; and
- iii. a “**D&O Charge**” against the Property in the maximum amount of \$2,800,000 in favour of the D&Os of the Applicants as security for the Applicants’ obligation to indemnify such D&Os for obligations and liabilities they may incur in such capacities after the commencement of the CCAA Proceedings, including with respect to employee vacation pay which may have accrued prior to the commencement of these proceedings, but which may become due and payable after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

4. I also swear this affidavit in support of a motion (the “**Comeback Motion**”), which the Applicants request to be heard on or about June 15, 2023 (subject to the Initial Order being granted by the Court) for an amended and restated Initial Order (the “**ARIO**”) granting, among other things:

- (a) an extension of the Stay Period until September 1, 2023;
- (b) authority for the Applicants to increase the amounts which may be borrowed by the Applicants under the DIP Facility Agreement to \$9.8 million;
- (c) an increase in the amounts which may be borrowed by the Applicants under the DIP Facility Agreement;
- (d) approval of the key employee retention plan (the “**KERP**”);
- (e) approval of a sale and investment solicitation process (the “**SISP**”) and authorizing the Applicants and the Monitor to immediately commence the SISP;

- (f) authority for the Applicants to incur no further expenses in relation to the Securities Filings (as defined below) and declare that none of the D&Os, employees, and other representatives of the Applicants or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings;
- (g) an extension of the time limit to hold the annual shareholders' meeting of FFHC scheduled for June 22, 2023 until after the conclusion of the CCAA Proceedings, subject to further order of this Court;
- (h) the following priority charges (collectively, the "**Charges**") against the Property:
 - i. the Administration Charge;
 - ii. an increased DIP Lender's Charge;
 - iii. the D&O Charge; and
 - iv. a new "**KERP Charge**" against the Property as security for payments under the KERP.

5. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated.

PART I – OVERVIEW¹

6. FFHC, through its wholly-owned subsidiaries, is an independent cannabis retail chain with 91 retail stores open across Canada. Certain subsidiaries of FFHC also carry on business as a wholesale cannabis distributor, a logistics provider, and operate digital platforms which provide various services and software products relating to cannabis products.

7. The Companies have been operating at a loss since they began operating in 2018. Most recently, the Companies have suffered significant operating losses of approximately \$45.4 million and \$83.4 million, in the fiscal years ended January 29, 2022 and December 31, 2022,

¹ Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the balance of this affidavit.

respectively. From December 31, 2022 to March 31, 2023, the Companies suffered operating losses of approximately \$8.7 million, with losses continuing until the date of this affidavit.

8. While the Companies' financial difficulties were driven by a variety of factors, the significant net losses suffered by the Companies have largely stemmed from their cannabis retail operations. Increased competition and operating costs, margin pressure, and regulatory restrictions experienced by the Companies and the cannabis industry generally have collectively contributed to significantly lower revenues and higher costs than what the Applicants expected their cannabis retail stores would face.

9. The Applicants' largest liabilities are in respect of its lease obligations. Without the corresponding expected revenue for each of the Applicants' leased operating locations and several "dead leases" – leases entered into in anticipation of receiving a license from the applicable regulatory authority, with the regulatory authority ultimately not issuing such license, or a decline in revenue expectations for a store due to deterioration in market conditions and/or increased competition resulting in the Applicants deciding not to invest the necessary capital to commence or continue operations, the Applicants have been operating at a significant loss.

10. Certain investments made by the Applicants have also resulted in a net drain on the Companies' resources.

11. The Applicants have been funded by outside investments for a number of years. Since February 2021, the sole source of outside investment has been the exercise of warrants and debt financing by the Company's largest shareholder, ACT Investor, a wholly-owned subsidiary of Alimentation Couche-Tard ("**ACT Parent Co.**"), a Canadian-based multinational operator of convenience stores with over 14,000 stores across several countries.

12. This Application is filed in a context wherein the Applicants have made various efforts since September 2022 to raise additional liquidity and pursue strategic alternatives.

13. In September 2022, a special committee of the board of directors of the Company was formed to assist the Board in reviewing and negotiating matters related to the Companies' existing strategic capital investments and financing arrangements (including with respect to a financing proposal received from ACT Investor) and, if necessary, present the Board with alternative strategic capital investments and financing arrangements and the special committee retained Canaccord Genuity Corp. ("**Canaccord**") as financial advisor.

14. Shortly thereafter, in October 2022, the Company entered into (i) a loan agreement with ACT Investor in respect of a \$11 million working capital loan pursuant to a secured loan facility with ACT investor, which was fully drawn down on October 21, 2022; and (ii) a subscription agreement and warrant amending agreement that collectively contemplated a \$5 million equity investment by ACT Investor and amendments to certain terms of existing warrants held by ACT Investor (the “**Warrant and Share Transaction**”). The Warrant and Share Transaction was amended on December 15, 2022 to provide that the maturity date for approximately \$2.4 million of unsecured convertible debentures held by ACT Investor would be extended from June 30, 2023 to August 31, 2024. The Warrant and Share Transaction was subject to shareholder approval (including by a majority of the minority shareholders) and in recommending that shareholders vote in favour of the Warrant and Share Transaction at a special meeting initially called for December 16, 2022 and subsequently held on December 29, 2022, the special committee relied in part on a fairness opinion from Canaccord that the Warrant and Share Transaction was fair from a financial point of view to the Companies. The shareholders voted down the Warrant and Share Transaction and the Companies did not receive the additional \$5 million of working capital or the extension of the maturity date of the unsecured convertible debentures.

15. In April 2023, the Company once again formed a special committee of the board of directors to review and assess potential financing opportunities and strategic alternatives. The special committee has engaged in discussions pertaining to potential financing, acquisitions and/or sale transactions with ACT Investor, key stakeholders of the Company and other industry participants and financial institutions. Despite these efforts, the Applicants have been unable to secure additional financing.

16. Without the protection of the CCAA and the relief available thereunder, the Applicants will be unable to meet their obligations as they become due imminently. If the Applicants are insolvent without the protection of the CCAA, the Applicants would be forced to shut down operations, which would be extremely detrimental to the Applicants’ landlords, suppliers, lenders, customers, and their 774 employees.

17. If granted the Stay of Proceedings and the protections of the CCAA, the Applicants intend to, among other things:

- (a) maintain operations, for the benefit of most of its employees and other stakeholders;

- (b) disclaim unprofitable leases and the “dead leases” referenced above;
- (c) streamline their remaining operations with a view to generating a profit; and
- (d) conduct a court-approved SISP to obtain a going concern solution to maximize value for their stakeholders.

18. The board of directors for each Applicant has authorized this Application and commencement of these CCAA Proceedings.

PART II – THE COMPANIES

A. Corporate Structure

(i) Parent and Holding Company

19. FFHC is a non-operating holding company. FFHC was incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”) on December 12, 2017 and continued to become a company under the *Canada Business Corporations Act* (the “**CBCA**”) on February 12, 2019. FFHC’s registered and head office is located in Toronto, Ontario. Each of the other Companies are wholly owned, directly or indirectly, by FFHC.

20. FFHC is a publicly traded company whose common shares (the “**Common Shares**”) are traded on the Toronto Stock Exchange (the “**TSX**”) under the symbol “*FAF*”. As of the date of this affidavit, ACT Investor holds approximately 35.7% of the issued and outstanding Common Shares. ACT Investor also holds the right to exercise certain Common Share purchase warrants of FFHC which, if fully exercised, would result in ACT Investor holding 50.1% of the issued and outstanding Common Shares, on a fully-diluted basis.

(ii) Canadian Operating Entities

21. FFI is the main operating entity with respect to the Companies and operates under the “Retail Segment” of the Applicants. FFI owns and operates 80 licensed cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada.

22. Friendly Stranger (together with FFI, the “**Retailers**”) is the other entity operating under the Retail Segment of the Applicants. Friendly Stranger owns and operates 11 licensed cannabis retail stores under the trademark banner name “Friendly Stranger” throughout Ontario.

23. Each of the stores owned and operated by the Retailers sells cannabis products and accessories.

24. Open Fields Distribution operates a wholesale distribution business under the “Wholesale Segment” of the Applicants. Open Fields Distribution purchases cannabis products directly from licensed producers and distributes such products to the Retailers’ stores, as well as third-party independent retailers in Saskatchewan and Manitoba.

25. Pineapple Express Delivery was acquired by FFHC and Hifyre in January 2022 to operate the delivery aspect of the Retailers’ business. Pineapple Express Delivery provided the Retailers with cannabis e-commerce and delivery services for their retail stores. Pineapple Express Delivery operated out of British Columbia, Saskatchewan, Manitoba, and Ontario. As described in greater detail below, due to changes in government regulations relating to delivery of cannabis products, the Applicants had to shift Pineapple Express Delivery’s operations to other entities within the group.

26. Hifyre operates under the “Digital Platform Segment” of the Companies. Hifyre has developed and deployed a proprietary, omni-channel digital platform to drive the Retailers’ operations and provide insight into consumer behaviours. Hifyre licenses its digital platform to third parties and operates a virtual marketplace and last-mile delivery service to support the Retailers’ operations.

27. FFHC has an option, but not an obligation, to acquire all of the shares or all or substantially all of the assets of Fire & Flower US Holdings Inc. (“**FAFUS**”), an entity unaffiliated to the Applicants. The consideration is at FFHC’s option, consisting of cash or common shares of FFHC equivalent to the fair market value of FAFUS less the value of refundable deposits provided by FFHC. As at March 31, 2023, FFHC has delivered refundable deposits valued at approximately \$7,237,000. FAFUS owns and operates one (1) cannabis retail store in California under the “Fire & Flower” brand and one (1) cannabis retail store in Colorado under an independent retail brand. FFHC also has an option to acquire a secured debt instrument that has been granted by FAFUS in the event that FAFUS fails to repay its debt as it becomes due.

(iii) US Entities

28. PotGuide is the other operating entity with respect to the Digital Platform Segment of the Companies. PotGuide operates two websites and content platforms, “Potguide.com” and

“Wikileaf.com”. In addition, these websites and content platforms also function as a directory and referral service for cannabis retailers and delivery services. PotGuide does not sell any cannabis products.

29. Hifyre US (together with PotGuide, the “**US Entities**”) is a non-operating subsidiary of Hifyre. Hifyre US has no employees or operations and holds all the issued and outstanding shares of PotGuide.

(iv) Holding Companies

30. 133 Canada is a non-operating subsidiary of FFI. 133 Canada is a signatory for certain licensing agreements but otherwise does not have any employees or operations. 133 Canada sub-licenses the “Fire and Flower” brand to certain affiliates of ACT Parent Co.

31. Hi-Line Ventures is a non-operating subsidiary of FFI. Hi-Line Ventures licenses the majority of the Applicants’ intellectual property and sub-licenses same to Fire & Flower US Holdings Corp. (“**FAFUS**”), an unrelated entity which owns and operates a cannabis retail store in each of Colorado and California. Hi-Line Ventures otherwise does not have any employees or operations.

32. Attached as **Exhibit “A”** is a chart showing the Companies’ corporate structure, including jurisdiction of incorporation and location of the head office for each entity.

B. The Companies’ Business and Operations

(i) Operations

33. FFHC, through its wholly-owned subsidiaries, is an independent cannabis retail chain with four distinct segments: (a) the “Retail Segment” which sells cannabis products and accessories under its trademark banners; (b) the “Wholesale Segment” which operates as a wholesale cannabis business; (c) the “Delivery Segment” which delivers cannabis products across Canada; and (d) the “Digital Platform Segment” which develops digital experiences and retail analytical insights.

(A) Retail Segment

34. The Applicants’ retail operations across Canada are summarized below:

Jurisdiction	Stores Operated
Alberta	34
Saskatchewan	15
Manitoba	8
Yukon Territory	1
Ontario	31
British Columbia	2
Total	91

35. FFI owns and operates 80 cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada. FFI also conducts online sales of cannabis products and accessories in British Columbia, Saskatchewan, and Ontario.

36. Friendly Stranger owns and operates 11 cannabis retail stores under the trademark banner names of “Friendly Stranger” throughout Ontario.

37. Each of the Retailers’ stores sell cannabis products and accessories and are permitted to operate by all the relevant municipalities.

38. In addition to serving as traditional brick-and-mortar retail shops, the Retailers’ network of retail stores also serves as distribution nodes and last-mile fulfilment outposts for delivery direct to consumers.

39. The Applicants employ approximately 645 employees in their retail operations. The Retail Segment accounted for approximately seventy-five percent (75%) of the Companies’ gross revenue for the quarter ended March 31, 2023.

40. FFHC is not substantially dependent on any individual retail cannabis store.

41. The Applicants also license the Companies’ intellectual property to third parties to brand their cannabis retail stores through Hi-Line Ventures, 133 Canada, and Hifyre.

42. In particular, Hi-Line Ventures has licensed the “Fire and Flower” trademark to FAFUS which is currently operating one (1) “Fire and Flower” branded retail cannabis store licensed under California state laws.

43. Similarly, pursuant to a master licensing agreement, 133 Canada has licensed the “Fire and Flower” trademark to MC Cannabis Inc. (“**MC Cannabis**”), a wholly-owned subsidiary of ACT Parent Co. As a result, there are currently five (5) licensed cannabis retail stores being operated by MC Cannabis in Ontario next to existing Circle K locations. For each of these stores, MC Cannabis has branded its stores as “Fire and Flower” pursuant to the Master Licensing Agreement.

44. 133 Canada has also entered into master franchising agreements with MC Cannabis, pursuant to which 133 Canada licensed its trademarks to MC Cannabis for its use in Alberta, Manitoba, and Saskatchewan.

45. Hifyre also licenses its “Hifyre” digital platform to FAFUS, pursuant to which FAFUS is currently operating one (1) retail cannabis store licensed under Colorado state laws.

46. Altogether, there are seven (7) cannabis retail stores operating pursuant to licensing agreements with Hi-Line Ventures, 133 Canada, and/or Hifyre. Of these cannabis retail stores, five (5) are being operated in Ontario under the “Fire & Flower” brand and two (2) are being operated in the United States, one of which operates under the “Fire & Flower” brand.

47. As will be described in greater detail below, Hifyre also licenses certain of its trademarks and other intellectual property to FAFUS and MC Cannabis for use in their retail cannabis stores.

(B) Wholesale Segment

48. In Saskatchewan, Open Fields Distribution operates a cannabis wholesale business. Open Fields Distribution purchases cannabis products directly from licensed producers in Saskatchewan and distributes such products to FFI’s stores as well as other third-party independent retailers in Saskatchewan.

49. Open Fields Distribution is also party to a distribution agreement (the “**Distribution Agreement**”) with the Manitoba Liquor & Lotteries Corporation (the “**MBLL**”), pursuant to which Open Fields Distribution, at the direction of the MBLL, offers distribution of cannabis products from provincially authorized licensed producers to cannabis retailers in the province of Manitoba. Under the Distribution Agreement, Open Fields Distribution does not purchase or sell cannabis products but receives fees from the provincially authorized licensed producers for its distribution services.

50. Further, Open Fields Distribution also operates a cross-docking cannabis logistics and distribution facility in Manitoba pursuant to the Distribution Agreement. Cross-docking is a practice in logistics management that includes receiving incoming deliveries for loading into outbound delivery vehicles, omitting traditional warehouse logistical practices, which saves time and money.

51. Open Fields Distribution leases warehouse space in Saskatchewan and Manitoba as distribution centres.

52. The Applicants employ approximately 6 employees in their wholesale operations.

(C) Delivery Segment

53. Pineapple Express Delivery was acquired in January 2022 and operated as a delivery and logistics company servicing the Retailers' customers across Canada, as well as third party business-to-consumer ("**B2C**") and business-to-business customers. Pineapple Express Delivery provides the Retailers with a full cannabis e-commerce and delivery service, supporting the Retailers' network of retail stores and same-day delivery to customers through its trademark "Firebird Delivery".

54. Pineapple Express Delivery leases six (6) dispatch centers, across British Columbia, Saskatchewan, Manitoba, and Ontario. Pineapple Express Delivery has 4 leased cars used in connection with its delivery services.

55. In Ontario, only the government-operated Ontario Cannabis Store ("**OCS**") was permitted to offer delivery services of non-medical cannabis until private retailers were granted temporary authorization to offer delivery pursuant to pandemic emergency orders in April 2020. On March 15, 2022, new rules were adopted in Ontario to permanently authorize private retailers to offer delivery services. However, private cannabis retailers are restricted from using third party delivery services like Pineapple Express Delivery for deliveries, which required the Applicants to restructure the way that their internal delivery services were operated and prevented the Applicant's ability to offer its services to third party customers. Therefore, in November 2022, the Applicants transitioned all of Pineapple Express Delivery's non-management employees to the Retailers. In total, approximately 50 employees are employed in the delivery aspect of the Applicants' business. It is to be noted that these restrictions do not apply to the Ontario Government's OCS' own delivery service. It can continue using efficient third-party services,

directly competing with FFI's delivery service at a cost advantage, further resulting in competitive revenue and margin pressure for FFI and Pineapple Express Delivery.

56. The Applicants expect that they will be seeking to terminate all of its "Pineapple Express Delivery Segment" employees shortly after filing, as the delivery aspect of the Companies' operations has been highly unprofitable.

(D) Digital Platform Segment

57. Hifyre owns and operates the Hifyre digital platform, which is a proprietary, omni-channel digital platform to drive the Retailers' operations and provide insight into consumer behaviours. By capturing user behaviour data and applying predictive analytics, the Hifyre digital platform is able to facilitate the retail business' delivery of a highly personalized customer experience.

58. The Hifyre digital platform includes an industry-leading data platform and high-margin subscription revenue stream, "Hifyre IQ", which is subscribed to by a significant number of Canadian licensed producers, equity research analysts, and a variety of customers in business, finance, banking, and consulting.

59. As referenced above, the trademark Hifyre IQ digital platform has been licensed to both MC Cannabis and FAFUS for use in their cannabis retail operations.

60. Hifyre also launched the proprietary "Spark Perks" loyalty program across the Retailers' network. This program offers exclusive deals, access to member-only events, the "Spark Fastlane" 'click-and-collect' checkout and collects data on consumer purchase behaviours. As at the date of this affidavit, this program has over 575,000 members.

61. The Spark Perks loyalty program and Spark Fastlane 'click-and-collect' checkout have both been licensed to MC Cannabis for use in their cannabis retail operations.

62. PotGuide is based in Delaware. It operates two websites and content platforms, "Potguide.com" and "Wikileaf.com". In addition, these websites and content platforms also function as a directory and referral service for cannabis retailers and delivery services. PotGuide does not sell any cannabis products.

63. The Digital Platform Segment accounted for approximately seven percent (7%) of the Companies' revenue for the quarter ended March 31, 2023.

(ii) Cannabis Licenses

64. The Companies operate in a highly regulated environment, in accordance with the *Cannabis Act* (Canada) and applicable provincial and municipal legislation. Each province and territory is responsible for determining the regime for the sale and distribution of cannabis within its jurisdiction. Among other things, these governments establish rules regarding how cannabis can be sold, how retail stores must be operated, where such stores can be located and who is allowed to sell cannabis. Adult-use recreational cannabis products are only permitted to be sold through retailers authorized by provincial and territorial governments.

65. As set out below, each provincial/territorial government has established its own rules and criteria for obtaining and maintaining a private cannabis retail licence. In general, all provinces and territories require:

- (a) that a licence be obtained and maintained prior to the commencement of any activities with cannabis. The licensing application process considers the physical location of the proposed retail outlet, as well as the financial and personal backgrounds of key persons associated with the proposed licensed operation, including directors and officers of a corporation, investors, retail store managers and security personnel;
- (b) that a licence is required for each cannabis retail store, and that the location of all cannabis stores is subject to municipal oversight/approval;
- (c) that specified physical security measures be in place at the retail store location (including physical security requirements around locks, as well as visual monitoring and protection by way of a third-party monitored alarm system) to ensure that there is no unauthorized entry and/or unauthorized access to cannabis;
- (d) certain requirements for employees of the proposed cannabis retail store, including background and/or criminal record checks and requirements for employee training prior to beginning their employment at the store; and
- (e) that the licensee maintain and submit certain records, and be subject to inspection by the provincial or territorial regulator.

66. In British Columbia, FFI holds two (2) licenses to operate cannabis retail stores, issued by the British Columbia Liquor and Cannabis Regulation Branch.

67. In Alberta, FFI holds thirty-four (34) licenses to operate cannabis retail stores, issued by the Alberta Gaming, Liquor and Cannabis Commission.

68. In Saskatchewan, FFI holds fifteen (15) licenses to operate cannabis retail stores, issued by the Saskatchewan Liquor and Gaming Authority (the “**SLGA**”). Additionally, Open Fields Distribution holds a cannabis wholesale permit issued by the SLGA for its wholesale cannabis business.

69. In Manitoba, FFI holds eight (8) licenses to operate cannabis retail stores, issued by the Liquor, Gaming and Cannabis Authority of Manitoba (the “**LGCM**”). In addition, Open Fields Distribution holds a distribution license from the LGCM for its cross-docking cannabis logistics and distribution business.

70. In Ontario, FFI and Friendly Stranger, collectively hold two (2) operator licences and thirty-one (31) store authorizations issued by the Alcohol and Gaming Commission of Ontario.

71. In the Yukon, FFI holds one (1) license to operate cannabis retail stores, issued by the Yukon Liquor Corporation.

72. The Retailers hold all required permits and licenses to sell cannabis at all currently operated stores.

(iii) Cannabis Suppliers

73. The Retailers and Open Fields Distribution purchase their cannabis products from provincially authorized licensed suppliers in each of the provinces which they operate, with the exception of Saskatchewan.

74. The regulatory authorities in British Columbia, Alberta, Yukon, Manitoba, and Ontario mandate that all cannabis products must be purchased from a provincially-prescribed distributor of cannabis products. In Ontario, the Retailers are parties to retailer agreements with OCS, pursuant to which they are authorized to purchase cannabis from OCS for retail sale. In Manitoba, FFI is a party to Retailer Agreements with Manitoba Liquor and Lotteries Corporation (“**MBLL**”) pursuant to which it is authorized to purchase cannabis supplied by the MBLL for retail sale.

75. Conversely, in Saskatchewan, the Retailers and Open Fields Distribution are authorized to purchase cannabis products from both provincially authorized distributors and licensed producers.

76. In Manitoba, Open Fields Distribution is a party to a Limited Cannabis Distribution Agreement with MBLL, pursuant to which it is authorized to distribute cannabis supplied by MBLL to authorized retailers in Manitoba.

(iv) Other Suppliers

77. Under their regulatory framework, the Applicants are required to obtain and maintain certain security and other services. The Companies have and maintain ongoing relationships with all the service providers required by the applicable statutes.

(v) Real Property and Leased Locations

78. FFI owns a property located in Ottawa, Ontario, from which one of its cannabis retail stores operates. This property is valued at approximately \$2.3 million.

79. All of the Company's other retail stores are operated from leased premises. FFI has also entered into lease agreements with respect to properties for which FFI intends to pursue additional retail stores.

80. FFI also has a leased property in Edmonton, Alberta, which is used as a corporate office.

81. Open Fields Distribution leases warehouse space in Saskatchewan and Manitoba.

82. The Companies' head office is located in Toronto, Ontario. FFHC has subleased these premises. Hifyre also leases office space in Hamilton, Ontario.

83. Pineapple Express Delivery leases warehouse space in Burlington, Ottawa, Chatham, Hamilton, Kingston, and London in Ontario, as well as Richmond, British Columbia and Winnipeg, Manitoba. Each of the warehouse spaces are used for dispatch services.

84. In total, the Applicants are parties to approximately 146 leases.

(vi) Intellectual Property

85. FFI, Friendly Stranger, and Hifyre each own various trademarks used in connection with their respective business operations. As referenced above, among others, the following trademarks are associated with each of FFI, Friendly Stranger, and Hifyre:

- (a) FFI: "Fire and Flower"
- (b) Friendly Stranger: "Friendly Stranger" and "Happy Dayz"
- (c) Hifyre: "Hifyre", "Hifyre IQ", "Spark Perks", and "Spark Fastlane"

86. A comprehensive list of the Applicants' trademarks is attached as **Exhibit "B"**.

87. As noted above, Hi-Line Ventures licenses "Fire and Flower", which is being sub-licensed to FAFUS for use in its cannabis retail stores being operated in certain US States. 133 Canada also licenses "Fire and Flower" which is being sub-licensed to MC Cannabis for use in its cannabis retail stores being operated in Ontario, Alberta, Saskatchewan, and Manitoba. Hifyre directly sub-licenses its digital platforms protected by each of its marks to various third parties, including MC Cannabis and FAFUS.

88. Hi-Line Ventures licenses several of these trademarks, which are then sub-licensed to FAFUS. Hifyre also licenses its digital platform protected by the trademark "Hifyre" to a wholly-owned subsidiary of ACT Parent Co.

(vii) Cash Management System

89. In the ordinary course of business, the Companies use a cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with its operations. This Cash Management System provides the Companies with the ability to efficiently and accurately track and control corporate funds and to ensure cash availability.

90. As part of this Cash Management System, the Companies maintain twelve (12) bank accounts, which are summarily described below:

- (a) Bank of Montreal: CAD operating account for each of FFHC, 133 Canada, Open Fields Distribution, Hifyre, and Pineapple Express Delivery, and two CAD operating accounts for each of FFI and Friendly Stranger;

- (b) Bank of Montreal: USD operating account for Hifyre; and
- (c) ATB Financial: CAD operating and savings account for FFI.

(viii) Employees

91. As at June 2, 2023, the Applicants employed a total of 774 employees. Of these 774 employees, 581 were paid hourly, 6 were paid on contract, 185 were paid by salary, and two were on salary continuance.

92. As referenced above, the majority of the Applicants' employees are under the Applicants' retail operations. As at June 2, 2023, the Applicants' employees were distributed geographically as follows:

- (a) Alberta: 250;
- (b) British Columbia: 18;
- (c) Manitoba: 56;
- (d) Ontario: 328;
- (e) Saskatchewan: 110; and
- (f) Yukon: 7.

93. As referenced above, the majority of the Applicants' employees are under the Applicants' retail operations.

94. None of the Applicants' employees are subject to a collective bargaining agreement. The Applicants do not have a pension plan in place.

95. However, on or around October 18, 2022, United Food and Commercial Workers, Local No. 400 ("**UFCW**") filed an application for bargaining rights with respect to certain employees of FFI's retail stores in Saskatoon, Saskatchewan.

96. On October 26, 2022, the Saskatchewan Labour Relations Board ("**SLRB**") directed that a vote by secret ballot be conducted among all eligible employees pursuant to which votes were required to be received by the SLRB on or before November 16, 2022 (the "**Certification Vote**").

97. On November 8, 2022, UFCW filed an application with the SLRB with respect to alleged unfair labour practices by FFI in relation to the Certification Vote (the “**UFCW ULP Application**”) and, on November 16, 2022, filed an application with the SLRP with respect to alleged unfair labour practices by UFCW in relation to the Vote (the “**FFI ULP Application**”).

98. The SLRB held hearings with respect to the UFCW ULP Application and the FFI ULP Application on April 10-13, 2023 and on May 23, 2023, and further hearings are scheduled to be held on August 8-11, 2023. The results of the Certification Vote remain sealed pending the results of these hearings.

PART III – THE COMPANIES’ FINANCIAL POSITION

99. Copies of the Companies’ audited financial statements for the fiscal years ended February 2, 2019, February 1, 2020, January 30, 2021, January 29, 2022, and December 31, 2022² are attached as **Exhibit “C”**, **Exhibit “D”**, **Exhibit “E”**, **Exhibit “F”**, and **Exhibit “G”**, respectively.

100. A copy of the Companies’ unaudited interim consolidated (which includes PotGuide and Hifyre US) financial statement for the quarter ended March 31, 2023 (the “**Q1 2023 Financial Statement**”) is attached as **Exhibit “H”**.

101. The Companies have been operating at a loss since they began operating in 2018. The Companies suffered operating losses of:

- (a) over \$25.2 million for the fiscal year ended February 2, 2019;
- (b) over \$35.6 million for the fiscal year ended February 1, 2020 (“**FY 2020**”);
- (c) over \$17.5 million for the fiscal year ended January 30, 2021 (“**FY 2021**”);
- (d) approximately \$45.4 million for the fiscal year ended January 29, 2022 (“**FY January 2022**”);
- (e) approximately \$83.4 million for the fiscal year ended December 31, 2022 (“**FY December 2022**”); and

² As at December 31, 2022 the Companies’ fiscal year was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar 12-month period ending December 31 to enhance comparability of its periodic financial statements with those of their peers.

(f) approximately \$8.7 million for the quarter ended March 31, 2023.

102. For FY January 2022 and FY December 2022, the Companies suffered net losses of over \$63.5 million and nearly \$89.5 million, respectively.³ From December 31, 2022 to March 31, 2023, the Companies suffered a net loss of approximately \$10.1 million, with losses continuing until the date of this affidavit.

103. While the Companies experienced significantly increased revenues from \$51.1 million in FY 2020 to \$128 million in FY 2021 and \$175.5 million in FY January 2022, the Companies' operating expenses in the same time period increased at a higher rate than its revenues. The Companies operating expenses increased from \$86.8 million in FY 2020 to \$145.6 million in FY 2021 and \$220.8 million in FY January 2022. Additionally, while the Companies' revenue slightly decreased from \$175.5 million in FY January 2022 to \$156 million in FY December 2022, the Companies' operating expenses increased from \$220.8 million in FY January 2022 to \$239.4 million in FY December 2022.

104. The Companies lack working capital. Over the course of the past two years, the Companies' cash position has continually deteriorated. As at January 30, 2021, the Companies had \$30.6 million in cash. As at January 29, 2022, the Companies had \$19.8 million in cash. As at December 31, 2022, the Companies had \$12.4 million in cash. As at March 31, 2023, the Companies had \$8.2 million in cash and over \$50.8 million in current liabilities. As described below, that position only deteriorated further since then.

A. Assets

105. As appears from the Q1 2023 Financial Statement, as at March 31, 2023, the assets of the Companies had an unaudited net book value of approximately \$147,031,000 (of which \$62,513,000 consisted of non-tangible assets) and consisted of the following:

Asset Type	Value (\$)
Cash	8,185,000
Trade and other receivables	10,607,000
Merchandise inventories	13,139,000
Prepaid and other assets	2,829,000

³ Note: The Companies' auditor determined that the subtotal of loss from operations was no longer relevant to an understanding of the Companies' financial performance, and, accordingly, no subtotal for operating loss was provided in the Companies' audited financial statements for the fiscal year ended January 29, 2022.

Lease receivables	374,000
Assets Held for Sale	2,880,000
Current Assets	38,014,000
Deposits	3,175,000
Refundable deposit to acquire	7,327,000
Property and equipment, net	33,287,000
Lease receivables	2,610,000
Right-of-use assets, net	28,410,000
Intangible assets, net	28,696,000
Deferred tax assets	105,000
Goodwill	5,407,000
Non-Current Assets	109,017,000
Total Assets:	147,031,000

B. Liabilities

106. As appears from the Q1 2023 Financial Statement, as at March 31, 2023, the liabilities of the Companies had an unaudited book value of approximately \$88,601,000 and consisted of the following:

Liability Type	Value (\$)
Accounts payable and accrued liabilities	18,049,000
Income tax payable	6,707,000
Debentures and loans	13,913,000
Derivative liability	79,000
Contract Liability	250,000
Provisions	3,958,000
Lease liabilities	5,602,000
Other current liabilities	809,000
Liabilities Held for Sale	1,456,000
Current Liabilities	50,823,000
Provisions	454,000
Lease liabilities	37,216,000
Deferred tax liability	108,000

Non-Current Liabilities	37,778,000
Total Liabilities:	88,601,000

107. With respect to Companies' intangible assets, the Companies recorded an impairment charge of over \$18.9 million for FY January 2022 and an impairment charge of over \$8.4 million for FY December 2022 due to recent changes to the competitive landscape which are expected to negatively impact expected future store performance. Impairment charges continued to be recorded for intangible assets in the Q1 2023 Financial Statement and the realizable value of the Companies' intangible assets are likely to continue to decrease.

108. With respect to the Companies' goodwill, the Companies recorded an impairment charge of over \$24.9 million for FY December 2022, as the carrying amounts for its Retail Segment and Digital Platform Segment were expected to significantly exceed its value in use. As a result, the realizable value of the Companies' goodwill is likely to be lower than its book value as the Companies have not operated at a profit since they began operations.

109. Lastly and as described above, the Companies lack working capital, with \$8.2 million in cash and over \$50.8 million current liabilities as at March 31, 2023. Therefore, even assuming that the Companies are able to realize on the full book value of their current assets, being their receivables, inventories, prepaids, and assets held for sale, the Companies are still unable to satisfy their current liabilities in the immediate term.

PART IV – THE COMPANIES' DEBT STRUCTURE

A. Secured Obligations

(i) ACT Loan Agreement

110. On October 17, 2022, FFHC, as borrower, and ACT Investor, as lender, entered into a loan agreement (the "**ACT Loan Agreement**"), pursuant to which ACT Investor made a \$11 million non-revolving credit facility available to FFHC (the "**ACT Facility**"). The ACT Facility has been fully funded. A copy of the ACT Loan Agreement is attached as **Exhibit "I"**.

111. The ACT Facility bears interest a rate of eleven percent (11%) per annum, payable quarterly on March 31, June 30, September 30, and December 31 of each calendar year for the period commencing on the closing date of the ACT Facility and ending on the earlier of the maturity date and any date on which FFHC makes a full prepayment of the ACT Facility. During

the first six (6) months of the term of the ACT Facility, FFHC could and did elect to increase the principal amount of the ACT Facility by the amount of accrued interest during such period in lieu of paying such accrued interest to ACT Investor. The ACT Facility matures on December 31, 2023.

112. FFHC's obligations under the ACT Loan Agreement are guaranteed by each of the Canadian subsidiaries of FFHC (except the US Entities), being FFI, Friendly Stranger, Open Fields Distribution, Hifyre, Hi-Line Ventures, 133 Canada, and Pineapple Express Delivery (collectively, the "**Guarantors**"). On October 17, 2022, the Guarantors each executed the guarantee in favour of ACT Investor (the "**Guarantee**"). A copy of the Guarantee is attached as **Exhibit "J"**.

113. FFHC's obligations under the ACT Loan Agreement are secured by a general security dated October 17, 2022, executed by each of the Applicants (the "**GSA**"). Pursuant to the GSA, the Applicants granted a first-ranking charge on all of the Applicants' assets in favour of ACT Investor. A copy of the GSA is attached as **Exhibit "K"**.

114. An event of default occurs under the ACT Loan Agreement if FFHC defaults under any other agreement or instrument pertaining to indebtedness for borrowed money in excess of \$500,000. As referenced below, FFHC previously issued debentures to ACT Investor to raise funding. Pursuant to same, FFHC has liabilities in excess of \$2.3 million to ACT Investor, with the maturity date being June 30, 2023. Absent CCAA protection, FFHC will not be able to make this required payment, which will ultimately trigger a default under the ACT Loan Agreement.

115. As at the date of this affidavit, the outstanding principal amount under the ACT Facility is \$11,551,000, as FFHC elected to increase the principal amount of the ACT Facility in lieu of paying accrued interest on December 31, 2022 and March 31, 2023.

(ii) Other Secured Creditors

116. Attached as **Exhibit "L"** are summaries of the searches against each of the Applicants under the *Personal Property Security Act* (the "**PPSA**") in Ontario, British Columbia, Yukon, Saskatchewan, Manitoba, and Alberta, with currency dates of May 29 and 30, and June 1, 2023. As seen from the PPSA searches, in addition to ACT Investor, the following entities hold registered secured interests against certain personal property of some of the Companies:

- (a) Computershare Trust Company of Canada in respect of a secured convertible debenture which has been repaid. These security registrations should be discharged;
- (b) Namaste Technologies Inc. in respect of debt that has been repaid. These security registrations should be discharged;
- (c) ATB Financial in respect of debt that has been repaid. These security registrations should be discharged;
- (d) Alterna Savings & Credit Union Limited for a letter of credit issued to FFI in the amount of \$5 million that has been returned. These security registrations should be discharged;
- (e) Ford Credit Canada Company in respect of a motor vehicle in Ontario;
- (f) World Class Extractions Inc. in respect of a debt that has been repaid. These security registrations should be discharged; and
- (g) Receivables Management Office – Sonja Shaw.

B. Unsecured Obligations

(i) Taxes/Duties

117. As at the date of this affidavit, Hifyre owed approximately \$6.7 million in unpaid income taxes. The Applicants were also in arrears with respect to their sales tax remittances and made a payment in the approximate amount of \$1.65 million shortly before the date of this affidavit.

(iii) Debentures

118. In August 2019, FFHC issued debentures to ACT Investor (the “**ACT Unsecured Convertible Debentures**”). As at March 31, 2023, the Companies recorded a liability of \$2,362,000 for outstanding ACT Unsecured Convertible Debentures.

(iv) Employee Liabilities

119. The Companies are up to date in their payroll obligations.

120. The Companies also have approximately \$150,000 in liabilities for fees payable to its independent directors sitting on the Companies' special committee.

121. As at June 1, 2023, the Companies have accrued vacation pay of approximately \$775,000 (of which a certain amount relates to claims for prior year accruals by Pineapple Express Delivery which are disputed as being obligations of the Companies).

(v) Trade Payables

122. Approximately 20% of the Companies' aggregate total liabilities are in respect of their ordinary course unsecured trade payables. In general, the Companies have operating costs of approximately \$51.7 million in fiscal quarter ended March 31, 2023. As at May 31, 2023, the Companies had liabilities in respect of trade payables in the aggregate approximate amount of \$13.8 million.

(vi) Lease Obligations

123. As mentioned above, the Companies are tenants under 146 leases. Of the 146 leases, 101 are operating and broken down as follows:

- (a) Retail: 91
- (b) Office (FFI and Hifyre): 2
- (c) Warehouse (Open Fields Distribution): 2
- (d) Offices/Dispatch (Pineapple Express Delivery): 6

124. Of the 146 leases, 45 are non-operating and 20 are being subleased to third parties.

125. Approximately 48% of the Companies' aggregate total liabilities are in respect of their lease obligations. As at March 31, 2023, the Companies had current and non-current lease liabilities in the aggregate approximate amount of \$5.6 million and \$37.22 million, respectively.

126. The Companies have monthly lease obligations of approximately \$1,328,283 in the most recent month, broken down as follows:

- (a) FFI and Hifyre – Offices: \$90,104

- (b) Pineapple Express – Dispatch centres: \$34,844
- (c) FFI – Retail stores (operating and non-operating): \$977,937
- (d) Friendly Stranger – Retail stores (operating and non-operating): \$203,772
- (e) Open Fields – Warehouses: \$21,626

127. The Companies' monthly lease obligations in respect of its non-operating retail stores are significant and total approximately \$394,911.

128. Shortly following commencement of these proceedings, the Companies intend to disclaim the "dead" and subleased leases, as well as leases utilized in the Pineapple Express Delivery's delivery business, in order to preserve their liquidity. The Companies are also reviewing the remainder of their lease portfolio to identify any other stores operating at a significant loss and may be disclaiming some of the related leases as well

(vii) Contingent Liabilities

129. One or more of the Applicants are named as defendants in certain routine litigation matters. In the aggregate, the amounts being claimed are over \$15 million.

PART V – THE COMPANIES' FINANCIAL DIFFICULTIES

130. As referenced above, the Companies have been operating at a loss since they began operating in 2018.

131. While the Companies' financial difficulties were driven by a variety of factors, the significant net losses suffered by the Companies have largely stemmed from their Retail Segment. Increased competition, margin pressure, and regulatory uncertainty have collectively contributed to significantly lower revenues than what the Retailers had expected, and several lease liabilities for locations in which the Retailers could not ultimately operate.

132. I understand that there are several major cannabis retailers in Canada who have several "dead leases" – leases entered into by a cannabis retailer in anticipation of receiving a license from the applicable regulatory authority, with the regulatory authority ultimately not issuing such license or alternatively, leases that were entered into in respect of stores that were stores that were opened or planned to be opened but were either closed after opening or were not developed

and opened due to reduced expectations regarding their potential profitability. FFI and Friendly Stranger entered into several leases in anticipation of receiving a license from the applicable regulatory authority. Ultimately, licenses for these locations were not issued for a variety of unexpected reasons, such as proximity to a sensitive use or a decline in revenue expectations for a store due to deterioration in market conditions and/or increased competition, resulting in FFI and Friendly Stranger having several “dead leases”. FFI and Friendly Stranger have also entered into leases for stores that were licensed and subsequently closed following review of their operating results and revised expectations regarding their potential profitability.

133. The regulatory environment has also encouraged significantly increased competition amongst cannabis retailers. The Retailers were unaware that many of its retail stores would have several other cannabis retailers within close proximity. There have also been significant margin pressures from competitors, and, in certain provinces, competition from government operated physical stores, online stores and delivery sales. Retailers also have to compete with the illicit market that continues to sell cannabis products that do not comply with the strict regulations of the *Cannabis Act* (Canada). I understand that, according to the Government of Canada's 2022 Canadian Cannabis Survey, only 61% of the respondents who purchased cannabis in the last twelve (12) months reported they had made a purchase from a legal storefront.

134. As referenced above, approximately 48% of the Companies' aggregate liabilities are in respect of its lease obligations. Without the corresponding revenue that the Retailers expected for these retail locations, including from delivery sales, the Retailers have been operating at a significant loss with respect to its Retail Segment.

135. Certain investments made by the Applicants have also resulted in a net drain on the Companies' resources. For example, shortly after acquiring Pineapple Express Delivery in January 2022, regulatory changes provided that only employees of the licensed cannabis retailers could deliver cannabis directly to customers. This resulted in the Delivery Segment of the business no longer being profitable. Additionally, shortly after acquiring PotGuide in August 2021, both of its websites encountered issues with Google's search engine algorithm, which had a negative impact on web traffic and resulted in declining revenues.

PART VI – RESPONSE TO FINANCIAL DIFFICULTIES

136. In September 2022, in response to the Companies' liquidity challenges, a special committee of the board of directors of the Company was formed to assist the Board in reviewing

and negotiating matters related to the Companies' existing strategic capital investments and financing arrangements (including with respect to a financing proposal received from ACT Investor) and, if necessary, present the Board with alternative strategic capital investments and financing arrangements and the special committee retained Canaccord as financial advisor in connection with this mandate.

137. As referenced above, shortly thereafter, in October 2022, the Company entered into (i) the ACT Loan Agreement, which was fully drawn down on October 21, 2022; and (ii) the Warrant and Share Transaction. The Warrant and Share Transaction was amended on December 15, 2022 to provide that the maturity date for approximately \$2.4 million of unsecured convertible debentures held by ACT Investor would be extended from June 30, 2023 to August 31, 2024. The Warrant and Share Transaction was subject to shareholder approval (including by a majority of the minority shareholders) and in recommending that shareholders vote in favour of the Warrant and Share Transaction at a special meeting initially called for December 16, 2022 and subsequently held on December 29, 2022, the special committee relied in part on a fairness opinion from Canaccord that the Warrant and Share Transaction was fair from a financial point of view to the Companies. The shareholders voted down the Warrant and Share Transaction and the Companies did not receive the additional \$5 million of working capital or the extension of the maturity date of the unsecured convertible debentures.

138. On January 9, 2023, the Applicants implemented a restructuring of its operations resulting in a reduction in headcount of approximately 13 employees, and, on March 20, 2023, the Applicants implemented a further restructuring of its Pineapple Express Delivery business resulting in a further reduction in headcount of 23. The Applicants have pursued further opportunities for cost reduction measures through more aggressive efforts to sub-lease "dead lease" properties with lower recovery rates, a thorough review of ongoing selling, general and administrative expenses, and by shutting down unprofitable retail stores or services.

139. Also in January 2023, the Applicants sold a warehouse that it previously owned and received proceeds of approximately \$1.1 million and entered into a lease-back agreement with respect to that property.

140. In April 2023, the Company once again formed a special committee of the board of directors to review and assess potential financing opportunities and strategic alternatives. The special committee has engaged in discussions pertaining to potential financing, acquisitions

and/or sale transactions with ACT Investor, key stakeholders of the Company and other industry participants and financial institutions. Despite these efforts, the Applicants have been unable to secure additional financing or identify a transaction that, the Companies, in consultation with their legal and financial advisors, identified as being executable in the Companies' strained liquidity situation and/or would maximize recovery for their stakeholders.

PART VII – NEED FOR CCAA PROTECTION

141. As referenced above, the Applicants do not have the necessary liquidity to pay all their obligations as they become due. Accordingly, without the protection of the CCAA and the relief available thereunder, the Applicants will be unable to meet their obligations as they become due and their creditors will be in a position to exercise their remedies for payment default by the Applicants as early as mid-June.

142. If the Applicants are insolvent without the protection of the CCAA, the Applicants would be forced to shut down operations, which would be extremely detrimental to the Applicants' landlords, suppliers, lenders, customers, and 774 employees.

143. The Applicants intend to utilize the Stay of Proceedings and the protections of the CCAA to, among other things:

- (a) disclaim unprofitable leases and the "dead leases" referenced above;
- (b) restructure or wind-down unprofitable segments;
- (c) maintain operations for the benefit of many of its 774 employees and other stakeholders; and
- (d) conduct a court-approved SISIP to obtain a going-concern solution for their business and operations and to maximize recovery for their stakeholders.

PART VIII – THE PROPOSED INITIAL ORDER & ARIO

A. Initial Order Relief

(i) Stay of Proceedings

144. As referenced above, the Companies will run out cash and be unable to meet their obligations as they become due in the very short term. As set out in the cash flow projection (the “**Cash Flow Statement**”) that was prepared by the Applicants and reviewed by the Proposed Monitor for the period from the date of filing to September 1, 2023, a copy of which will be provided in the Pre-Filing Report of the Proposed Monitor, with the benefit of the Stay of Proceedings, the Applicants will be able to operate until the end of the initial requested 10-day stay period.

145. As set out in the Cash Flow Statement, the Companies expect that, with the funds to be advanced under the DIP Facility Agreement referenced below, they will have sufficient cash to fund its projected operating costs during until September 1, 2023.

146. The Companies, therefore, request the Stay of Proceedings for an initial period of ten days, and, if granted by this Court, the Companies will subsequently request an extension of the Stay Period until and including September 1, 2023 at the Comeback Motion.

147. In addition to the Stay of Proceedings against the Companies and their Property, the Companies are seeking a stay of proceedings against the D&Os to ensure that they are able to focus their efforts on the Companies’ restructuring efforts and to prevent creditors and others from seeking to do indirectly what they cannot do directly by asserting claims or other relief relating to the debts and obligations of the Companies against the D&Os.

(ii) Appointment of FTI as Monitor

148. FTI has consented to act as the Court-appointed monitor of the Applicants, subject to Court approval. A copy of FTI’s consent to act is attached as **Exhibit “M”**.

149. I am advised by Jeffrey Rosenberg of FTI that FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (as amended) and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

150. I understand that FTI has extensive experience in matters of this nature and is therefore well-suited to this mandate. Further, FTI was engaged as a financial advisor pursuant to an

engagement letter dated May 26, 2023. FTI has provided no accounting or auditing advice to the Companies.

151. I am advised by Mr. Rosenberg of FTI that the Proposed Monitor is supportive of the relief being sought by the Applicants in the draft Initial Order, as described in this affidavit. Mr. Rosenberg has also advised me that the Proposed Monitor will be filing a pre-filing report of the Monitor in respect of such relief, and if appointed as Monitor, FTI will also file a report in respect of the relief to be sought at the Comeback Motion.

(iii) Administration Charge

152. The Initial Order provides for a Court-ordered Administration Charge in favour of the Monitor, counsel to the Monitor, and the Applicants' counsel over all of the Applicants' Property in order to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicants up to a maximum amount of \$600,000.

153. The Administration Charge is proposed to rank ahead of and have priority over all of the other Charges and ACT's security.

154. The Applicants require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA proceedings in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in the Applicants' restructuring.

155. The Applicants have worked with the Proposed Monitor to estimate the proposed quantum of the Administration Charge. The Proposed Monitor has reviewed the quantum of the Administration Charge and has advised that it believes that the Administration Charge (including its proposed quantum) is reasonable and appropriate in the circumstances, given the services to be provided by the beneficiaries of the Administration Charge and the complexities of the CCAA Proceedings.

156. At the Comeback Motion, the Companies intend to request an increase in the amount of the Administration Charge and super-priority ranking over all existing encumbrances.

(iv) DIP Facility and DIP Lender's Charge

157. As appears from the Cash Flow Forecast, the Applicants expect the need for interim financing, including during the 10-day Stay Period prior to the Comeback Motion, to fund these CCAA Proceedings.

158. As a result of needing financing to fund the operations of the Applicants during these CCAA Proceedings in very short order, the Applicants commenced negotiations with ACT Investor to provide debtor-in-possession financing. Based on both: (a) the results of the Company's previous efforts to seek additional liquidity dating back to September 2022; and (b) ACT Investor being the major secured creditor of the Applicants, the Applicants, in consultation with their legal and financial advisors, did not believe that any third party would be able to provide the financing urgently required on significantly better terms on the timeline required by the Applicants.

159. Accordingly, on June 5, 2023, the DIP Facility Agreement was entered into between FFHC, as borrower, the Guarantors, as guarantors, and ACT Investor, as the DIP Lender. A copy of the DIP Facility Agreement is attached hereto as **Exhibit "N"**.

160. The DIP Facility is subject to customary covenants, conditions precedent, and representations and warranties made by the Applicants to the DIP Lender. Among other things, the DIP Facility Agreement provides for the following:

- (a) DIP Facility: non-revolving loan up to the maximum amount of \$9.8 million, with an Initial Advance of \$2.7 million during the initial 10-day Stay Period.
- (b) Additional Tranches: two additional tranches made no earlier than every four (4) weeks from the date of the Initial Advance, in the amounts of \$3 million and \$4.1 million, respectively (each additional advance being a "**Subsequent Advances**").
- (c) Interest Rate: twelve percent (12%) per annum, compounded and calculated weekly.
- (d) Fees: exit fee of \$400,000.

161. Per the DIP Facility Agreement, the DIP Facility must be repaid in full by the date that is the earliest of: (a) the date on which the Stay of Proceedings is lifted or terminated; (b) September 15, 2023 (or such other date as may be agreed to in writing by the DIP Lender, in its sole

discretion); and (c) the date on which the DIP Lender elects to terminate the DIP Facility as a result of an event of default under the DIP Facility Agreement.

162. While the DIP Facility Agreement is also subject to customary events of default, including that the Applicants may not have a negative variance of net cash flows calculated in accordance with the methodology set out in Schedule "B" to the DIP Facility Agreement of more than ten percent (10%).

163. The proposed Initial Order contemplates that the DIP Lender's Charge will rank subordinate only to the Administration Charge.

164. The DIP Lender's Charge will secure all of the credit advanced under the DIP Facility. However, during the initial 10-day Stay Period, the Applicants are only authorized to borrow a maximum of \$2.7 million. The DIP Lender's Charge will not secure any obligations incurred prior to these CCAA Proceedings.

165. As the DIP Facility will be provided by ACT Investor, who already benefits from a first-ranking security interest over the Applicants' Property, I do not expect any material prejudice to any of the other existing secured creditors of the Applicants should the Court approve the DIP Facility Agreement and grant the DIP Lender's Charge.

166. The Proposed Monitor has advised that it is supportive of the approval of the DIP Facility Agreement and the corresponding DIP Lender's Charge. Accordingly, I believe that it is appropriate in the circumstances for this Court to approve the DIP Facility Agreement and grant the DIP Lender's Charge.

(v) D&O Charge

167. In order to continue to carry on business during these CCAA Proceedings, the Applicants require the active and committed involvement of their D&Os.

168. Since the continued assistance of the D&Os is required to ensure that these CCAA Proceedings are successfully completed, these D&Os require, in turn, that the Applicants indemnify them for liabilities which they may incur in the context of their positions with the Applicants after the filing of these CCAA Proceedings, including liabilities relating to employee vacations accrued prior to these CCAA Proceedings, but which may be crystallized after the commencement of such proceedings.

169. Although the Applicants intend to comply with all applicable laws and regulations, including with respect to the timely remittance of deductions at source and federal and provincial sales taxes, the D&Os remain nevertheless concerned about their potential personal liability, particularly in the present circumstances.

170. The Applicants maintain directors and officers' liability insurance (the "**D&O Insurance**") for the D&Os which provides up to \$40 million in coverage⁴. It is uncertain whether all claims for which the D&Os may be personally liable will be covered by the D&O Insurance given the convoluted nature of the exclusions provided for under the D&O Insurance. It is also uncertain whether the amount of coverage provided by the D&O Insurance will be sufficient to adequately protect the D&Os from liability and to incentivize the D&Os to continue their service with the Applicants.

171. Absent the approval by this Court of the D&O Charge in the amounts set out above, I have been advised that all or a significant amount of the Applicants' D&Os will resign, which would, in all likelihood, render these CCAA Proceeding much more challenging, and possibly much more costly, to the detriment of the Applicants' creditors and other stakeholders.

172. The Applicants therefore seek the D&O Charge over its Property in the amount of \$2,800,000 as part of the Initial Order to secure the above referenced indemnity of the Applicants in favour of the D&Os in connection with any claim which may be asserted against them from and after the commencement of these proceedings, including claims relating to employee vacation entitlements accrued prior to these CCAA Proceedings, but which may be crystallized after the commencement of such proceedings, to the extent that such claims are not covered or sufficiently by the D&O Insurance. The Companies intend to request an increase in the amount of the D&O Charge at the Comeback Motion.

173. The proposed Initial Order provides that the D&O Charge ranks behind the other Charges.

174. The Proposed Monitor has advised that it is supportive of the proposed D&O Charge and quantum thereof.

175. I believe that in these circumstances, the requested D&O Charge is reasonable and adequate given, notably, the complexity of their business, and the corresponding potential

⁴ The D&O Insurance policy is coming up for renewal on June 19, 2022 and the Companies have been in discussions with their insurer to finalize the terms of the renewal; however, as at the date of this affidavit, the renewal of the policy has not been finalized.

exposure of the Applicants' D&Os to personal liability, especially in the present context. The quantum of the D&O Charge contemplated in the Initial Order was specifically sized by the Applicants, in consultation with the Proposed Monitor, based upon the potential director liabilities that could be outstanding at any time during the CCAA Proceedings.

(vi) Proposed Ranking of the Court-Ordered Charges

176. The proposed ranking of the court ordered charges is as follows:

First – Administration Charge \$600,000 in the Initial Order

Second – DIP Lender's Charge \$2.7 million in the Initial Order

Third – D&O Charge \$2,800,000 in the Initial Order

177. Pursuant to the proposed Initial Order, the charges on the assets and property of the Company would rank in priority to the claims of ACT, which has received notice of this Application. The Companies intend to ask for an order declaring that the charges would rank ahead of all Encumbrances on the Comeback Motion (if the Initial Order is granted).

B. Comeback Motion Relief

(i) Authorization to Incur no Further Costs in Connection with Securities Filings

178. At the initial hearing for the commencement of these CCAA proceedings, the Applicants will not be seeking authorization to dispense with securities filing requirements.

179. If the Initial Order is granted, at the Comeback Motion, the Applicants will seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario), and comparable statutes enacted by other provinces of Canada, the Canadian Securities Exchange ("**CSE**") Policies 1-10 and other rules, regulations and policies of the CSE.

180. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants' successful restructuring. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA Proceedings.

(ii) KERP

181. The Applicants have certain key employees (the "**Key Employees**"), who perform roles critical to advancing the Applicants' restructuring, including various institutional knowledge related to the Companies' business and operations. Accordingly, the Applicants have worked with their advisors to develop a key employee retention plan and a key employee incentive plan (collectively, the "**KERP**") to provide certain Key Employees if they maintain their roles through the Applicants' restructuring and to incentivize their continued participation in the operation of the Applicants and in the SISP, if the Initial Order is granted.

182. The Applicants' boards of directors, in consultation the Proposed Monitor and the Companies' legal counsel, are reviewing, commenting on and modifying the terms of the KERP in order to ensure that those employees subject to the KERP were properly incentivized to maximize the Companies' operational success and their chance at a going-concern solution for the benefit of the Companies and their stakeholders. The Applicants will provide details of their proposed KERP prior to the Comeback Hearing.

(iv) SISP

183. If the Initial Order is granted, the Applicants intend to seek approval of a SISP at the Comeback Motion. The terms of the SISP will be detailed in a supplementary affidavit, to be sworn.

(v) Proposed Ranking of the Court-Ordered Charges

184. The proposed ranking of the court ordered charges is as follows:

First – Administration Charge

Second – DIP Lender's Charge

Third – the KERP Charge

Fourth – D&O Charge

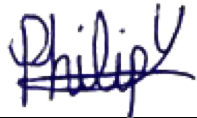
185. Pursuant to the proposed ARIO, the charges on the assets and property of the Company would rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any person, notwithstanding the order of perfection or attachment, on notice to those persons likely to be affected thereby.

IX. CONCLUSION

186. For the reasons set out above, I believe that it is in the interests of the Applicants and its stakeholders that the Applicants be granted protection under the CCAA in accordance with the terms of the proposed Initial Order.

187. I swear this affidavit in support of the Companies Application pursuant to the CCAA and for no other or improper purpose.

SWORN remotely via videoconference, by Stephane Trudel, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in Province of Ontario, this day of June 5, 2023, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.



Commissioner for Taking Affidavits, etc.
PHILIP YANG



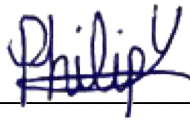
STEPHANE TRUDEL

EXHIBIT "A"

referred to in the Affidavit of

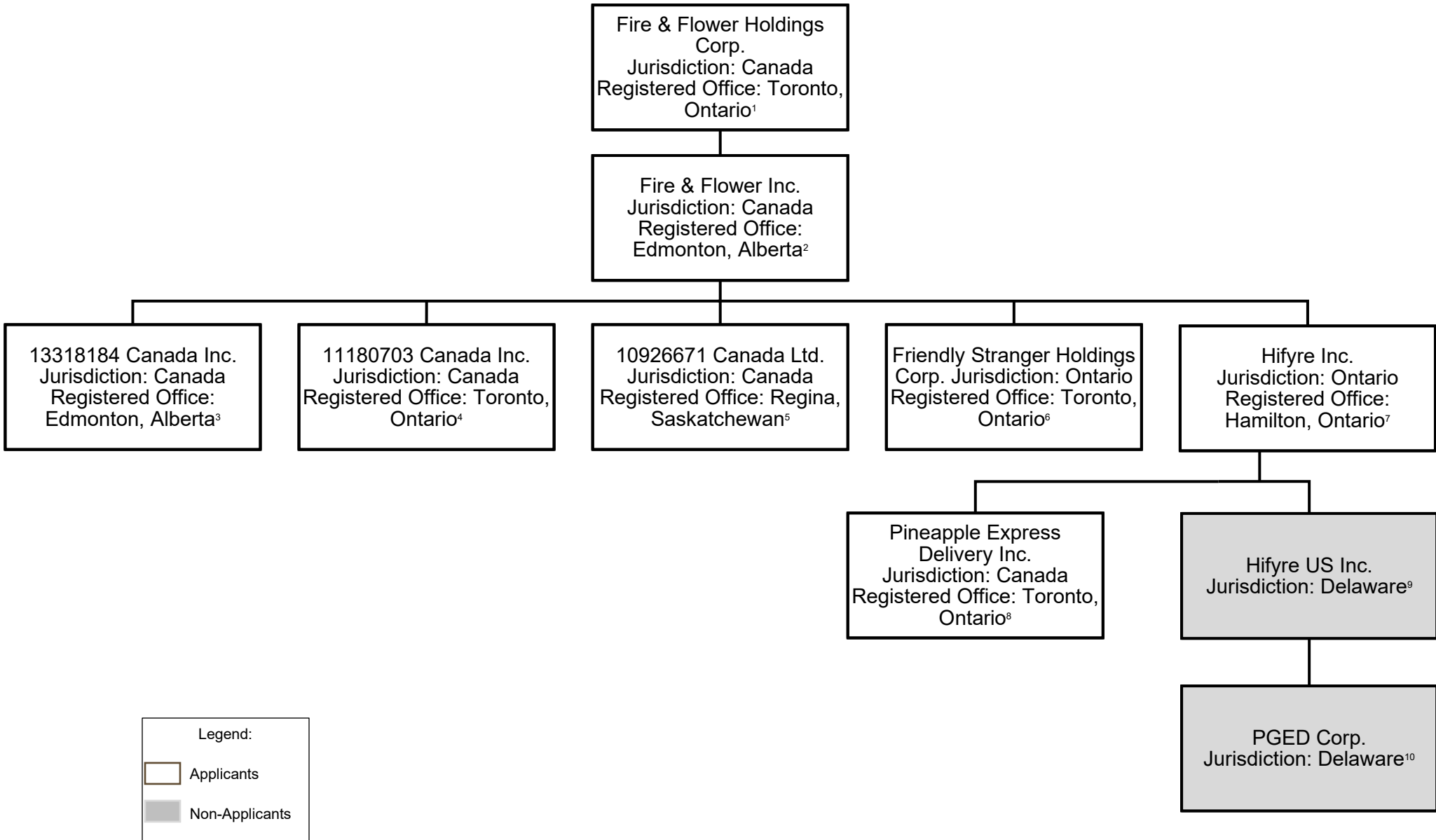
STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", is written over a horizontal line.

Commissioner for Taking Affidavits

Corporate Organizational Chart



1 – Fire & Flower Holdings Corp. is a non-operating holding company.

2 – Fire & Flower Inc. is the main operating entity with respect to the Companies and operates under the “Retail Segment” of the Applicants. FFI owns and operates 80 licensed cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada.

3 – 13318184 Canada Inc. is a non-operating subsidiary of FFI. 133 Canada is a signatory for certain licensing agreements but otherwise does not have any employees or operations.

4 – 11180703 Canada Inc. is a non-operating subsidiary of FFI and licenses the majority of the Applicants’ intellectual property and sub-licenses same to Fire & Flower US Holdings Corp., an unrelated entity which owns and operates a cannabis retail store in each of Colorado and California. It does not have any employees or operations.

5 – 10926671 Canada Ltd. operates a wholesale distribution business under the “Wholesale Segment” of the Applicants. It purchases cannabis products directly from licensed producers and distributes such products to the Retailers’ stores, as well as third-party independent retailers in Saskatchewan and Manitoba.

6 – Friendly Stranger Holdings Corp. is the other entity operating under the Retail Segment of the Applicants. It owns and operates 11 licensed cannabis retail stores under the trademark banner names of “Friendly Stranger” throughout Ontario.

7 – Hifyre Inc. operates under the “Digital Platform Segment” of the Companies. Hifyre has developed and deployed a proprietary, omni-channel digital platform to drive the Retailers’ operations and provide insight into consumer behaviours. Hifyre licenses its digital platform to third parties and operates a virtual marketplace and last-mile delivery service to support the Retailers’ operations.

8 – Pineapple Express Delivery Inc. was acquired by FFHC and Hifyre in January 2022 to operate the delivery aspect of the Retailers’ business. Pineapple Express Delivery provided the Retailers with cannabis e-commerce and delivery services for their retail stores. Pineapple Express Delivery operated out of British Columbia, Saskatchewan, Manitoba, and Ontario. Due to changes in government regulations relating to delivery of cannabis products, the Applicants had to shift Pineapple Express Delivery’s operations to other entities within the group.

9 – Hifyre US, Inc. is a non-operating subsidiary of Hifyre. Hifyre US has no employees or operations and holds all the issued and outstanding shares of PGED Corp.

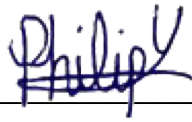
10 – PGED Corp. is the other operating entity with respect to the Digital Platform Segment of the Companies. PGED Corp operates two websites and content platforms, “Potguide.com” and “Wikileaf.com”. In addition, these websites and content platforms also function as a directory and referral service for cannabis retailers and delivery services. PGED Corp does not sell any cannabis products.

EXHIBIT "B"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.





Commissioner for Taking Affidavits

STATUS OF FIRE & FLOWER TRADEMARKS




1. **Canada**

(a) **Trademarks Owned by Fire & Flower Inc.**

File #	Trade-mark	Application No.	Registration No.
570743-3	Fire & Flower Cannabis Co. Logo 	1864833	1087023
570743-5	Fire & Flower Logo 	1864834	TMA1,125,569
570743-4	FIRE & FLOWER (word)	1864835	
570743-15	Fire & Flower Cannabis Co. Logo (colour) 	1902474	TMA1122060
570743-16	Fire & Flower Logo (colour) 	1902475	TMA1122059
570743-17	Fire & Flower Cannabis Co. Reverse Logo 	1902476	TMA1087022
570743-18	Fire & Flower Cannabis Co. Reverse Logo (colour) 	1902477	TMA1122058
570743-19	Fire & Flower Horizontal Logo 	1902478	TMA1122057
570743-20	Fire & Flower Horizontal Logo (colour) 	1902479	TMA1122056
570743-21	Fire & Flower Icon Design 	1902480	TMA1087022

File #	Trade-mark	Application No.	Registration No.
570743-22	Fire & Flower Icon Design (colour) 	1902481	TMA1122055
570743-23	FIRE & FLOWER Stylized Design FIRE & FLOWER	1902482	TMA1122054
570743-24	FIRE & FLOWER Stylized Design (colour) FIRE & FLOWER	1902483	TMA1122293
570743-65	SPARK	1909735	TMA1113283
570743-83	SPARK REWARDS	1985905	
570743-87	SPARK FASTLANE	1985906	TMA1163107
570743-81	SPARK PERKS	1985907	
570743-88	SPARK FASTLANE Logo 	1985909	TMA1163108
570743-85	SPARK LIFESTYLE	1985910	
570743-82	SPARK PERKS Logo 	1985911	
570743-103	REVITY CBD	2008397	
570743-102	REVITY	2008398	
570743-104	REVITY CBD & Design 	2008399	



(b) Trademarks Owned by Hifyre Inc.

File #	Trademark	Application No.	Registration No.
576968-3	HIFYRE	1975760	
576968-1	H Logo 	1975761	
576968-2	H Hifyre Logo 	1975762	
	WIKILEAF	1962066	
	Wikileaf Design  WIKILEAF	1962067	



(c) Trademarks Owned by 11180703 Canada Inc.

File #	Trademark	Application No.	Registration No.
587857-1	THE WILD FLORIST	2124845	
587857-2	THE WILD FLORIST Design 	2124844	
587857-4	FIREBIRD DELIVERY Logo 	2164819	
587857-7	FIREBIRD DELIVERY	2164392	
587857-9	F Icon Design 	2164393	

(d) Trademarks Owned by Friendly Stranger Holdings Corp.





File #	Trade-mark	Application No.	Registration No.
	THE FRIENDLY STRANGER	1966545	
	FRIENDLY STRANGER LOGO 	1966555	
	HAPPY DAYZ	1966546	
	HAPPY HAYZ	1966548	
	QUEEN WEST CABBAGE	1966547	
	TORONTO TOKE	1966550	
	UNOBTANIUM	1966551	
	WEST END HAYZ	1966552	
	RED ROCKET	1966554	
	1994 QUEEN WEST	1966549	
	FRIENDLY FLOWER	1966553	
	FRIENDLY STRANGER PEACE LEAF & Design 	1966556	
	NORTHERN COMFORT	1967200	
	THE FRIENDLY STRANGER	1496786	TMA808265
	POTIO	1912719	
	HOTBOX	1878248	TMA1055712
	HOTBOX Logo 	1912720	TMA1078146
	FRIENDLY STRANGER	1496783	TMA808264
	SCREEN MACHINE	1415014	TMA756406
	CULTURE CANNABIS & DESIGN 	115748	TMA773423
	CANNABIS CULTURE SHOP	1496787	TMA808266
	THE GOOD GRASS & Design 	1928289	

(e) Trademarks Owned by Pineapple Express Delivery



File #	Trademark	Application No.	Registration No.
	 PE PINEAPPLE EXPRESS DELIVERY Logo	1897990	TMA1115711
	 Pineapple Express Delivery Logo	1930612	TMA1115712

2. United States

(a) Trademarks Owned by Fire & Flower Inc.

File #	Trade-mark	Serial No.	Registration No.
570743-105	FIRE & FLOWER	88778648	
570743-106	Fire & Flower Logo (colour) 	88785840	
570743-108	Fire & Flower Icon (colour) 	88785859	
570743-107	Fire & Flower Icon (black & white) 	88785863	
570743-109	REVITY	90452607	
570743-110	REVITY CBD	90452613	
570743-111	REVITY CBD & Design 	90452830	



(b) Trademarks Owned by Hifyre Inc.

File #	Trademark	Serial No.	Registration No.
576968-5	HIFYRE	88617746	
576968-6	H Logo 	88617750	
576968-7	H Hifyre Logo 	88617753	

(c) Trademarks Owned by Hifyre US Inc.

File #	Trade-mark	Serial No.	Registration No.
	WIKILEAF	86923878	5253759

(d) Trademarks Owned by 11180703 Canada Inc.

File #	Trademark	Application No.	Registration No.
587857-5	Firebird Delivery Design 	97261790	
587857-6	FIREBIRD DELIVERY	97261777	
587857-8	F Design 	97261785	

3. WIPO – International Applications through Madrid Protocol

(a) Trademarks Owned by Fire & Flower Inc.

File #	Trade-mark	Designated Countries	Application No.	Registration No.
570743-112	SPARK REWARDS	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, Poland, Portugal, Sweden, United States of America	CA 1985905	1519888


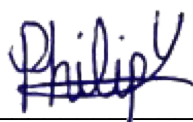
File #	Trade-mark	Designated Countries	Application No.	Registration No.
570743-113	SPARK PERKS	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, Poland, Portugal, Sweden, United States of America	CA 1985907	1519941
570743-114	SPARK LIFESTYLE	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, Poland, Portugal, Sweden, United States of America	CA 1985910	1522337
570743-115	SPARK FASTLANE	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, New Zealand, Poland, Portugal, Sweden, United States of America	CA 1985906	1524918
570743-116	FIRE & FLOWER (word)	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, New Zealand, Poland, Portugal and Sweden	CA 1864835	1549825
570743-117	FIRE & FLOWER Logo 	Australia, Benelux, Germany, Denmark, Spain, France, United Kingdom, Italy, Mexico, Norway, New Zealand, Poland, Portugal and Sweden	CA 1864833	1 552 020

EXHIBIT "C"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits

FIRE & FLOWER HOLDINGS CORP.

(formerly CINAPORT ACQUISITION CORP. II, A CAPITAL POOL COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of Fire & Flower Holdings Corp.

Opinion

We have audited the consolidated financial statements of Fire & Flower Holdings Corp. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at February 2, 2019, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the period from March 1, 2018 to February 2, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 2, 2019, and its consolidated financial performance and its consolidated cash flows for the period ended February 2, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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.

Other Matter

The consolidated financial statements of the Company for the period from incorporation (December 12, 2017) to February 28, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on May 24, 2018.

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 and will not express an opinion or any form of assurance conclusion thereon.

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's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 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 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

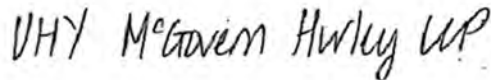
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the audit resulting in this independent auditor's report is Martin Cairns.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 22, 2019

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)
(A Capital Pool Company)
Consolidated Statements of Financial Position
As at February 2, 2019 and February 28, 2018
(Expressed in Canadian Dollars)

	February 2, 2019	February 28, 2018
Assets		
Current		
Cash	\$ 153,541	\$ 493,592
Short-term investments <i>(note 4)</i>	605,719	-
Accrued receivables	6,499	-
Total current assets	765,759	493,592
Prepaid financing costs <i>(note 5)</i>	-	32,200
Total assets	\$ 765,759	\$ 525,792
Liabilities		
Current		
Accounts payable and accrued liabilities <i>(note 8)</i>	\$ 32,505	\$ 33,500
Shareholders' equity		
Share capital <i>(note 5)</i>	884,477	500,000
Reserve account <i>(note 5)</i>	166,996	-
Accumulated deficit	(318,219)	(7,708)
Total shareholders' equity	733,254	492,292
Total liabilities and shareholders' equity	\$ 765,759	\$ 525,792

Nature of operations *(note 1)*

Commitments and contingencies *(note 10)*

Subsequent events *(note 11)*

Approved on behalf of the Board:

/s/ "Trevor Fencott"
Trevor Fencott, Director

/s/ "Norman Inkster"
Norman Inkster, Director

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

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)
(A Capital Pool Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the period from	March 1, 2018 to February 2, 2019	December 12, 2017 (date of incorporation) to February 28, 2018
Income		
Interest income	\$ 7,100	\$ -
Expenses		
Annual general and other meetings	6,402	-
Insurance	9,180	-
Listing and filing fees	19,191	558
Professional fees (<i>note 8</i>)	136,449	7,126
Regulatory and transfer agency fees	2,610	-
Stock-based compensation (<i>note 5</i>)	138,390	-
Travel	4,696	-
Office and general	693	24
Total expenses	317,611	7,708
Total loss and comprehensive loss for the period	\$ (310,511)	\$ (7,708)
Loss per share – basic and diluted	\$ (0.86)	\$ (0.08)
Weighted average shares outstanding – basic and diluted (<i>note 5</i>) ⁽¹⁾	360,958	95,696

(1) Reflects the impact of the share consolidation. Refer to Note 1.

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

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)
(A Capital Pool Company)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital Number ⁽¹⁾	Amount (\$)	Reserve Account (\$)	Accumulated Deficit (\$)	Shareholders' Equity (\$)
Balance, December 12, 2017	-	-	-	-	-
Issuance of common shares	939,127	500,000	-	-	500,000
Total loss and comprehensive loss for the period	-	-	-	(7,708)	(7,708)
Balance, February 28, 2018	939,127	500,000	-	(7,708)	492,292
Issuance of common shares <i>(note 5)</i>	507,130	540,000	-	-	540,000
Share issue costs and broker warrants <i>(note 5)</i>	-	(155,523)	28,606	-	(126,917)
Issuance of stock options	-	-	138,390	-	138,390
Total loss and comprehensive loss for the period	-	-	-	(310,511)	(310,511)
Balance, February 2, 2019	1,446,257	884,477	166,996	(318,219)	733,254

(1) Reflects the impact of the share consolidation. Refer to Note 1.

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

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)
(A Capital Pool Company)
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the period from	March 1, 2018 to February 2, 2019	December 12, 2017 (date of incorporation) to February 28, 2018
Operating activities		
Net loss for the period	\$ (310,511)	\$ (7,708)
Items not involving cash:		
Accrued interest	(1,164)	-
Stock-based compensation	138,390	-
	(173,285)	(7,708)
Net change in non-cash working capital		
Accrued receivables	(6,499)	-
Prepaid expenses	-	-
Accounts payable and accrued liabilities	25,505	7,000
Cash flows used in operating activities	(154,279)	(708)
Investing activities		
Sale of short-term investments	150,848	-
Purchase of short-term investments	(755,403)	-
Cash flows used in investing activities	(604,555)	-
Financing activities		
Proceeds from issuance of shares (note 5)	540,000	500,000
Financing costs (note 5)	(126,917)	-
Prepaid financing costs	5,700	(5,700)
Cash flows from financing activities	418,783	494,300
Net change in cash	(340,051)	493,592
Cash, beginning of period	493,592	-
Cash, end of period	\$ 153,541	\$ 493,592

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

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS

Fire & Flower Holdings Corp. (the "**Company**") (formerly Cinaport Acquisition Corp. II), a Capital Pool Company, was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on December 12, 2017.

On June 6, 2018, the Company completed an Initial Public Offering (the "**IPO**") to be classified as a Capital Pool Company as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "Exchange") and its shares commenced trading on the Exchange under the symbol "CPQ.P". The Company's principal purpose was the identification and evaluation of assets or businesses with a view to acquisition or participation (the "**Qualifying Transaction**") therein subject, in certain cases, to shareholder approval and acceptance by the Exchange.

On October 17, 2018, the Company incorporated a wholly owned subsidiary under the Canada Business Corporations Act, 11048449 Canada Inc. ("**Subco**"), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on February 13, 2019 by way of a three-cornered amalgamation, pursuant to which Subco amalgamated with Fire & Flower Inc., and the Company, which now holds the assets of Fire & Flower Inc. as a wholly-owned subsidiary, changed its name to "Fire & Flower Holdings Corp." For additional details of the transaction see Note 11.

Subsequent to February 2, 2019, and prior to the close of the Qualifying Transaction, the Company consolidated its common shares on a 10.64814815 to 1 basis (the "**Share Consolidation**"). The Share Consolidation was applied retrospectively, and as a result, the common share, broker warrants and option amounts presented herein are stated on an adjusted post-consolidation basis.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's head office, registered office and records office is located at 150 King Street West, Suite 308, Toronto, Ontario, Canada M5H 1J9.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company for the period ended February 2, 2019 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at February 2, 2019.

These consolidated financial statements were authorized for issuance by the Board of Directors on May 22, 2019.

Fiscal Year

The Qualifying Transaction and the resulting amalgamation constituted a reverse take-over of the Company by Fire & Flower Inc. and consequently the Company was deemed to have changed its year end from February 28 to the fiscal year end of Fire & Flower Inc, which is February 2. The fiscal year of Fire & Flower Inc. consists of a fifty-two or fifty-three week period ending on the Saturday closest to January 31. References to years in the consolidated financial statements and notes to the consolidated financial statements relate to fiscal year or period rather than calendar year.

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary company. All significant intercompany balances and transactions have been eliminated on consolidation.

Use of Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Cash

Cash includes funds in a corporate bank account, which are proceeds from the issuance of share capital.

Prepaid Financing Costs

Costs directly incurred in connection with the Company's IPO were recognized as prepaid financing costs until the transaction was completed, and then charged against share capital upon close of the IPO.

Income Tax

Income tax 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 or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

All escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and, accordingly, are not considered to be outstanding shares for the purposes of calculating the weighted average number of shares.

Stock-based Compensation

The Company has adopted an incentive stock option plan (note 5). Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Financial Instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

Cash and short-term investments are classified as assets at fair value through profit or loss and any period change in fair value is recorded in profit or loss, and accrued receivables, which primarily relates to interest income on short-term investments, are measured at amortized cost using the effective interest rate method and classified as financial assets at amortized cost.

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method and classified as financial assets measured at amortized cost.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash and short-term investments are level 1 financial instruments measured at fair value on the statement of financial position.

New Accounting Standards Issued

The Company adopted IFRS 9, Financial Instruments ("IFRS 9") effective March 1, 2018.

IFRS 9 was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and replaced IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 did not have a material impact on the Company's consolidated financial statements.

Accounting standards issued but not yet applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning in later periods. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and has not early adopted any such pronouncements in the current period. The Company is currently evaluating the impact of such pronouncements on the consolidated financial statements.

4. SHORT-TERM INVESTMENTS

The Company's outstanding terms deposits as at February 2, 2019 bear interest of 1.55%.

5. SHARE CAPITAL

Authorized

Unlimited number of common shares

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

Issued and Outstanding

	Shares ⁽¹⁾	Amount
December 12, 2017	-	-
Issued during the period	939,127	\$500,000
February 28, 2018	939,127	\$500,000
Issued during the period, net of issue costs and broker warrants	507,130	384,477
February 2, 2019	1,446,257	\$884,477

(1) Reflects the impact of the Share Consolidation – refer to Note 1.

On January 12, 2018, the Company issued 140,869 common shares at a price of \$0.532 per share for gross proceeds of \$75,000.

On February 28, 2018, the Company issued 798,258 common shares at a price of \$0.532 per share for gross proceeds of \$425,000.

On June 6, 2018, as part of the IPO, the Company issued 507,130 common shares at a price of \$1.065 per share for gross proceeds of \$540,000. Offering costs of \$126,917 were offset against the proceeds, for net cash proceeds of \$413,083. Additionally, the grant date fair value of the broker warrants issued to the underwriting agent in the amount of \$28,606 was offset against the proceeds.

Escrow Shares

Subject to an escrow agreement pursuant to the requirements of the Exchange, 939,127 common shares were held in escrow as at February 2, 2019 (February 28, 2018: Nil). Under the terms of this agreement, 10% of these shares are released from escrow on the issue of the final exchange bulletin by the Exchange (the “**Final Exchange Bulletin**”) upon completion of the Company’s Qualifying Transaction and remaining escrowed common shares will be released over 36 months following the initial release.

All common shares acquired on exercise of stock options by directors and officers prior to the completion of the Qualifying Transaction must be deposited in escrow until the Final Exchange Bulletin is issued.

Stock Options and Broker Warrants

The following are stock options and broker warrants outstanding at February 2, 2019:

	Number Outstanding ⁽¹⁾	Number Exercisable ⁽¹⁾	Exercise Price (\$) ^{(1) (2)}	Expiry Date	Remaining Life
Broker warrants	50,713	50,713	1.065	June 6, 2020	1.34 years
Stock options	144,625	144,626	1.065	June 6, 2028	9.35 years

(1) Reflects the impact of the Share Consolidation – refer to Note 1.

(2) After giving effect to the Share Consolidation, each post-Share Consolidation stock option and each post Share-Consolidation broker warrant exercisable to purchase one post-Share Consolidation common share at an exercise price of \$1.065.

No stock options and broker warrants were granted or outstanding as at February 28, 2018.

The fair value of the stock options and broker warrants was estimated using the Black-Scholes Option Pricing Model an based on the following assumptions: expected dividend yield of 0%; risk-free interest rate range of 1.94% - 2.30%; and expected volatility of 100%, and share price of \$1.065. The broker warrants have an expected life of two years, while stock options issued have an expected life of 10 years. The Company has estimated a forfeiture rate of 0%.

Stock Options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares.

The exercise price of each option granted under the plan shall be determined by the Board of Directors. Stock options are exercisable for a maximum term of ten years from the date of grant.

Pursuant to the Company's incentive stock option plan, the Company granted options to directors and officers on June 6, 2018, to purchase 144,625 common shares at \$1.065 per common share, with a fair value of \$138,390, which was recorded as stock-based compensation expense. These options vested immediately upon being granted and are exercisable for a period of 10 years. Such options may be exercised within the greater of 12 months after completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company.

Broker Warrants

Pursuant to the IPO underwriter agency agreement, the Company granted broker warrants to the agent upon close of the offering to purchase 50,713 common shares at \$1.065 per common share, with a fair value of \$28,606, and recognized as share issue costs. These broker warrants are exercisable for a period of two years after the common shares of the Company commence trading on the Exchange.

Not more than 50% of the common shares of the Company, which can be acquired on the exercise of the broker warrants may be sold by the underwriter prior to the completion of the Qualifying Transaction. The remaining 50% may be sold after the completion of the Qualifying Transaction.

Basic and Diluted Loss per Share

The weighted average number of shares outstanding for the periods ended February 2, 2019 and February 28, 2018, does not include the effect of converting all outstanding broker warrants and stock options as the result would be anti-dilutive.

6. FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments measured at amortized cost consist of accrued receivables and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and short-term investments. To minimize the credit risk the Company places these instruments with a major Canadian chartered bank.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and on maintaining sufficient cash in excess of anticipated needs.

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

7. CAPITAL MANAGEMENT

The Company's capital consists of common shares, and its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. Other than proceeds restrictions (Note 10), the Company does not have any other externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

8. RELATED PARTY TRANSACTIONS

During the period ended February 2, 2019, Charlie Kuo, Corporate Secretary and counsel of the Company, had received \$154,638 from the Company (excluding applicable taxes and disbursements) for professional legal services (February 28, 2018: \$6,500), \$25,000 of which has been included as financing issue costs. As at February 2, 2019, accounts payable and accrued liabilities included \$4,245 payable to Charlie Kuo (February 28, 2018: \$6,500). The amounts payable was non-interest bearing and due on demand.

During the period ended February 2, 2019, stock-based compensation expense of \$138,390 was incurred for stock options issued to directors and officers of the Company (February 28, 2018: \$Nil).

During the period ended February 2, 2019, of the 507,130 common shares issued under the IPO, Nil were issued to officers and directors of the Company (February 28, 2018: 910,954 common shares for \$485,000 in gross proceeds).

There were no other transactions with related parties and no remuneration was paid to key management personnel during the periods ended February 2, 2019 and February 28, 2018.

9. INCOME TAXES

Income Tax Recovery

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 26.50% to the amount recognized in the statement of comprehensive loss:

	March 1, 2018 to February 2, 2019	December 12, 2017 to February 28, 2018
Loss before recovery of income taxes	\$ (310,511)	\$ (7,708)
Expected income tax recovery	82,285	2,043
Non-deductible items	(36,749)	-
Share issue costs	41,214	-
Change in unrecognized deductible temporary differences	(86,750)	(2,043)
Income tax recovery recognized	\$ -	\$ -

Unrecognized Deferred Tax Assets

Deferred income taxes are provided as a result of temporary differences that arise between the income tax values and the carrying amount of assets and liabilities.

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)

(A Capital Pool Company)

Notes to the Consolidated Financial Statements

As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019

Expressed in Canadian Dollars

Deferred income tax assets have not been recognized in respect of the following items as it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom:

		February 2, 2019	February 28, 2018
Non-capital losses	\$	194,350	\$ 7,708
Other		2,025	-
Share issue costs		124,418	-

The non-capital losses can be carried forward twenty years to be applied against future taxable income, expiring as follows 2038 - \$7,708 and 2039 - \$186,642.

10. COMMITMENTS AND CONTINGENCIES

Use of Proceeds

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of \$210,000 or 30% of the gross proceeds in the amount of \$1,040,000 from the sale of securities issued by the Company may be used for purposes other than evaluating assets or businesses. These restrictions apply until completion of the Qualifying Transaction. As at February 2, 2019, the Company had not exceeded the maximum of \$210,000.

Contingencies – Indemnification of Directors and Officers

Under the terms of the bylaws of the Company, the Company indemnifies its directors and officers against any and all damages, liabilities, costs, charges or expenses incurred in the performance of their service to the Company to the extent permitted by law. The claims covered by such indemnifications are subject to statutory and other legal limitation periods.

11. SUBSEQUENT EVENTS

Qualifying Transaction

On September 12, 2018, the Company entered into a binding letter of intent (“LOI”) with Fire & Flower Inc. a corporation existing under the laws of Canada and an independent cannabis retail company that operates in provinces in which private retail of cannabis has been legalized since October 17, 2018. The LOI outlined the principal terms and conditions pursuant to which the Company and Fire & Flower Inc. intend to complete a transaction that will result in a reverse takeover (“RTO”) by the shareholders of Fire & Flower Inc. The transaction would constitute the Company’s Qualifying Transaction under the policies of the Exchange.

On October 31, 2018, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with Fire & Flower Inc. and Subco, which superseded the LOI. The Qualifying Transaction was completed on February 13, 2019 by way of a three-cornered amalgamation, pursuant to which Subco amalgamated with Fire & Flower Inc., and the Company, which now holds the assets of Fire & Flower Inc.

Upon completion of the Qualifying Transaction (after giving effect to the conversion of the concurrent private placement subscription receipts, described further below), Fire & Flower Inc. had 102,434,410 shares issued and outstanding (the “Resulting Issuer Shares”), with approximately 98.6% held by former shareholders of Fire & Flower Inc. and approximately 1.4% held by shareholders of the Company prior to the completion of the Qualifying Transaction, on an undiluted basis. Additionally, Fire & Flower Inc. has: (a) \$5,800,000 principal amount of non-interest bearing unsecured convertible debentures; and (b) \$20,000,000 principal amount of 8.0% unsecured convertible debentures, issued and outstanding.

FIRE & FLOWER HOLDINGS CORP. (FORMERLY CINAPORT ACQUISITION CORP. II)
(A Capital Pool Company)
Notes to the Consolidated Financial Statements
As at February 2, 2019 and for the period from March 1, 2018 to February 2, 2019
Expressed in Canadian Dollars

Terms of the Qualifying Transaction

Pursuant to the terms of the Acquisition Agreement and prior to the Qualifying Transaction, the Company consolidated its common shares on a 10.64814815 to 1 basis.

Upon completion of the Qualifying Transaction, shareholders of Fire & Flower Inc. will receive one post-Share Consolidation common share of the Company for every common share of Fire & Flower Inc. In addition, all convertible securities, including options, warrants, broker warrants and compensation options, of Fire & Flower Inc. that are outstanding at the time of closing of the Qualifying Transaction will be exchanged for equivalent instruments of the Company exercisable for or convertible into Post-Consolidation Resulting Issuer Shares.

Concurrent Private Placement

On November 1, 2018, Fire & Flower Inc. completed a private placement financing in connection with the Qualifying Transaction (the "**Private Placement**"). Pursuant to the Private Placement, Fire & Flower Inc. issued 24,333,334 subscription receipts (the "**Subscription Receipts**") at a price of \$1.50 per Subscription Receipt for aggregate gross proceeds of \$36,500,001.

Upon completion of the Qualifying Transaction between the Company and Fire & Flower Inc. on February 13, 2019, each Subscription Receipt was automatically exchanged, without payment of any additional consideration, for one common share of Fire & Flower Inc. In addition, certain compensation options were exchanged for equivalent instruments of the Company exercisable for the Company's common shares.

Acquisition of Additional Retail Stores

Saskatchewan

On May 13, 2019, the Company and Fire & Flower Inc. acquired four retail store locations from a retail cannabis operator in the province of Saskatchewan. The acquisition includes the leases, equipment, furnishings, inventory and provincial and municipal licenses and permits used to operate the store locations for an aggregate purchase price of \$13,000,000, comprised of \$6,500,000 in cash and 4,961,832 in common shares of the Company.

British Columbia

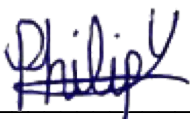
On May 22, 2019, the Company and Fire & Flower Inc. acquired certain assets from 1011173 B.C. Ltd. o/a The Green Rhino in relation to two locations to operate cannabis retail stores in Vancouver, British Columbia. The acquisition includes leases, furnishings and development permits for an aggregate purchase price of \$8,000,000, comprised of \$4,500,000 in cash and \$3,500,000 in common shares of the Company.

EXHIBIT "D"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is written in a cursive style with a horizontal line underneath the name.

Commissioner for Taking Affidavits



CONSOLIDATED FINANCIAL STATEMENTS OF

Fire & Flower Holdings Corp.

FOR THE FISCAL YEARS ENDED FEBRUARY 1, 2020 AND FEBRUARY 2, 2019

MANAGEMENT'S REPORT

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for approving the consolidated financial statements, primarily through its Audit Committee. This committee, which holds periodic meetings with members of management as well as with the independent external auditors, reviewed the consolidated financial statements and recommended their approval to the Board of Directors.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

/s/ "Trevor Fencott"

Trevor Fencott,
Chief Executive Officer

/s/ "Nadia Vattovaz"

Nadia Vattovaz,
Chief Financial Officer & Executive Vice President of
Operations

April 29, 2020



Independent auditor's report

To the Shareholders of Fire & Flower Holdings Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fire & Flower Holdings Corp. and its subsidiaries (together, the Company) as at February 1, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at February 1, 2020;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

Independence

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

Comparative information

The financial statements of the Company for the year ended February 2, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2019.

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.

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.

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
April 29, 2020

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at February 1, 2020	As at February 2, 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 9)	22,900,078	10,410,330
Restricted cash (note 18 (a))	-	34,544,793
Short-term investments	5,000,000	-
Trade and other receivables (note 10)	4,161,157	1,754,836
Merchandise inventories (note 11)	5,875,407	4,079,122
Deposits held in trust	595,188	2,963,932
Prepaid expenses	3,678,235	862,274
Other current assets (notes 12 & 27)	828,463	-
Total current assets	43,038,528	54,615,287
Non-current assets		
Deposits held in trust	2,469,702	1,254,055
Property, plant and equipment, net (note 13)	34,398,514	20,865,646
Right-of-use assets, net (note 16)	33,632,570	-
Intangible assets, net (note 14)	35,782,371	3,366,287
Other non-current assets (note 12)	1,282,000	-
Goodwill (note 14)	402,312	402,312
Total assets	151,005,997	80,503,587
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	12,728,077	14,471,928
Debentures (note 17)	38,153,630	25,683,347
Derivative liability (note 17)	2,077,808	11,252,692
Deferred revenue	281,448	-
Provisions (note 15)	265,091	1,661,757
Lease liabilities (note 16)	3,074,804	-
Total current liabilities	56,580,858	53,069,724
Non-current liabilities		
Debentures (note 17)	13,347,527	-
Lease liabilities (note 16)	33,787,447	-
Other non-current liabilities	380,285	435,499
Total liabilities	104,096,117	53,505,223
Shareholders' equity		
Share capital	106,067,417	26,375,736
Common shares to be issued	1,232,600	34,290,181
Debenture equity (note 17)	1,755,656	-
Warrant reserve	6,270,668	5,095,633
Contributed surplus	3,771,364	830,183
Accumulated deficit	(72,187,825)	(39,593,369)
Total shareholders' equity	46,909,880	26,998,364
Total liabilities and shareholders' equity	151,005,997	80,503,587

Commitments and contingencies (notes 27)

Subsequent events (note 29)

/s/ "Trevor Fencott", Director
Trevor Fencott

/s/ "Sharon Ranson", Director
Sharon Ranson

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In Canadian Dollars)

	Fiscal Years Ended	
	February 1, 2020	February 2, 2019
	\$	\$
Revenue		
Retail	42,910,122	11,658,241
Wholesale	5,574,375	795,407
Digital development	2,621,617	525,508
Total revenue	51,106,114	12,979,156
Cost of goods sold		
Merchandise (note 11)	32,498,556	8,001,658
Gross profit	18,607,558	4,977,498
Expenses		
General and administrative (note 19)	30,259,052	20,812,177
Share-based payments (note 18)	3,100,883	5,671,693
Marketing and promotion	1,679,148	3,031,523
Acquisition and business development costs	492,462	210,933
Depreciation & amortization (notes 13, 14, 16)	7,652,526	495,368
Impairment (notes 13 & 12)	4,612,676	-
Restructuring charges (note 15)	6,468,856	-
Total expenses	54,265,603	30,221,694
Loss from operations	(35,658,045)	(25,244,196)
Other income (expenses)		
Listing expense (note 7)	(1,834,674)	(470,000)
Gain (loss) on revaluation of derivative liability (note 17)	31,192,658	(9,597,979)
Loss on extinguishment and revaluation of debentures (note 17)	(9,027,678)	-
Interest income	383,553	359,164
Finance costs (note 20)	(17,650,270)	(2,845,749)
Total other income (expenses)	3,063,589	(12,554,564)
Net loss and comprehensive loss	(32,594,456)	(37,798,760)
Net loss per share (note 22)		
Basic	\$(0.28)	\$(0.55)
Diluted	\$(0.28)	\$(0.55)

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

	Common Shares	Share Capital	Shares to be issued	Debenture Equity	Warrant Reserve	Contributed Surplus	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance, February 3, 2018	47,797,600	6,826,605	-	-	400,960	86,041	(1,794,609)	5,518,997
Issuance of common shares, net of costs - 2018 private placements (note 18)	23,760,364	14,064,403	-	-	3,464,093	-	-	17,528,496
Issuance of common shares - share based payments	133,333	200,000	-	-	-	-	-	200,000
Warrants issued	-	-	-	-	336,165	-	-	336,165
Broker warrants issued (note 18)	-	-	-	-	312,310	-	-	312,310
Acquisition of Hifyre Inc. (note 8)	700,000	512,000	623,200	-	-	-	-	1,135,200
Acquisition of 10945072 Canada Inc. (note 8)	454,545	500,000	-	-	-	-	-	500,000
Options vested (note 18)	-	-	-	-	-	862,668	-	862,668
Options exercised (note 18)	1,200,000	272,728	-	-	-	(118,526)	-	154,202
Issuance of shares for royalty cancellation (note 18)	3,478,260	4,000,000	-	-	-	-	-	4,000,000
Issuance of subscription receipts, net of costs (note 18)	-	-	33,666,981	-	582,105	-	-	34,249,086
Net loss and comprehensive loss	-	-	-	-	-	-	(37,798,760)	(37,798,760)
Balance, February 2, 2019	77,524,102	26,375,736	34,290,181	-	5,095,633	830,183	(39,593,369)	26,998,364
Conversion of subscription receipts (note 18)	24,333,334	33,666,981	(33,666,981)	-	-	-	-	-
Common shares retained under RTO (note 7)	1,446,257	2,169,386	-	-	-	-	-	2,169,386
Options and warrants retained under RTO (note 7)	-	-	-	-	33,606	114,936	-	148,542
Common shares to be issued - Ontario licenses (note 27)	-	-	887,000	-	-	-	-	887,000
Debentures - conversion option (note 17)	-	-	-	1,756,948	-	-	-	1,756,948
Share debentures issuance (note 17)	(7,250,000)	(5,800,000)	-	-	-	-	-	(5,800,000)
Conversion of debentures (note 17)	18,864,773	24,018,830	-	(1,292)	-	-	-	24,017,538
Common shares issued - debenture interest (note 17)	2,346,768	2,425,419	-	-	-	-	-	2,425,419
Common shares issued - store acquisitions (note 8)	13,394,964	16,623,028	-	-	-	-	-	16,623,028
Acquisition of Hifyre Inc. (note 8)	700,000	477,600	(277,600)	-	-	-	-	200,000
Issuance of June 2019 debenture warrants, net of costs (note 17)	-	-	-	-	1,532,784	-	-	1,532,784
Issuance of June 2019 debenture broker warrants (note 17)	-	-	-	-	681,837	-	-	681,837
Compensation warrants issued (note 18)	-	-	-	-	85,800	-	-	85,800
Options vested (note 18)	-	-	-	-	-	2,917,551	-	2,917,551
Options exercised (note 18)	880,639	270,296	-	-	-	(108,057)	-	162,239
Warrants exercised (note 18)	13,852,375	5,840,141	-	-	(1,142,241)	-	-	4,697,900
Warrants cancelled	-	-	-	-	(16,751)	16,751	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	(32,594,456)	(32,594,456)
Balance, February 1, 2020	146,093,212	106,067,417	1,232,600	1,755,656	6,270,668	3,771,364	(72,187,825)	46,909,880

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	Fiscal Years Ended	
	February 1, 2020	February 2, 2019
	\$	\$
Operating activities		
Net loss and comprehensive loss	(32,594,456)	(37,798,760)
Items not affecting cash		
Depreciation and Impairment of capital assets (note 13, 14, & 16)	12,265,203	495,368
Share-based compensation	3,003,351	5,671,693
Acquisition costs	-	104,159
Gain on revaluation of derivative liability (note 17)	(31,192,658)	9,597,979
Listing expense (note 7)	2,317,928	470,000
Interest expense on contingent consideration and convertible debentures	13,981,123	2,845,749
Transaction costs on issuance of debentures (note 17)	1,132,962	-
Accretion on lease liability	2,536,185	-
Debenture revaluation (gain) loss	9,027,676	-
Restructuring	6,468,856	-
Other non-cash charges	287,563	-
	(12,766,267)	(18,613,812)
Changes in non-cash working capital items		
Merchandise inventories	(1,347,941)	(3,978,722)
Trade and other receivables	(2,470,010)	(1,167,454)
Deposits held in trust	(297,127)	-
Lease deposits	(291,101)	(3,985,532)
Prepaid expenses	(3,644,424)	(435,511)
Deferred revenue	281,448	-
Accounts payable, accrued liabilities and other	(434,593)	14,020,417
Net cash used in operating activities	(20,970,015)	(14,160,614)
Financing activities		
Conversion of subscription receipts under November 2018 financing (note 18)	34,544,793	-
Issuance of common shares and other equity securities (note 18)	-	17,759,971
Issuance of debentures (note 17)	53,177,968	27,317,000
Transaction costs on issuance of debentures (note 17)	(3,657,021)	(1,560,623)
Interest paid on debentures (note 17)	(1,116,907)	(1,146,732)
Exercise of warrants and options	4,860,139	154,202
Lease liability payments (note 16)	(3,613,134)	-
Net cash provided by financing activities	84,195,838	42,523,818
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(23,945,486)	(20,479,103)
Acquisition of subsidiaries	-	(1,276,626)
Prepaid deposits for long-term assets	(3,344,180)	-
Acquisition of retail stores & licences	(18,446,408)	-
Purchase of short-term investments	(5,000,000)	-
Net cash used in investing activities	(50,736,074)	(21,755,729)
Increase in cash	12,489,749	6,607,475
Cash and cash equivalents, beginning of period	10,410,330	3,802,855
Cash and cash equivalents, end of period	22,900,079	10,410,330
Components of cash and cash equivalents:		
Cash	22,900,078	3,914,804
Cash equivalents	-	6,495,526
	22,900,078	10,410,330

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Fire & Flower Holdings Corp. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange (the "TSX") under the symbol 'FAF'. The Company is an independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfilment business operations in Saskatchewan, Canada ("Open Fields Distribution"). The Company also operates a proprietary digital retail and analytics platform (the "Hifyre Digital Platform") supporting e-commerce retail activities and providing a compliant technology system for cannabis licenced producers. The Company's head office and registered office is located at 150 King Street West, Suite 308, Toronto, Ontario, M5H 1J9 Canada.

On February 13, 2019, the Company completed its qualifying transaction (the "RTO Transaction"), which was executed by way of a three-cornered amalgamation, pursuant to which Fire & Flower Inc. ("Old FFI") amalgamated with 11048449 Canada Inc., a wholly-owned subsidiary of the Company, to form Fire & Flower Inc. ("New FFI"), resulting in the indirect acquisition by the Company of all the issued and outstanding securities of New FFI. This resulted in a reverse take-over ("RTO") of the Company by the shareholders of New FFI.

In connection with the RTO Transaction, the Company: (a) consolidated its issued and outstanding common shares on a 10.64814815 to 1 basis; (b) changed its name to "Fire & Flower Holdings Corp." from "Cinaport Acquisition Corp II" (a Capital Pool Company); and (c) continued the Company under the federal jurisdiction of Canada under the *Canada Business Corporations Act*. Results of the RTO Transaction are described in note 7.

On August 7, 2019, the Company graduated from the TSX Venture Exchange and commenced trading on the TSX.

2. BASIS OF PRESENTATION

Statement of compliance

The Company's consolidated financial statements for the fiscal years ended February 1, 2020 and February 2, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at February 1, 2020.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2020.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value. These consolidated financial statements are presented in Canadian dollars. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar.

Year-end date

The fiscal year of the Company consists of a fifty-two or fifty-three week period ending on the Saturday closest to January 31. Fiscal year 2019 represents the fifty-two weeks ended February 1, 2020 with a comparative fiscal year 2018 consisting of the fifty-two weeks ended on February 2, 2019. References to years in the consolidated financial statements relate to fiscal year or period rather than calendar year. The fiscal years ended February 1, 2020 and February 2, 2019 are referred to as "2019" and "2018", respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

3. PRINCIPLES OF CONSOLIDATION

Basis of consolidation

These consolidated financial statements include the effect of the completion of the RTO Transaction on February 13, 2019 and comprise the consolidated financial statements of the Company (the new legal parent post-RTO), which includes Old FFI and its wholly owned subsidiaries 10926671 Canada Ltd. and Hifyre Inc. ("Hifyre"). The comparative figures presented herein are the consolidated results of Old FFI.

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Entity Legal Name ⁽¹⁾	Principal Activity	Place of Incorporation	Ownership Interest as at	
			February 1, 2020	February 2, 2019
Fire & Flower Holdings Corp.	Parent & Holding Company	Canada	Parent Company	n/a ⁽²⁾
Subsidiaries and affiliates:				
Fire & Flower Inc.	Retail Operations	Canada	100%	100%
10926671 Canada Ltd. (o/a Open Fields Distribution)	Wholesale Distribution and Fulfillment	Canada	100%	100%
Hifyre Inc. ⁽³⁾	Digital Platform	Canada	100%	100%
11180703 Canada Inc.	Holding Company	Canada	100%	0%

(1) Certain entities are not included within this list as these entities were acquired and wound down in the same fiscal year. These entities related to acquisitions of the Company during the fiscal year ended February 1, 2020. Refer to note 8 for further details.

(2) Comparative data presented represents the ownership interests of Old FFI, prior to RTO Transaction.

(3) Acquired business during the comparative fiscal year ended February 2, 2019. Refer to note 8 for further details.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents, short-term Investments

Cash and cash equivalents include cash deposits in financial institutions and other short-term deposits that are readily convertible into cash, adjusted for in-transit items including outstanding cheques and deposits. Short-term deposits with maturity dates greater than 90 days are classified as Short-term investments.

Interest income is earned on the Company's cash deposits and short-term investments in money market mutual funds and GIC's.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

Cost is determined using the average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs are comprised of all variable costs, and certain fixed costs, incurred in bringing inventories to the location and condition necessary for sale to customers. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

c) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that can be directly attributed to the acquisition of the asset as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. Depreciation is accounted for using the following terms and methods:

Fixed asset	Method	Depreciation periods
Land	Non-depreciable	Non-depreciable
Buildings	Straight-line	20 years
Leasehold improvements	Straight-line	Shorter of initial lease term plus one option renewal period and 10 years
Computer hardware and software, and equipment	Straight-line	5 years
Signage and displays	Straight-line	3 years
Vehicles	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years

An asset's residual value, useful life and depreciation method are reviewed at the end of each financial reporting period and adjusted where appropriate.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Depreciation commences once the acquired asset is available for use or, in the case of leasehold improvements, at the later of that date and commencement of the lease of the property to which the leasehold improvement relates to.

d) Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. The estimated useful life and depreciation method are reviewed at the end of each financial reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives are as follows:

Intangible assets	Method	Depreciation periods
Trademarks and patents	Straight-line	15 years
Acquired licenses	Straight-line	Over lease term of associated location
Capitalized software development	Straight-line	5 years
Product design	Straight-line	10 years
Acquired customer lists	Straight-line	5 years

Costs associated with maintaining computer software are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, including directly attributable employee costs, are recognized as intangible assets.

Depreciation commences once the acquired asset is available for use or, in the case of patents or trademarks, on the date the license is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

e) Leases

At lease possession date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line over the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income/loss.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

f) Impairment of non-financial assets

Non-financial assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed for impairment at the end of each financial reporting period. If any such indications exist, the asset's recoverable amount is estimated and compared to its carrying amount.

The recoverable amount of an asset or cash-generating-unit is the higher of an asset's fair value less costs to sell ("FVLCD") and value in use ("VIU"). Value in use is estimated as the present value of the future cash flows that the Company expects to derive from the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit" or "CGU").

When the carrying amount of the asset exceeds the recoverable amount, the excess amount is recognized as an impairment charge in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Losses are recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

g) Provisions

Provisions, including those for onerous contracts and legal claims, are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Company performs evaluations to identify onerous contracts and legal claims and, where applicable, records provisions for such items. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received from the contract.

Actual costs and timing of future cash flows are dependent on future events; thus, any variance between estimates and the actual future liability will be accounted for in the period when such determination is made. Recoveries from third parties and other contingent gains are recognized when realized.

h) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition.

Identifiable assets acquired, and liabilities assumed are measured at their fair values at the acquisition date.

The Company expenses acquisition-related expenses as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

i) Revenue recognition

For its three major revenue segments, retail merchandise, wholesale distribution, and digital development, the Company recognizes revenue when control of goods or services is transferred to a customer. For disaggregated disclosure of revenues belonging to each segment, please refer to note 28.

Revenue is measured at the fair value of the consideration received or receivable from customers for the sale of goods and services provided by the Company, net of promotional discounts, estimated returns and sales taxes.

Retail merchandise sales

Revenue consists of sales through the Company's network of retail stores and includes sales through the Company's e-commerce platform. Merchandise sales through retail stores are recognized at the time of delivery to the customer which is generally at the point of sale. Merchandise sales through the Company's e-commerce operations are recognized upon estimated date of receipt by the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Wholesale distribution sales

Revenue from sales to customers through the Company's wholesale distribution arm are recognized when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is generally recognized on the date the goods are shipped to from the Company's warehouse (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customers carrier. Costs to ship orders to customers are included as an expense in cost of goods sold.

Digital development revenue

Digital development revenues are earned by Hifyre through custom software development and other digital services, and customers can enter into fixed or variable fee contracts. For variable fee contracts, revenue is deferred and recognized during the period over which services are performed based on the number of labor hours incurred. Fixed contract fees are structured under a monthly cycle. The customer is billed at the beginning of the month whereas the performance obligation is fulfilled at the end of that month. The performance obligation is fulfilled when the data and services agreed upon are delivered to the customer at the end of the calendar month. Therefore, the ending contract liability is presented as deferred revenue on the consolidated statement of financial position and represents the timing difference between the amounts billed and the remaining performance obligation to be fulfilled.

j) Cost of goods sold

Cost of goods sold expense relate to the Company's retail and wholesale distribution operations, and includes cost of inventory, packaging costs and shipping costs.

k) Research and development

Expenditures related to research activities are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use or sell the technology, are met; otherwise, they are recognized in profit and loss as incurred.

l) Income taxes

The Company is subject to income, value added, withholding and other taxes, and their determination liabilities requires interpretation of Canadian jurisdictions laws and regulations

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

m) Share capital

Common shares, stock options and warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction to equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value of the shares on the date of issue.

n) Share-based payments

Equity settled share-based payments are measured at their fair value on the date of grant using the Black-Scholes model. Stock options are recognized as compensation expense on a graded vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When stock options or warrants expire after vesting, the recorded value remains in contributed surplus.

For stock options and warrants granted to non-employees, the compensation expense is measured at the fair value of goods or services received. If the fair value cannot be reasonably estimated, compensation expense is then measured at the fair value of the equity instruments granted and measured at the date the Company obtains goods or services rendered.

Where the terms and conditions of options are modified, the increase or decrease in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss over the remaining vesting period.

Consideration paid by employees or non-employees on the exercise of stock options and warrants are recorded as share capital and the related share-based payment expense is transferred from contributed surplus or warrant reserve, respectively, to share capital.

o) Earnings or loss per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Diluted earnings (loss) per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of warrants, and the exercise of the conversion option of convertible debentures. The number of additional shares for inclusion in the diluted earnings (loss) per share calculation was determined using the treasury stock method.

p) Financial instruments

The following table summarizes the changes in classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Short-term investments	Amortized cost
Trade account receivables	Amortized cost
Other receivables and loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Derivative liability	Fair value through profit or loss
Contingent consideration	Fair value through profit or loss

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets measured at amortized cost are measured at cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Marketable securities have been classified as FVTPL. Cash, short-term deposits, restricted cash, short-term investments and accounts receivable has been classified as amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.
- Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.
- A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

Impairment of financial assets carried at amortized cost - expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

For short-term trade account receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. Where information exists, the Company establishes a loss rate based on historical normalized credit loss experience. The loss rate is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

q) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the statement of financial position date are translated into Canadian dollars at the foreign exchange rate applicable on that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the date of the transaction. The Company's primary source for obtaining foreign exchange rates is the Bank of Canada.

As at February 1, 2020, the Company did not have any foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

5. NEW STANDARDS AND INTERPRETATIONS

New standard adopted

New standard IFRS 16 - Leases

On February 3, 2019, the Company, adopted IFRS 16 - Leases. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases (under 12 months) and leases of low value assets. IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases, the Company:

- recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- recognizes depreciation of right-of-use assets on a straight-line basis and interest on lease liabilities in the consolidated statement of profit or loss; and
- reports the total amount of cash paid, including both the principal portion and interest within financing activities in the consolidated statement of cash flows.

Lease incentives (e.g. tenant improvement allowance) are recognized as part of the measurement of the right-of-use ("ROU") assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

In the context of transition to IFRS 16, the Company recognized right-of-use assets of \$21,470,914 and lease liabilities of \$22,206,246 as at February 3, 2019. The incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at February 3, 2019 is 9%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has elected to measure all right-of-use assets at the amount equal to the lease liability on the adoption date, adjusted for any prepaid or accrued lease payments;
- the Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
- the Company has elected to rely on the onerous provision recognized as at February 2, 2019, as an alternative to performing an impairment review as at February 3, 2019; and
- the Company has elected not to account for leases for which the lease term ends within 12 months of February 3, 2019 as short-term leases or leases that meet the low-value exemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The off-balance-sheet lease liabilities obligations as of February 2, 2019 are reconciled as follows to the recognized lease liabilities as of February 3, 2019:

Off-balance-sheet liabilities obligations	Amount	
Operating lease obligation commitments as at February 2, 2019 (gross, without discounting)	\$	32,751,992
Increase due to term extensions net adjustments for short-term leases, non-lease components, and leases not possessed	\$	65,373
Impact of discounting on lease obligations	\$	(10,611,119)
Total lease liabilities as of February 3, 2019	\$	22,206,246

Standards, amendments and interpretations issued as of February 1, 2020 that are not yet effective

A number of new and amendments to accounting standards are effective for annual periods beginning on or after February 2, 2020 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following new and amendments to standards are not expected to have a significant impact on the Company's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS,
- Definition of a "business" - Amendments to IFRS 3 Business Combinations,
- Definition of "material" - amendments to IAS 1 Presentation of Financial Statements ("IAS 1"), and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors), and
- Classification of liabilities as current or non-current - amendment to IAS 1.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a) Business acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill.

The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. The Company's business acquisitions, including fair value estimates and judgments, are described under note 8.

b) Recoverable amounts and impairment

Management assesses impairment of non-financial assets such as intangible assets, property, plant and equipment, and ROU assets on a periodic basis. When impairment indicators are noted, management estimates the recoverable amount of each asset or CGU based on a VIU model, using expected future cash flows, or a FVLCD model, using recent sales data or appraisal reports. Under a VIU model, when measuring expected future cash flows, management makes assumptions about future growth of profits of CGU locations which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Impairment losses on the consolidated financial statements are further described in notes 12, 15 and 13.

c) Restructuring provision

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. The determination of provision amounts is based on management's assumptions and best estimate of the most likely settlement outcome.

During the fiscal year ended February 1, 2020, the Company recognized a restructuring provision related to the retail store network and associated property, plant & equipment, intangibles, and ROU assets. Restructuring provision are recognized only when a detailed formal plan for the restructuring exists and either the plan has commenced, or the plan's been announced internally and with the board of directors. A formal plan usually includes the identification of principal locations affected, details regarding the employees affected and timing of the planned restructuring, and the expenditures that will have to be undertaken. The initial liability was recognized based on an estimate of future cash flows, recoverable amounts for non-financial assets associated with the locations, and facility and other exit costs. See note 15 for details.

d) Convertible debentures

Management applies judgment in determining the inception fair value allocation of proceeds fair value of the derivative liability component of its unsecured convertible debentures by applying assumptions and estimates using the Black-Scholes and Monte Carlo simulation valuation models. These assumptions and estimates require a high degree of judgment and a change in these estimates may result in a material effect to the consolidated financial results. The judgments and estimates are described under note 17.

e) Lease term

Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and ROU assets (which use lease term as the basis for determining useful life).

f) Incremental borrowing rate

The incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, and risks specific to the underlying assets. The carrying balance of the ROU, lease liabilities, and the resulting amortization and finance expenses, may differ due to changes in the Company's own credit risk, market conditions and lease term. Refer to note 5 for estimates with respect to incremental borrowing rate applied in lease liability calculations.

g) Share-based payments and warrants fair values

The Company applies the Black-Scholes valuation technique for fair valuing stock options and share purchase warrants that are classified as equity instruments. The key estimate in these models relates to future volatility assumptions, which uses both Company and peer company share price data. Volatility assumptions and estimates require judgment given limited history of Company and industry share price and operating performance data. Changes in these assumptions may affect the fair value estimates of stock options and share purchase warrants. Refer to note 18 for details of valuation model inputs applied for these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The Company has also issued warrants as part of a strategic investment transaction with a key investor (note 17), that were classified as a derivative liability due to a variable exercise price range and is fair valued using Monte-Carlo simulation valuation technique. Key estimates and sensitivity of unobservable inputs (volatility) are described under note 17 (d)).

7. REVERSE TAKEOVER TRANSACTION

The RTO Transaction does not qualify as a business combination under IFRS 3 *Business Combinations*, as at the time of this transaction, the Company did not meet the definition of a business. As a result, the RTO Transaction was accounted under IFRS 2 *Share Based Payments*, as a reverse takeover asset acquisition with Old FFI being identified as the acquirer and the net assets of the Company being treated as the acquired assets. The difference between the consideration given to acquire the Company and the fair value of the net assets of the Company was recorded as a listing expense to net loss. These consolidated financial statements present the historical financial information of Old FFI up to the date of the RTO Transaction.

Prior to the close of the RTO Transaction, the Company consolidated its common shares on a 10.64814815 to 1 basis (the "Share Consolidation"). Upon completion of the RTO Transaction on February 13, 2019, shareholders of Old FFI received one post-Share Consolidation common share for every common share of the Company.

Fair value of post-share consolidation common shares, options and warrants retained:	
Common shares	\$ 2,169,386
Stock options	114,936
Warrants	33,606
Total consideration paid:	2,317,928
Less: fair value of net identifiable assets required of the Company	(733,254)
Add: Legal and professional fees related to the RTO Transaction	250,000
Total listing expense	\$ 1,834,674
Net identifiable assets acquired	
Cash and cash equivalents	\$ 759,260
Accounts receivable	6,499
Accounts payables and accrued liabilities	(32,505)
	\$ 733,254

The fair value of the 1,446,257 issued common shares was estimated using \$1.50 share price.

The Company assumed 144,625 stock options exercisable at \$1.065 per share expiring from February 13, 2020 to June 6, 2028, at a fair value of \$114,936, estimated using the Black-Scholes option pricing model with the following key assumptions: \$1.50 share price; expected life range of 1-10 years; \$nil dividends; expected volatility of 95% based on comparable companies; and risk-free interest rate of 1.67% - 1.81%.

The Company assumed 50,713 share purchase warrants exercisable at \$1.065 per share and expiring on June 6, 2020, at a fair value of \$33,606, estimated using the Black-Scholes option pricing model with the following assumptions: \$1.50 share price; expected life range of 1.3 years; \$nil dividends; expected volatility of 95% based on comparable companies; and risk-free interest rate of 1.67%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

8. ACQUISITIONS

a) Acquisition of Prairie Sky Cannabis Inc.

On May 13, 2019, the Company acquired four licenced and operating retail store locations in the province of Saskatchewan from Prairie Sky Cannabis Inc. (the "Prairie Sky Locations"). The acquisition included the leases, equipment, furnishings, inventory and municipal licences and permits used to operate the Prairie Sky Locations for an aggregate purchase price of \$12,882,140, comprised of \$6,530,995 in cash and 4,961,832 in common shares of the Company. The Company received cannabis retail sales licences from the Saskatchewan Liquor and Gaming Authority ("SLGA") and commenced operations on May 17, 2019 at each of the Prairie Sky Locations.

In accordance with *IFRS 3, Business Combinations* ("IFRS 3"), the substance of the transaction constituted a business combination as the Prairie Sky Locations meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

Consideration paid	
	\$
Common shares issued	6,351,145
Cash	6,530,995
Total consideration	12,882,140

Identifiable assets (liabilities) acquired	
	\$
Inventory	448,344
Leasehold improvements	619,000
Intangible assets	11,814,796
Right-of-use assets	893,739
Lease liabilities	(893,739)
Total identifiable net assets	12,882,140

Intangible assets consist of the municipal licences and permits, and the SLGA cannabis retail store permits for each of the Prairie Sky Locations.

The acquisition of certain assets and liabilities of the Prairie Sky Locations resulted in an increase in the loss from operations and net loss and comprehensive loss in the amounts of \$3,678,584 and \$412,674, respectively, for the fiscal year ended February 1, 2020.

b) Acquisition of the assets of Green Rhino

On May 28, 2019, the Company acquired certain assets from 1011173 B.C. Ltd. o/a The Green Rhino in relation to two locations to operate cannabis retail stores in Vancouver, British Columbia (the "Vancouver Locations"). The City of Vancouver has issued development permits and required variances in respect of the Vancouver Locations in the name of the Company, as well as its recommendation to the BC Liquor & Cannabis Regulation Branch that licences be issued in respect of the Vancouver Locations. The intangible assets acquired consists of the above described in-progress retail cannabis licence applications for an aggregate purchase price of \$8,114,032, comprised of \$4,500,000 in cash and \$3,614,032 (2,692,306 common shares of the Company). The applications continue to be in progress. Under IFRS 3, the substance of the acquisition does not constitute a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

c) Acquisition of the assets of the Banff location

On May 24, 2019, the Company acquired all the issued and outstanding shares of 2103430 Alberta Ltd., the developer of a proposed cannabis retail store in the Town of Banff, Alberta (the “Banff Location”) that holds an in-progress retail cannabis licence application in the province of Alberta. The acquisition also includes rights of first refusal and last offer in favour of the Company in respect of two locations under development in British Columbia. The purchase price consisted of \$1,000,000 in cash and \$3,227,758 (2,645,703 common shares of the Company). On November 15, 2019, the Banff Location commenced operations. Under IFRS 3, the substance of the acquisition does not constitute a business combination, and the acquired in-progress licence application was recognized as an intangible asset.

d) Acquisition of the assets of Cannabis Cowboy Inc.

On August 27, 2019, the Company and FFI entered into asset purchase agreements with wholly-owned subsidiaries of Cannabis Cowboy Inc. pursuant to which the Company agreed to acquire all assets held by the vendors in connection the in-progress development of eight cannabis retail stores, including municipal development permits issued thereto. The acquisitions were completed on October 7, 2019, and the Company subsequently submitted its applications to the AGLC for cannabis retail store licences at each of the acquired locations. The aggregate purchase price was \$5,570,239, consisting of \$4,577,923 in cash and 826,930 in common shares of the Company. As of February 1, 2020, five of the eight locations were operating with two more locations opening subsequent to year end. The eighth location is still awaiting licence from the AGLC. Under IFRS 3, the substance of the acquisition does not constitute a business combination.

e) Acquisition of the Mera location

On July 7, 2019, the Company and FFI entered into a share purchase agreement with Mera Cannabis Corp. (formerly known as Avana Canada Inc.) (“Mera”) pursuant to which the Company assisted 102056025 Saskatchewan Ltd. (“025 Saskatchewan”) develop a cannabis retail store in Regina, Saskatchewan. On October 17, 2019, the Company completed its acquisition of all of the issued and outstanding shares of 025 Saskatchewan following the issuance of a cannabis retail licence from the SLGA to 025 Saskatchewan. The acquisition included municipal license and permits used to operate the location for an aggregate purchase price of \$4,367,193, comprised of \$1,600,000 in cash and 2,268,191 in common shares of the Company. 025 Saskatchewan was subsequently continued under the Canada Business Corporations Act prior to being wound up into FFI, and the SLGA has re-issued a cannabis retail store licence to FFI in respect of the Regina location. The store commenced operations under FFI on October 18, 2019. Under IFRS 3, the substance of the acquisition does not constitute a business combination.

Upon closing of the 025 Acquisition, the Company and Open Fields entered into a supply agreement with Mera (the “Supply Agreement”) pursuant to which Open Fields will be the exclusive distributor of Mera’s adult-use cannabis products in the province of Saskatchewan and the Company will purchase Mera’s adult-use cannabis products for re-sale at its retail locations, in provinces where this is permitted. The Supply Agreement was entered into upon closing of the 025 Acquisition and will commence once Mera has received the required licensing and approvals from both Health Canada and the SLGA.

f) Acquisition of Hifyre Inc. in July 2018

On July 20, 2018, the Company acquired 100% of the issued share capital of Hifyre Inc., an Ontario, Canada based digital development corporation. In accordance with IFRS 3, Business Combinations, the substance of the transaction constituted a business combination as Hifyre meets the definition of a business under the standard. The acquisition of Hifyre Inc. was accounted for as a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The consideration paid to the vendor of the Hifyre shares (the “Hifyre Vendor”) is as follows: (a) 400,000 common shares of the Company issued on closing; (b) 1,350,000 common shares of the Company to be issued in six month intervals over the next three years ; (c) one-half of one common share of the Company for every \$1 of Hifyre’s gross revenue in excess of \$800,000 following the twelve month anniversary of the closing of the Hifyre acquisition date up to a maximum issuance of 375,000 common shares of the Company; (d) one common share of the Company for every \$1 of earnings before interest, taxes, depreciation and amortization (“EBITDA”) less any bonuses payable or paid to directors, officers or employees following the twelve month anniversary of the closing date of the Hifyre acquisition up to a maximum issuance of 375,000 common shares of the Company; and (e) \$406,626 in cash consideration paid one hundred and twenty days post-closing based on verified accounts receivable and work-in-progress balances on the closing date for a total cost of \$1,940,826. The share consideration has been valued at the acquisition date fair value of the Company’s common shares of \$0.80 and discounted to incorporate the issuance over time. The revenue and EBITDA based consideration is due as follows: one-third ninety days following the twelve month anniversary, one-third twenty-four months after closing and the final one-third thirty-six months after closing. The Company issued 500,000 finders’ warrants in connection to the acquisition of Hifyre Inc.

The principal reason for this acquisition was to secure access to Hifyre’s expert capabilities in building digital systems to provide the Company’s customers with an excellent in-store retail and mobile application experience.

Details of the fair value of identifiable assets and liabilities acquired and consideration paid is as follows:

Consideration paid	
	\$
Common shares issued	320,000
Common shares to be issued	815,200
Contingent consideration	399,000
Cash	406,626
Total consideration	1,940,826
Identifiable assets (liabilities) acquired	
	\$
Cash and cash equivalents	130,000
Accounts receivable	298,579
Work-in-progress	108,047
Prepaid expenses	14,000
Taxes receivable	24,202
Fixed assets	28,972
Accounts payable	(68,989)
Income taxes recoverable	3,703
Customer list and trademarks	1,000,000
Goodwill	402,312
Total identifiable net assets	1,940,826

Acquisition costs of \$174,662 arose as a result of the transaction and have been recognized in the condensed consolidated statement of loss and comprehensive loss. Additionally, the Company issued 500,000 finders warrants in connection to the acquisition of Hifyre Inc. Each finders warrant will allow the holder to acquire one common share for \$0.80 for two years and were valued at \$104,159 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; 70% volatility; exercise price of \$0.80; and a risk-free interest rate of 2.00%.

The acquisition of certain assets and liabilities of Hifyre Inc. on July 20, 2018 resulted in an increase in the loss from operations and net loss and comprehensive loss in the amounts of \$525,508 and \$96,128, respectively, for the fiscal year ended February 2, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

g) Acquisition and amalgamation of 10945072 Canada Inc. in October 2018

On October 18, 2018, the Company purchased 100% of the issued and outstanding shares in the capital of 10945072 Canada Inc. (the “North Battleford Acquisition”) for the purpose of operating an adult cannabis retail store in North Battleford, Saskatchewan. In accordance with IFRS 3, Business Combinations, the substance of the North Battleford Acquisition does not constitute a business combination since substantially all of the fair value acquired is concentrated in the Saskatchewan Liquor and Gaming Authority (“SLGA”) licence held by 10945072 Canada Inc. As such, the transaction was treated as an acquisition of a net assets, recognizing the individual identifiable assets acquired and liabilities assumed. The Company acquired the group of assets for a purchase price of \$1,500,000; \$1,000,000 payable in cash, and \$500,000 payable in common shares of the Company at \$1.10 per share (454,545 common shares). The costs were allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of purchase as follows:

Consideration paid	
	\$
Common shares issued (454,545 at \$1.10 per share)	500,000
Cash	1,000,000
Total consideration	1,500,000
Identifiable assets (liabilities) acquired	
	\$
Sales taxes receivable	20,708
Inventory	100,400
Property, plant and equipment	554,448
Intangible assets - SLGA license	1,528,076
Accounts payable and accrued liabilities	(702,948)
Sales tax payable	(684)
Total identifiable net assets	1,500,000

Additional costs of \$36,271 were incurred in relation to the acquisition of 10945072 Canada Inc.

On October 30, 2018, the Company amalgamated with 10945072 Canada Inc. under section 185 of the Canada Business Corporation Act. The Company has presented all balances and activities of 10945072 Canada Inc. as a fully consolidated entity for financial statement purposes combining the carrying value of the assets and liabilities of each entity at their book values. Accordingly, these financial statements, including the comparative figures, are presented as if Fire & Flower Inc. and 10945072 Canada Inc. have been combined since date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

9. CASH AND CASH EQUIVALENTS

As at February 1, 2020 and February 2, 2019, the Company's cash and cash equivalents was comprised of the following:

	February 1, 2020	February 2, 2019
	\$	\$
Cash	17,628,718	3,914,804
Cash equivalents	5,271,360	6,495,526
Total cash and cash equivalents	22,900,078	10,410,330

Cash equivalents are comprised of highly liquid money market mutual funds and GIC's held with large Canadian financial institutions.

10. TRADE AND OTHER RECEIVABLES

As at February 1, 2020 and February 2, 2019, the Company's trade and other receivables was comprised of the following:

As at	February 1, 2020	February 2, 2019
	\$	\$
Trade accounts receivable	1,732,438	262,263
Sales tax receivable	1,334,845	1,155,575
Interest receivable	-	166,594
Due from related parties	53,218	68,509
Other receivables	1,040,656	101,895
Total trade and other receivables	4,161,157	1,754,836

Other receivables primarily consist of \$913,971 related to consulting and rental income from Ontario licensees and \$96,048 of rental income earned from third parties that sublease properties where the Company is the primary lessee. Subsequent to the fiscal year ending, the receivable balances from Ontario licensees were settled as part of the acquisition of the Ontario locations (note 29).

11. MERCHANDISE INVENTORIES

As at February 1, 2020 and February 2, 2019, the Company's merchandise inventories were comprised of the following:

As at	February 1, 2020	February 2, 2019
	\$	\$
Cannabis	5,202,177	3,237,969
Accessories	668,651	777,697
Apparel	4,579	63,456
Total merchandise inventories	5,875,407	4,079,122

During fiscal year ended February 1, 2020, the Company recognized \$32,498,556 of inventory as cost of goods sold (2018: \$ 8,001,658) and a \$100,000 (2018: \$nil) loss writing inventory down to its net realizable value on the consolidated statement of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

12. OTHER ASSETS

As at February 1, 2020 and February 2, 2019, the Company's other assets were comprised of the following:

Current	February 1, 2020	February 2, 2019
Ontario Licensee - note receivable (note 27)	828,463	-
Total current other assets	\$ 828,463	-
Non-Current	February 1, 2020	February 2, 2019
Deposit for New Brunswick licensing	45,000	-
Deposit for Flora Cannabis acquisition	350,000	-
Ontario Licensee - shares to be issued (note 27)	887,000	-
Total non-current other assets	\$ 1,282,000	-

During the fiscal year ended February 1, 2020 the Company recognized an impairment charge of \$2,949,180 for deposits paid with respect to an asset purchase agreement with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. that expired where the Company had proposed to acquire an aggregate of four cannabis retail stores in Kamloops, Vernon, and Quesnel, British Columbia following completion of licensing requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and fixtures	Leasehold improvements	Computers and equipment	Signage and displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, February 2, 2019	5,104,793	225,423	12,819,992	2,524,024	189,463	348,871	21,212,566
Acquisitions (note 8)	-	-	619,000	-	-	-	619,000
Additions	3,668,879	751,799	13,274,932	2,892,658	-	41,702	20,629,970
Disposals	-	(54,063)	(50,290)	(40,670)	-	-	(145,023)
Impairment	(1,663,496)	-	-	-	-	-	(1,663,496)
Restructuring (note 15)	-	(4,432)	(2,993,268)	(125,392)	-	-	(3,123,092)
Revaluation	-	-	-	60,417	(16,431)	-	43,986
Balance, February 1, 2020	7,110,176	918,727	23,670,366	5,311,037	173,032	390,573	37,573,911
Accumulated depreciation							
Balance, February 2, 2019	10,340	14,661	114,369	164,347	12,393	30,810	346,920
Depreciation	231,601	123,634	1,636,377	759,180	57,516	75,575	2,883,883
Disposals	-	(20,839)	(4,509)	(30,058)	-	-	(55,406)
Balance, February 1, 2020	241,941	117,456	1,746,237	893,469	69,909	106,385	3,175,397
Net book value							
Balance, February 2, 2019	5,094,453	210,762	12,705,623	2,359,677	177,070	318,061	20,865,646
Balance, February 1, 2020	6,868,235	801,271	21,924,129	4,417,568	103,123	284,188	34,398,514

	Land and buildings	Furniture and fixtures	Leasehold improvements	Computers and equipment	Signage and displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, February 3, 2018	1,100,000	1,036	14,119	-	-	-	1,115,155
Acquisitions	-	10,951	554,448	18,021	-	-	583,420
Additions	4,004,793	213,436	12,251,425	2,506,003	189,463	348,871	19,513,991
Balance, February 2, 2019	5,104,793	225,423	12,819,992	2,524,024	189,463	348,871	21,212,566
Accumulated depreciation							
Depreciation	10,340	14,661	114,369	164,347	12,393	30,810	346,920
Balance, February 2, 2019	10,340	14,661	114,369	164,347	12,393	30,810	346,920
Net book value							
Balance, February 3, 2018	1,100,000	1,036	14,119	-	-	-	1,115,155
Balance, February 2, 2019	5,094,453	210,762	12,705,623	2,359,677	177,070	318,061	20,865,646

As at February 1, 2020, the amount of property, plant and equipment classified as under construction or development and therefore not being amortized was \$5,866,722 (2018: \$9,625,114).

The Company recognized a \$3,123,092 impairment charge due to restructuring (note 15) in the fiscal year ended February 1, 2020. In addition, the Company recognized an impairment charge of \$1,663,496 for the write-down of two real estate locations the Company owns which had carrying values above their recoverable amounts. The recoverable amounts were estimated based on the locations' FVLCD amounts, which were calculated with reference to a sales offers and market appraisal data available to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

14. INTANGIBLE ASSETS AND GOODWILL

	Trademarks & customer List	Licenses	Product design	Software development	Total
Cost	\$	\$	\$	\$	\$
Balance, February 2, 2019	1,033,599	1,528,076	179,567	773,704	3,514,946
Acquisitions (note 8)	-	34,002,091	-	-	34,002,091
Additions	85,900	-	25,200	840,678	951,778
Disposals	-	-	(204,767)	-	(204,767)
Restructuring (note 15)	-	(685,106)	-	-	(685,106)
Balance, February 1, 2020	1,119,499	34,845,061	-	1,614,382	37,578,942
Accumulated depreciation					
Balance, February 2, 2019	89,595	29,707	-	29,357	148,659
Depreciation	179,361	1,273,527	630	195,024	1,648,542
Disposals	-	-	(630)	-	(630)
Balance, February 1, 2020	268,956	1,303,234	-	224,381	1,796,571
Net book value					
Balance, February 2, 2019	944,004	1,498,369	179,567	744,347	3,366,287
Balance, February 1, 2020	850,543	33,541,827	-	1,390,001	35,782,371

	Trademarks & customer List	Licenses	Product design	Software development	Total
Cost	\$	\$	\$	\$	\$
Balance, February 3, 2018	21,758	-	-	-	21,758
Acquisitions	1,000,000	1,528,076	-	-	2,528,076
Additions	11,841	-	179,567	773,704	965,112
Balance, February 2, 2019	1,033,599	1,528,076	179,567	773,704	3,514,946
Accumulated depreciation					
Balance, February 3, 2018	211	-	-	-	211
Depreciation	89,384	29,707	-	29,357	148,448
Balance, February 2, 2019	89,595	29,707	-	29,357	148,659
Net book value					
Balance, February 3, 2018	21,547	-	-	-	21,547
Balance, February 2, 2019	944,004	1,498,369	179,567	744,347	3,366,287

During the fiscal year ended February 1, 2020 the Company generated \$719,393 (2018: \$276,129) of internally developed software assets.

As at February 1, 2020, the Company had goodwill of \$402,312 arising from the acquisition of Hifyre Inc., which was allocated to its digital development segment (see note 8). The Company performed its annual goodwill impairment test on February 1, 2020 by comparing the carrying amount of assets within its digital development segment to its recoverable amount as measured by discounting the expected future cash flows using the value in use approach. As at February 1, 2020, the Company's estimate of the recoverable amount for its digital development operating segment exceeded their respective carrying values by a significant margin, as such the Company determined that its goodwill had not been impaired. Management believes that any reasonable possible change in key assumptions used to calculate the recoverable amounts would have no impact on the impairment test.

The Company recognized a \$685,106 impairment charge due to restructuring (note 15) in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

15. PROVISIONS

	Restructuring	Onerous lease	Total
	\$	\$	\$
Balance, February 2, 2019	-	1,661,757	1,661,757
Provisions made	265,091	-	265,091
IFRS 16 reclassification (note 16)	-	(1,661,757)	(1,661,757)
Balance, February 1, 2020	265,091	-	265,091

a) Restructuring

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. The Company performed an analysis of its retail store network and recorded a provision for estimated severance costs of \$59,800 and facility exit and other costs of \$205,291. The value of the provision is management's best estimate of the amount of expenditures expected to occur throughout the next fiscal year. Lease obligation costs of \$2,188,033 related to the restructuring locations have been recorded in lease liabilities (note 16).

Total restructuring costs of \$6,468,856 were recognized in for the fiscal year ended February 1, 2020. This expense includes severance costs of \$59,800, write downs of \$3,703,065 to property and equipment and intangible assets, write downs of right-of-use assets of \$2,500,700, and \$205,291 for facility exit and other costs.

b) Onerous leases

During the period ended February 2, 2019, the Company entered into a number of operating leases with the intention of operating retail cannabis stores out of these locations. As a result of changes in the provincial licensing regulations and the delay in granting retail cannabis licenses, the Company decided to terminate a number of its operating lease agreements thereby incurring termination and other fees. Accordingly, the Company recorded an onerous provision for several of its operating leases as at February 2, 2019 as it does not intend to operate retail cannabis stores out of these locations. Upon adoption of IFRS 16 during the fiscal year ended February 1, 2020, this provision was reclassified between right-of-use assets and lease liabilities (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into various lease agreements predominantly to execute its retail platform strategy.

The Company leases properties such as various retail stores and offices. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets	Amount
Balance at February 3, 2019	\$ 21,470,914
Net additions	15,337,792
Depreciation expense for the period	(3,176,136)
Balance at February 1, 2020	\$ 33,632,570

The lease liabilities pursuant to these leases is summarized in the below table:

Lease liabilities	Amount
Balance at February 3, 2019	\$ 22,206,246
Net additions	15,732,954
Cash outflows in the period	(3,613,134)
Accretion expense for the period ended (note 20)	2,536,185
Balance at February 1, 2020	\$ 36,862,251

Lease liabilities	February 1, 2020
Current	\$ 3,074,804
Non-current	33,787,447

Maturity analysis - contractual undiscounted cash flow	
Less than one year	\$ 5,408,336
One year	5,806,230
Two years	5,871,289
Three years	5,280,105
Four years	3,994,312
Five years and beyond	16,589,419

Amounts recognized in the consolidated statement of loss and comprehensive loss	2019
Expenses relating to short-term leases	\$ 218,288
Expenses relating to variable lease payments not included in the measurement of lease liabilities	2,071,807
Income from subleasing right-of-use assets	64,191

During the year ended February 1, 2020 the Company impaired \$2,500,700 of right-of-use assets and included \$2,188,033 within lease liabilities due to restructuring (note 15).

During the fiscal year ended February 2, 2019, the Company entered into a number of operating leases with the intention of operating retail cannabis stores out of these locations. As a result of changes in the provincial licensing regulations and the delay in granting retail cannabis licences, the Company decided to terminate a number of its operating lease agreements thereby incurring termination and other fees. Accordingly, the Company recorded an onerous provision for several of its operating leases where it does not intend to operate retail cannabis stores out of these locations. The Company previously classified its provisions as a current liability as at February 2, 2019. IFRS 16 permits the Company to use its onerous contract assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before transition instead of performing an impairment review under IAS 36 Impairment of Assets. Accordingly, the right-of-use ("ROU") asset is then reduced by any existing provision for related onerous leases. Upon transition to IFRS 16, a provision balance of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

\$1,661,757 was reclassified. Of this balance \$874,121 was applied against the ROU asset as at February 3, 2019 with the remainder being reclassified as a lease liability.

17. DEBENTURES AND DERIVATIVE LIABILITY

The following are the balances outstanding as at February 1, 2020 and February 2, 2019:

	Contractual maturity Date	Coupon rate	Principal outstanding		Carrying amount	
			February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
			\$		\$	\$
Convertible debenture liability instruments						
2018 Debentures	<i>Amended</i>	8%	-	27,317,000	-	25,683,347
LP Debentures	July 31, 2020	8%	14,000,000		13,086,332	-
June 2019 Debentures	June 26, 2020	8%	27,168,000		24,865,154	-
Investor Debentures	June 30, 2021	8%	25,989,985		13,549,671	-
Total Debentures			67,157,985	27,317,000	51,501,157	25,683,347
Current Portion			(41,168,000)	(27,317,000)	(38,153,630)	(25,683,347)
Long-term Portion			25,989,985	-	13,347,527	-
Conversion options and warrants recognized as derivative liabilities						
2018 Debentures	<i>Amended</i>				-	11,252,692
LP Debentures	July 31, 2020				2,077,808	-
Total derivative liability					2,077,808	11,252,692
Current portion					(2,077,808)	(11,252,692)

(1) *Amended. See further details below.*

(2) *Later of June 30, 2021 and 90 days after extinguishment of LP Debentures and Share Debentures. See further details below.*

For the fiscal year ended February 1, 2020:

- Cash proceeds from debentures issued totalled \$53,177,968 (2018: \$27,317,000).
- Interest expense of \$13,872,886 was recognized in relation to the debentures (2018: \$2,809,250).
- Coupon interest payments of \$3,542,326 was made in relation to the debentures (2018: \$1,146,732), of which \$1,116,907 was paid in cash, and remaining in 2,346,768 of common shares (2018: \$1,146,732, all paid in cash).
- Debentures with principal totalling \$19,117,000 were settled in shares at a carrying value of \$24,018,830 (2018: \$Nil). There were no cash repayments to settle debentures.
- Extinguishment and revaluation losses of \$9,027,678 was recognized in relation to \$20,000,000 in amended debentures (2018: \$nil)
- Gain on revaluation of derivative liability of \$31,192,658 was recognized in relation to the Investor Debentures, LP Debentures, Share Debentures and 2018 Debentures (2018: loss (\$9,597,979)).

a) 2018 Debentures and LP Debentures

On July 26, 2018 and August 1, 2018, Old FFI issued \$27,317,000 in unsecured convertible debentures, bearing coupon rate of 8% per annum with a maturity date of July 31, 2019 (the "2018 Debentures"). The 2018 Debentures were classified as a debenture with a fair value derivative liability component. As at February 2, 2019, the debenture portion and the derivative liability had a carrying value of \$25,683,347 and \$11,252,692, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

As a result of certain provinces restricting licenced producers (as such term is contemplated in the Ontario Cannabis Licence Act) or an affiliate thereof from owning or controlling (directly or indirectly) more than 9.9% of an entity that is a licenced operator of cannabis retail stores in the province of Ontario, contemporaneous with, and as part of closing the RTO Transaction described in note 7, the licenced producers that were holders of the 2018 Debentures agreed to amend the terms of \$20,000,000 of the 2018 Debentures (the "LP Debentures"). Upon the completion of the RTO Transaction, the Company had LP Debentures with an aggregate principal amount of \$20,000,000, with a coupon rate of 8% and maturity date of July 31, 2020. The Company may:

- i. subject to compliance with the policies of the TSX, force the conversion of the LP Debentures at a conversion price equal to: (i) for the principal, a conversion equal to \$1.15; and (ii) for the interest, subject to the approval of the TSX, at the last closing price of the common shares of the Company on the TSX (or such other recognized stock exchange) on the date the Company gives notices of its intention to convert; and
- ii. redeem all or part of the outstanding principal amount of the LP Debentures (and interest thereon). The amount due to the holder upon redemption shall equal the product of the amount of principal and accrued interest to be redeemed, multiplied by the greater of: (i) \$1.00; and (ii) the result of the equation A/B whereby:

A = the last closing price of the common shares of the Company on the TSX (or such other recognized stock exchange) on the date immediately prior to the date the Company gives notice of its intention to exercise its redemption right

B = \$1.15

2018 Debentures with principal \$7,317,000, which were not held by licenced producers, were converted upon completion of the RTO Transaction into 6,380,717 common shares of the Company at the carrying value of the convertible debenture and derivative liability at the time of conversion, which totalled \$9,958,568.

The amendment to the terms of the Old FFI 2018 Debentures with principal of \$20,000,000 and recognition of the new amended LP Debentures by the Company resulted in a net loss on extinguishment and revaluation of \$5,119,126 during the fiscal year ended February 1, 2020 (2018: \$nil).

The LP Debentures were classified as a debt liability with a fair value derivative liability component with respect to the conversion option. The debt component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$20,000,000 using an effective interest rate of 23.5%. The conversion option was initially recognized at \$15,659,705 and measured using the Black-Scholes model and the following assumptions: stock price of \$1.50; expected life of 1.5 years; \$nil dividends; expected volatility of 95% based on comparable companies; exercise price of \$1.15; and risk-free interest rate of 1.81%.

During the fiscal year ended February 1, 2020, \$6,000,000 in principal was early converted resulting in 5,217,390 shares being issued, with a carrying value of \$6,771,148, of which \$1,179,485 related to the settlement value of the corresponding conversion option derivative liability.

As at February 1, 2020, the derivative liability component was revalued to \$2,077,808, using the Black-Scholes valuation model and the Monte-Carlo simulation valuation technique, and the following assumptions: stock price of \$0.95; expected life of 0.5 years; \$nil dividends; expected volatility of 90% based on comparable companies; and risk-free interest rate of 1.63%.

Subsequent to fiscal year end, the remaining \$14,000,000 was early converted resulting in the issuance of 12,223,638 common shares (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

b) Share debentures

Contemporaneous with, and as part of closing the RTO Transaction, the Company entered into securities exchange agreements with certain Old FFI shareholders that were licenced producers. Pursuant to these agreements, up to an aggregate of 7,250,000 common shares of the Company were exchanged for \$5,800,000 principal amount of convertible debentures (the "Share Debentures"). The principal amount of the Share Debentures is equal to the number of Old FFI common shares held by these holders divided by \$0.80 (representing the issue price of the share purchased by these holders) (the "Original Issue Price"), are non-interest bearing with a maturity date of November 30, 2019 (the "Maturity Date"). On the Maturity Date, such holder of Share Debentures is permitted to elect to convert the principal amount owing into common shares of the Company at the Original Issue Price.

At any time following the completion of the RTO Transaction the Company may:

- i. subject to compliance with the policies of the TSX, and if required to be in compliance with applicable provincial laws, force the conversion of the Share Debentures at a conversion price equal to the lesser of: (A) \$0.80; and (B) the last closing price of the common shares on the TSX (or such other recognized stock exchange) on the date immediately prior to the date the Company gives notices of its intention to convert; and
- ii. redeem all or part of the outstanding principal amount of the Share Debentures. The amount due to the holder upon redemption shall equal the product of the amount of principal and accrued interest to be redeemed, multiplied by the greater of: (A) \$1.00; and (B) the result of the equation X/Y whereby:

X = the last closing price of the Company common shares on the TSX (or such other recognized stock exchange) on the date immediately prior to the date the Company gives notices of its intention to exercise its redemption right

Y = \$0.80

In the event the Share Debentures are transferred such that they are not controlled or owned, directly or indirectly, by the holders of the Share Debentures, they will automatically convert into common shares of the Company at a conversion price equal to the Original Issuer Price.

The carrying value of the 7,250,000 common shares of the Company, totaling \$5,800,000, was reclassified from share capital and recognized as a debenture with a fair value derivative liability component, and had an aggregate fair value of \$9,708,552 at inception. A revaluation loss of \$3,908,552 was recorded upon reclassification and remeasurement of the Share Debentures.

The debenture component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$5,800,000 using an effective interest rate of 23.5%.

The derivative liability component of the Share Debentures was initially measured at \$4,804,030 using the Black-Scholes model and the following assumptions: stock price of \$1.50; expected life of 0.8 years; \$nil dividends; expected volatility of 96.5% based on comparable companies; exercise price of \$0.80; and risk-free interest rate of 1.81%.

During the fiscal year ended 2019, all Share Debentures were converted, resulting in 7,250,000 common shares being issued to debenture holders, with a carrying value of \$7,271,650, of which \$1,716,182 related to the settlement value of the corresponding conversion option derivative liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

c) June 2019 Debentures

On June 26, 2019, the Company closed a bought deal private placement of 27,188 convertible debenture units at a price of \$1000 per unit for total gross proceeds of \$27,188,000. Each unit comprised of one \$1,000 principal amount unsecured convertible debenture ("June 2019 Debentures") and 278 common share purchase warrants. The convertible debentures have a maturity date of June 26, 2020, bears 8% interest per annum and the principal amount will be convertible into common shares at any time prior to the maturity date at a conversion price of \$1.20 per share. Each common share purchase warrant entitles the holder to purchase one common share of the Company for a period of 24 months following the close of the offering at an exercise price of \$1.45. In connection with the private placement, the Company paid the underwriters aggregate cash consideration of \$1,476,420 and 1,355,350 broker warrants. Each broker warrant is exercisable for one common share of the Company at a price of \$1.20 per share until June 26, 2021.

Gross proceeds were \$27,188,000 and net proceeds were \$24,768,532, net of cash transaction costs of \$1,737,631 and broker warrants valued at \$681,837. Net proceeds were allocated on a relative fair value basis to the common share purchase warrants for \$1,532,784, to the June 2019 Debentures debt component for \$21,478,800, and the residual value to the debenture conversion option for \$1,756,948.

The June 2019 Debentures were classified as a debenture with the conversion option component classified as an equity instrument. The debenture component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$27,188,000, using an effective interest rate of 32%.

The 7,558,264 common share purchase warrants issued were valued on a relative fair value basis using the following assumptions: stock price of \$1.03; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

The 1,355,350 broker warrants issued were valued at \$161,718, which is recorded in warrant reserve, based on a pro-rata basis of its fair value using the following assumptions: stock price of \$1.03; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

During the fiscal year ended February 1, 2020, \$20,000 in principal was early converted resulting in 16,666 shares being issued

d) Strategic Investment - Investor debentures and investor warrants

On August 7, 2019, the Company issued: (i) \$25,989,985.45 principal amount of 8.0% unsecured convertible debentures (the "Investor Debentures"); (ii) 30,634,322 series A Common Share purchase warrants (the "Series A Warrants"); (iii) 56,126,890 series B Common Share purchase warrants (the "Series B Warrants"); and (iv) 110,703,926 series C Common Share purchase warrants (the "Series C Warrants" and with the Series A Warrants and the Series B Warrants, the "Investor Warrants") pursuant to the terms of a subscription agreement with 2707031 Ontario Inc., (the "Investor") an indirect wholly-owned subsidiary of Alimentation Couche-Tard (the "Strategic Investment"). Pursuant to the terms of the Strategic Investment, the Investor will acquire the right, but not the obligation, to acquire that number of common shares that may result in the Investor holding 50.1% of the issued and outstanding common shares if the principal amount of Investor debentures and warrants are converted and exercised, respectively, in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The Investor Debentures mature on the later of (a) June 30, 2021; and (b) three months following the date all of the Corporation's Shares Debentures and LP Debentures have been converted, purchased by certain prescribed parties or repaid in full (collectively the "Investor Debenture Maturity Date"). In the event the Corporation (or an affiliate) operates not less than 45 licenced cannabis retail stores in Canada under the "Fire & Flower" brand, the Corporation may, upon written notice to the Investor (the "Acceleration Notice") accelerate the Investor Debenture Maturity Date to the later of: (a) December 31, 2020; and (b) the date that is thirty (30) days following the date of the Acceleration Notice. In the event: (a) the Investor Debentures have not been converted prior to the Investor Debenture Maturity Date; (b) no event of default has occurred under the Investor Debentures; and (c) the 20-day volume weighted average trading price ("VWAP") of the common shares on the TSX on the Investor Debenture Maturity Date is at least \$1.00, then on the Investor Debenture Maturity Date, the Corporation shall have the election to convert the principal amount of Investor Debentures and accrued and unpaid interest thereon into common shares at a conversion price of 95% of the 20-day VWAP of the common shares on the Investor Debenture Maturity Date.

Each Warrant shall entitle the Investor to acquire one common share pursuant to the terms of the applicable Warrant. The Corporation will issue to the Investor such additional number of Warrants (the "Additional Warrants") to ensure that upon full exercise of the: (a) Series A Warrants, the holder thereof will hold 19.9% of the issued and outstanding common shares on a pro forma fully-diluted basis; (b) Series B Warrants, the holder thereof will hold 33.4% of the issued and outstanding common shares on a pro forma fully-diluted basis; and (c) Series C Warrants, the holder thereof will hold 50.1% of the issued and outstanding common shares on a pro forma fully-diluted basis. The above percentages assume full conversion of the Investor Debentures. Notwithstanding the foregoing, the number of Additional Warrants to be issued shall be not greater than 1,000,000,000.

The initial exercise price per common share (the "Initial Exercise Price") of the: (a) Series A Warrants is \$1.40; (b) Series B Warrants is \$1.875; and (c) Series C Warrants is the lesser of: (i) \$6.00; and (ii) the greater of (A) \$2.00; and (B) the 20-day VWAP of the common shares on the last business day prior to the exercise of the Series C Warrants. The exercise price of any Additional Warrants shall be the greater of: (a) the greater of: (i) the issue price of the common shares in the subsequent offering of the Corporation (the "Subsequent Offering") that triggers the issuance of such Additional Warrants; and (ii) the market price of the common shares for TSX purposes in connection with such Subsequent Offering; and (b) the Initial Exercise Price of the applicable Warrant. In the event the issuance of Additional Warrants is triggered by an event other than a Subsequent Offering, then the exercise price of such Additional Warrants shall be equal to the higher of: (a) the market price of the common shares (as of the date the Corporation gives notice to the Investor that such Additional Warrants are to be issued); and (b) the Initial Exercise Price of the applicable Warrants.

The Series A Warrants expire on the date which is ninety (90) days following the earlier of: (a) the later of: (i) June 30, 2021; and (ii) the date that all Share Debentures and LP Debentures have been converted, purchased by certain prescribed parties or repaid in full; and (b) the later of: (i) December 31, 2020; and (ii) the date of the Acceleration Notice. The Series B Warrants expire on the date that is one (1) year from the date all of the Series A Warrants have been exercised, provided that the Series B Warrants shall expire if the Series A Warrants expire. The Series C Warrants expire on the earlier of: (a) one (1) year from the date all of the Series B Warrants have been exercised; and (b) August 7, 2023, provided that the Series C Warrants shall expire if the Series A Warrants or the Series B Warrants expire. The Series A Warrants may not be exercised until the principal amount of Investor Debentures has been converted in full. The Series B Warrants may not be exercised until the Series A Warrants have been exercised in full. The Series C Warrants may not be exercised until the Series B Warrants have been exercised in full.

Initial recognition and measurement

The Investor Debentures' host debt component was classified as a financial liability measured at amortized cost, while the holder's conversion option component was classified as an equity instrument, and the accelerated maturity date prepayment option and the Company's conversion option components were classified as embedded derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The classification of Investor Warrants was determined based on the terms and conditions attached to each series. The Series C Warrants were classified as a derivative liability due to the variability in exercise price, while the Series A Warrants and Series B Warrants were classified as equity instruments and are not subject to revaluation in accordance with IFRS.

Gross proceeds were \$25,989,985 and net proceeds were \$24,092,333, net of cash transaction costs of \$1,897,652. The gross proceeds were allocated on a relative fair value basis to the Series C warrants for \$15,546,000, the host debt component for \$10,473,000, and the embedded derivatives for \$29,015. Of the cash transaction costs, \$764,690 was allocated and netted against the host debt component, and \$1,132,962 was recognized as finance costs expense at inception (note 20). In accordance with IFRS, any residual value remaining would be allocated to the identified equity instruments. At initial recognition, no residual value remained for allocation, and the Series A Warrants, Series B Warrants and the holder's conversion option was assigned a \$nil value. At initial recognition, these equity instruments had an aggregate estimated fair value of \$60,581,000.

The host debt component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal \$25,989,985, using an effective interest rate of 80%.

The estimated fair value at initial recognition for the Investor Debentures host debt component and the Investor Warrants differed from the transaction price. For the Series C Warrants derivative liability, which are to be recognized at fair value, IFRS permits the deferral of the recognition of the difference of \$11,503,000, between the estimated fair value at initial recognition of \$27,049,000 and the allocated relative fair value amount. This Company's policy is to defer such differences and recognize the deferred amounts once estimated fair values can be determined based solely on market observable inputs.

The estimated fair value of the Investor Debentures host debt component at initial recognition was determined using probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific operational events, and a company specific discount rate assumption range of 33% - 46%.

The Series C Warrants were valued using the Monte-Carlo simulation valuation technique to project the Company's share price to the expected maturity date, and the following assumptions: stock price of \$1.39; \$nil dividends; risk-free interest rate of 1.33%; and expected volatility of 70% based on historical trading data.

As at February 1, 2020, the Series C Warrants was revalued to \$nil (net of the deferred initial difference), using the above described valuation technique and the following assumptions: stock price of \$0.95; \$nil dividends; risk-free interest rate of 1.85%; and expected volatility of 70% based on historical trading data.

These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimate fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

Sensitivity of key non-observable inputs – volatility

Volatility assumptions are a key estimate, and sensitivity is mainly from the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in. Volatility is a sensitive assumption for valuation of the Series C Warrants, given the longer-term expected maturity date. As at August 7, 2019 and February 1, 2020, with all other variables held constant, a 5% increase in the expected volatility would have increased the estimated fair value of the Series C Warrants by \$4,970,000, and \$nil, respectively, while a decrease of 5% would have decreased the estimated fair value by \$4,957,000 and \$nil, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

18. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share capital

The Company is authorized to issue an unlimited number of common shares.

As at February 1, 2020, the Company had 146,093,212 common shares outstanding (2018: 77,524,102).

The common shares outstanding pre-RTO Transaction close (February 13, 2019) represents the cumulative share capital transactions of the RTO acquirer, Old FFI. Prior to the close of the RTO Transaction on February 13, 2019, Old FFI and the Company consolidated its common shares on a 10.64814815 to 1 basis. Upon completion of the RTO Transaction on February 13, 2019, shareholders of Old FFI received one post-Share Consolidation common share for every common share of the Company (note 7).

Concurrent Financing in November 2018 prior to RTO Transaction

On November 1, 2018, the Company had completed a private placement in connection with the RTO Transaction (the "November 2018 Financing"). The Company issued 24,333,334 subscription receipts (the "Subscription Receipts") at a price of \$1.50 per Subscription Receipt for aggregate gross proceeds of \$36,500,001. The Subscription Receipt entitled the holder to receive one common share of the Company upon satisfaction and/or waiver of certain escrow release conditions including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the RTO Transaction.

Upon completion of the RTO Transaction on February 13, 2019, the common shares were issued to the holders, and proceeds, net of transactions cost, totalling \$34,544,793, were released from escrow. Transaction costs related to the November 2018 Financing was recorded in the fiscal year ended February 2, 2019.

The agents to the November 2018 Financing and certain other finders received 1,376,205 compensation option warrants. These options were included in transaction costs in the statement of changes in shareholders' equity and were valued at \$582,108 using the Black-Scholes model and the following assumptions: stock price of \$1.50 expected life of 1 year; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$1.50; and a risk-free interest rate of 2.28%.

Cancellation of Royalty Agreements

On August 17, 2018, the Company entered into a letter agreement (the "Letter Agreement") with each of Millstone Ventures Ltd. ("Millstone"), a private company controlled by the Chief Executive Officer of the Company (the "CEO"), and JNZS Consulting Inc. ("JNZS"), a private company controlled by the Executive Director and Chairmen of the Board of Directors of the Company (the "Executive Director" or "Chairman of the Board"), whereby each of the parties agreed to terminate the royalty agreement entered into by the parties on January 1, 2018 (the "Royalty Agreement") and to terminate the Company's obligations under the Royalty Agreement for consideration. The Royalty Agreement was valued at \$4,000,000 by arm's length third party, and was paid through the issuance of common shares in the capital of the Company at a share price of \$1.15 per common share; 2,000,000 common shares were issued on entering into the letter agreement, 739,130 common shares were issued on entering into the letter agreement but subject to repurchase by the Company for nominal consideration until August 17, 2019, and the remaining 739,130 common shares were issued on entering into the letter agreement but subject to repurchase by the Company for nominal consideration until August 17, 2020.

2018 Private Placements

For the fiscal year ended February 2, 2019, the Company issued units (common shares and warrants) under the April 2018 brokered private placement and May 2018 private placement financings (collectively, the "2018 Private Placements").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

- April 2018 Private Placement – On April 18, 2018, the Company completed a brokered private placement of units of the Company (the “April 2018 Private Placement”). Each unit was comprised of one common share and one common share purchase warrant at a price of \$0.80 per unit. Each warrant entitles the holder to acquire one common share at \$1.05 for a period of two years. The April 2018 Private Placement resulted in the issuance of 15,582,626 common shares and 15,582,626 warrants.

The Company issued an additional 777,693 broker warrants, which entitle the broker to acquire one common share at \$0.80 for a period of two years. Gross proceeds were \$12,466,101 and net proceeds were \$11,343,664, net of cash transaction costs incurred of \$960,719 and broker warrants valued at \$161,718. Net proceeds were allocated on a relative fair value basis to share capital for \$9,100,948 and warrant reserve for \$2,242,716.

The warrants and broker warrants were valued using the Black-Scholes valuation method using the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$1.05; and risk-free interest rate of 1.88%.

- May 2018 Private Placement – On May 29, 2018, the Company completed a non-brokered private placement of units of the Company (the “May 2018 Private Placement”). Each unit comprised of one common share and one common share purchase warrant at a price of \$0.80 per unit. Each warrant entitles the holder to acquire one common share at \$1.05 for a period of two years. The May 2018 Private Placement resulted in the issuance of 8,177,728 common shares and 8,177,728 warrants.

The Company issued an additional 336,075 broker warrants, which entitle the broker to acquire one common share at \$0.80 for a period of two years. Gross proceeds amounted to \$6,542,182 and net proceeds were \$6,184,832, net of cash transaction costs incurred of \$287,593 and broker warrants valued at \$69,757. Net proceeds were allocated on a relative fair value basis to share capital for \$4,963,455 and warrant reserve for \$1,221,377.

The warrants and broker warrants issued were valued using the Black-Scholes valuation method using the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$0.80; and risk-free interest rate of 1.84%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

b) Warrants

The following is a summary of warrants outstanding:

	Fiscal Year Ended February 1, 2020		Fiscal Year Ended February 2, 2019	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
	#	\$	#	\$
Balance, beginning of fiscal year	39,894,283	0.81	10,800,000	0.15
Issued - 2018 Private Placements (note 18 (a))	-	-	23,760,354	1.05
Issued - 2018 Private Placements broker warrants (note 18 (a))	-	-	1,113,768	0.80
Issued - 2018 debentures	-	-	1,178,956	1.15
Issued - Hifyre Inc. finder warrants	-	-	500,000	0.80
Issued - November 2018 Financing warrants (note 18 (a))	-	-	1,376,205	1.50
Issued - compensation warrants	100,000	1.15	1,165,000	0.85
Issued under RTO transaction (note 7)	50,713	1.07	-	-
Issued - June 2019 Debentures (note 17)	8,913,614	1.41	-	-
Issued - Investor Warrants A (note 17)	30,634,322	1.40	-	-
Issued - Investor Warrants B (note 17)	56,126,890	1.88	-	-
Issued - Investor Warrants C (note 17) ⁽¹⁾	110,703,925	variable	-	-
Forfeited/cancelled	(39,600)	1.50	-	-
Exercised	(13,852,375)	0.34	-	-
Balance, end of fiscal year	232,531,772	1.72	39,894,283	0.81

(1) Exercise price for Series C warrants assumed to be \$2.00. See Strategic Investment in note 17 for further details.

Hifyre Inc. finders' warrants

On May 22, 2018, the Company issued 500,000 finders' warrants in connection to the acquisition of Hifyre Inc. (note 8). Each finders warrant will allow the holder to acquire one common share for \$0.80 for two years and were valued at \$104,159 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$0.80; and a risk-free interest rate of 2.00%.

July 2018 Debentures Warrants

On July 26, 2018, the Company issued 1,178,956 broker warrants in connection with the July Debenture issuance (note 17). Each broker warrant will allow the holder to acquire one common share at \$1.15 for one or two years. The broker warrants were valued at \$80,835 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 1 or 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$1.15; and a risk-free interest rate of 2.02%.

Additional compensation warrants issued during the fiscal years ended February 1, 2020 and February 2, 2019:

- On February 13, 2019, 100,000 compensation warrants were issued for consulting services to the former Chief Financial Officer ("CFO") with an exercise price of \$1.15. The terms of this arrangement are described further below. These warrants were fair valued on their grant date of \$85,800 using the Black-Scholes model with the following assumptions: stock price of \$1.50; expected life of 2 years; \$nil dividends; expected volatility of 95% based on comparable companies; and a risk-free interest rate of 1.67%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

- On May 22, 2018, the Company issued 500,000 performance warrants in connection with advisory services. Each performance warrant will allow the holder to acquire one common share for \$0.80 for two years and were valued at \$104,159 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$0.80; and a risk-free interest rate of 2.00%.
- On May 22, 2018, the Company issued 500,000 consideration warrants for early exercise of stock options. Each consideration warrant will allow the holder to acquire one common share for \$0.80 for two years and were valued at \$104,159 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$0.80; and a risk-free interest rate of 2.00%.
- On July 31, 2018, the Company issued 40,000 consideration warrants for the early exercise of stock options. The Company also issued 25,000 common share warrants to a consultant. Each common share warrant will allow the holder to acquire one common share for \$1.15 for two years and were valued at \$9,325 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$1.15; and a risk-free interest rate of 2.03%.
- On August 17, 2018, the Company granted the former CFO 200,000 common share warrants. 100,000 of the warrants were issued on August 17, 2018 and 100,000 of the warrants are to be issued on the business day immediately following the date that the TSXV conditionally approves Cinaport to file the filing statement in connection with the Qualifying Transaction. Each warrant is exercisable at an exercise price of \$1.15 per warrant for a period of two years from the date of issuance. The 100,000 purchase warrants issued on August 17, 2018 were valued at \$14,363 using the Black-Scholes model and the following assumptions: stock price of \$0.642; expected life of 2 years; \$nil dividends; expected volatility of 70% based on comparable companies; exercise price of \$1.15; and a risk-free interest rate of 2.08%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The following table reflects the warrants issued and outstanding as at February 1, 2020:

Expiry dates	Number of warrants outstanding	Exercise price (\$)	Grant date fair value per warrant (\$)	Remaining contractual Life (years)
April 20, 2020	14,520,326	1.05	0.14	0.22
May 22, 2020	1,500,000	0.800	0.208	0.30
May 29, 2020	6,496,500	1.05	0.150	0.32
May 31, 2020	1,499,978	1.05	0.150	0.33
June 7, 2020	25,000	1.05	0.150	0.35
June 19, 2020	125,000	1.05	0.150	0.38
July 31, 2020	65,000	1.15	0.143	0.50
August 17, 2020	100,000	1.15	0.143	0.54
February 12, 2021	100,000	1.15	0.858	1.03
June 26, 2021	7,558,264	1.45	0.223	1.40
March 31, 2021	30,634,322	1.40	0.000	1.16
March 31, 2022	56,126,890	1.88	0.000	2.16
March 31, 2023	110,703,925	2.00	variable	3.16
Total warrants	229,455,205			
February 13, 2020	1,336,605	1.50	0.208	0.03
April 20, 2020	256,639	0.80	0.070	0.22
May 31, 2020	86,250	0.80	0.208	0.33
June 6, 2020	41,723	1.06	0.663	0.35
June 26, 2021	1,355,350	1.20	0.503	1.40
Total broker warrants	3,076,567			
	232,531,772			

Excluding the Investor Warrants, the weighted average life for warrants outstanding as at February 1, 2020 was 0.57 years (2018: 1.15 years). See the Strategic Investment section in note 17 for further details on the expiry of the Investor Warrants.

c) Stock options

The following is a summary of options outstanding:

	Fiscal Year Ended February 1, 2020		Fiscal Year Ended February 2, 2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	8,078,333	0.64	4,850,000	0.16
Issued under RTO	144,625	1.07	-	-
Issued	5,790,500	1.30	5,107,500	0.94
Exercised	(880,639)	0.18	(1,200,000)	(0.16)
Expired	(37,500)	0.21	-	-
Forfeited/Cancelled	(765,834)	1.03	(679,167)	(0.27)
Balance, end of fiscal	12,329,485	0.97	8,078,333	0.64
Exercisable balance, end	3,976,706	0.62	2,435,417	0.14

During the fiscal year ended February 1, 2020, the Company recorded an expense of \$2,917,551 (2018: \$862,668) related to stock options in share-based payments expense and contributed surplus. Stock option related compensation expense is recognized over the vesting period of the underlying options. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

	Fiscal Year Ended	
	February 1, 2020	February 2, 2019
Options issued (excluding those issued under RTO)	5,790,500	5,107,500
Expected option lives range in years	5	5
Volatility range, based on comparable companies	97%-105%	70%
Risk-free interest rate range	1.33% - \$1.81%	1.71% - 2.11%
Share price range	\$0.94 - \$1.50	\$0.21 - \$1.50
Exercise Price range	\$1.00 - \$1.50	\$0.21 - \$1.50
Dividend yield	nil	nil

The following table reflects the options issued and outstanding as at February 1, 2020:

Expiry date	Outstanding			Exercisable
	Exercise price	Number	Remaining	Number
	\$	#	contractual life (years)	of options #
February 13, 2020	1.06	75,205	0.03	75,205
January 2, 2023	0.21	1,450,000	2.92	1,000,692
January 30, 2023	0.21	600,000	3.00	600,000
March 1, 2023	0.21	350,000	3.08	168,214
April 24, 2023	0.80	2,100,000	3.23	931,683
May 18, 2023	0.80	360,000	3.29	153,805
May 22, 2023	0.80	37,500	3.30	15,919
July 31, 2023	1.15	70,000	3.50	26,362
August 27, 2023	1.15	350,000	3.57	125,342
September 24, 2023	1.50	5,000	3.65	1,695
December 18, 2023	1.50	1,200,000	3.88	336,953
December 31, 2023	1.00	30,000	3.92	30,000
December 31, 2023	1.19	22,500	3.92	22,500
February 13, 2024	1.50	1,610,000	4.04	222,764
March 4, 2024	1.50	435,000	4.09	84,550
March 20, 2024	1.50	20,000	4.13	6,228
March 22, 2024	1.50	10,000	4.14	-
March 25, 2024	1.50	10,000	4.15	-
May 13, 2024	1.50	300,000	4.28	-
June 17, 2024	1.19	300,000	4.38	-
June 24, 2024	1.19	25,000	4.40	-
June 26, 2024	1.50	50,000	4.40	-
July 22, 2024	1.39	20,000	4.47	-
July 26, 2024	1.34	500,000	4.48	-
December 10, 2024	0.10	250,000	4.86	250,000
January 16, 2024	1.02	1,303,000	3.96	-
January 30, 2024	1.07	800,000	4.00	-
June 6, 2028	1.06	46,280	8.35	46,280
Total	0.97	12,329,485	3.67	4,098,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

19. EXPENSES BY NATURE

Below are the expenses by nature included in general and administrative expenses:

	Fiscal years ended	
	February 1, 2020	February 2, 2019
	\$	\$
General and administrative expenses		
Salaries and benefits	17,502,695	6,793,923
Facility expenses	4,013,584	6,412,130
Insurance	489,249	187,477
Legal and professional fees	1,694,232	2,099,130
Consulting fees	1,183,965	2,774,916
Public company and regulatory fees	682,553	-
Investor relations	514,198	-
Travel and entertainment	1,062,652	1,330,266
Training, dues and memberships	291,588	134,968
IT costs	1,114,884	219,843
Office expenses and other	1,709,452	859,524
Total general and administrative expenses	30,259,052	20,812,177

20. FINANCE COSTS

Finance costs are comprised of the following:

	Fiscal Year Ended	
	February 1, 2020	February 2, 2019
	\$	\$
Accretion expense on lease liabilities (note 16)	2,536,185	-
Interest expense on debentures (note 17)	13,872,886	2,809,250
Transaction costs - Investor Debentures (note 17)	1,132,962	-
Accretion expense on contingent consideration (note 8)	108,237	36,499
Total finance costs	17,650,270	2,845,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

21. INCOME TAXES

a) Provision for income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to income or loss before income taxes. These differences result from the following:

	Fiscal years ended	
	February 1, 2020	February 2, 2019
	\$	\$
Combined Canadian statutory income tax rate	26.50%	26.50%
(Loss) before income tax	(32,594,456)	(37,798,760)
Expected tax recovery based on statutory rate	(8,637,531)	(10,017,000)
Share-based payments	821,734	1,503,000
Non-capital gain/loss related to derivative	(5,873,720)	2,543,465
Non-deductible expenses	4,024,484	489,000
Change in unrecorded deferred tax asset	9,665,033	5,481,535

b) Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	Fiscal years ended	
	February 1, 2020	February 2, 2019
	\$	\$
Non-capital loss carry-forwards	18,355,678	10,577,141
Property, plant and equipment and intangible assets	142,203	355,511
Right-of-use assets	556,285	-
Accretion, provision and accrued reserves	1,715,029	-
Finance costs	1,786,934	1,215,949
Other	327,800	-
Total	22,883,929	12,148,601

c) Loss carry-forwards

As at February 1, 2020, the Company's non-capital losses, stated in Canadian dollars, expire as follows:

Year	\$
2038	10,577,140
2039	7,778,538
	18,355,678

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

22. LOSS PER COMMON SHARE

For the fiscal years ended February 1, 2020 and February 2, 2019, basic loss per share and diluted loss per share were the same as the Company recorded a net loss for both periods, and the exercise of any potentially dilutive instruments would be anti-dilutive.

Loss per common share

	Fiscal year ended	
	February 1, 2020	February 2, 2019
Loss attributable to common shares (\$)	(32,594,456)	(37,798,760)
Dilutive effect on income	-	-
Adjusted net income attributable to common shares	(32,594,456)	(37,798,760)
Weighted average number of shares outstanding - basic (#)	118,492,477	68,645,883
Weighted average number of shares outstanding - diluted (#)	118,492,477	68,645,883
Loss per common share, basic (\$)	(0.28)	(0.55)
Loss per common share, diluted (\$)	(0.28)	(0.55)

23. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest risk

The Company is exposed to interest rate risk to the extent that cash and investments maintained at financial institutions may fluctuate with the prevailing market rate. The Company invests surplus cash in GIC's which accumulate interest at the prevailing rate. As at February 1, 2020 and February 2, 2019, the Company had cash and cash equivalents of \$22,900,078 (2018: \$10,410,330), restricted cash of \$nil (2018: \$34,544,793), short term investments of \$5,000,000 (2018: \$nil) and outstanding convertible debentures of \$51,954,032 (2018: \$25,683,347). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, restricted cash, and trade and other receivables. The Company's cash and cash equivalents include petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of \$1,732,438, which primarily arise from the Company's wholesale distribution and digital development operating segments (2018: \$479,720). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment or short net credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash and cash equivalents, restricted cash, short term investments and trade and other receivables represent the maximum exposure to credit risk and at February 1, 2020, this amounted to \$32,061,235 (2018: \$46,709,959), and provision for expected credit loss allowances related to trade account receivables was \$19,000 as at February 1, 2020 (2018:\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at February 1, 2020, the Company had \$22,900,078 (2018: \$10,410,330) of cash and cash equivalents, restricted cash of \$nil (2018: \$35,544,793) and short-term investments of \$5,000,000 (2018: \$nil).

The Company's non-current financial liabilities comprise of convertible debentures and derivative liabilities including warrants, which have varying contractual maturity/expiry dates, and are described under note 17 and note 18. All other financial liabilities of the Company are current.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to \$12,728,077 (2018: \$14,471,928), which are due within one year. The company also has convertible debentures outstanding in the amount of \$38,153,630 and 13,800,402 for the current and long-term portions, respectively (2018: \$25,683,347 and \$nil) with a corresponding derivative liability of \$2,077,808 (2018: \$11,252,692). Subsequent to the year ending, the LP Debentures with a total balance of \$13,086,332 in current liabilities as at February 1, 2020 was converted into common shares of the Company. Also, the Company raised an additional \$25 million in convertible debenture financing and entered into a commitment letter to obtain up to an aggregate amount of \$10 million (with an option for an additional \$5 million) credit facility (note 29).

d) Fair value of financial instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at February 1, 2020 and February 2, 2019:

As at February 1, 2020	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Cash and cash equivalents	22,900,078	-	22,900,078	-
Short-term investments	5,000,000	-	5,000,000	-
Trade and other receivables	3,654,775	-	-	3,654,775
Accounts payable and accrued liabilities	12,728,077	-	-	12,728,077
Debentures (note 17)	51,501,157	-	-	51,501,157
Derivative liability (note 17)	2,077,808	-	2,077,808	-

As at February 2, 2019	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Cash and cash equivalents	10,410,330	-	10,410,330	-
Restricted cash	34,544,793	-	34,544,793	-
Trade and other receivables	599,261	-	-	599,261
Accounts payable and accrued liabilities	14,471,928	-	-	14,471,928
Debentures (note 17)	25,683,347	-	-	25,683,347
Derivative liability (note 17)	11,252,692	-	11,252,692	-
Provisions	1,661,757	-	-	1,661,757

There were no transfers between Level 1, Level 2 or Level 3 during the fiscal years ended February 1, 2020 and February 2, 2019.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors and private companies controlled by Officers and Directors, was as follows:

	Fiscal Year Ended	
	February 1, 2020	February 2, 2019
	\$	\$
Salaries and consulting fees	1,250,070	682,530
Share-based payments ⁽¹⁾	1,486,281	720,271
Directors' board fees	315,500	32,000
Total	3,051,851	1,434,801

⁽¹⁾Includes base salary and management fees elected to be paid in common shares and warrants of the Company.

During the fiscal year ended February 1, 2020, a total of 1,300,000 stock options were issued to the Company's officers (2018: 1,700,000), with an exercise price range of \$1.07 - \$1.50 (2018: \$0.80 - \$1.50), and maturity date range of January 30, 2024 - February 13, 2024 (2018: April 24, 2023 - December 18, 2023).

During the fiscal year ended February 1, 2020, a total of 120,000 stock options were issued to the Company's Board of Directors (2018: 200,000), with an exercise price \$1.50 (2018: \$1.50), and maturity date February 13, 2024 (2018: December 18, 2023).

On October 15, 2019, the Company entered into a second amended and restated management services agreement with JNZS, the company wholly owned by the Chairman of the Board. The agreement provides that JNZS will receive from the Company a prorated annual management services fee of \$400,000 from the period beginning February 13, 2019 until January 1, 2020 and a fee of \$300,000 for each of the calendar years 2020 and 2021 (collectively, the "JNZS Fee"). Pursuant to the terms of the original agreement entered into on January 1, 2018 as amended by a supplemental management services agreement entered into on August 17, 2018, JNZS elected to receive half of the JNZS Fee for the 2020 calendar year by the issuance of 133,333 common shares of Old FFI (which were subsequently exchanged for the common shares of the Company post RTO Transaction). The Chairman of the Board, as the service provider, is also eligible to participate in the Company's bonus plans and stock option plans. During the fiscal year ended February 1, 2020, \$387,000 in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

management service fees was incurred (2018: \$397,489), of which \$183,333 was charged as share-based payment expense (2018: \$290,137).

On August 17, 2018, the Company granted the former CFO 200,000 common share purchase warrants. 100,000 of the warrants were issued on August 17, 2018 and 100,000 of the warrants were issued on February 13, 2019, the business day immediately following the issuance of the filing statement in connection with the RTO (note 18 (b)).

25. RELATED PARTY TRANSACTIONS

The Company had the following transactions with directors, officers and private companies controlled by directors and officers for the fiscal year ended February 1, 2020 and February 2, 2019:

- On August 17, 2018, the Company entered into a Letter Agreement with Millstone and JNZS, companies controlled by the CEO and the Chairman of the Board, whereby each of the parties agreed to terminate the royalty agreement entered into by the parties on January 1, 2018 and to terminate the Company's obligations under the agreement for consideration (note 18).
- On June 1, 2018, 1,000,000 founding common shares were sold. 2089064 Ltd. purchased 272,727 common shares and Millstone purchased 363,636 common shares. The remaining 363,637 were sold to non-related parties. On June 7, 2018, the CFO participated in the May Private Placement. The CFO was issued 25,000 units at \$0.80 per unit for an aggregate price of \$20,000. On July 26, 2018, the CFO also participated in the offering of July Debentures. The July Debentures were issued at \$1,000 per unit for an aggregate price of \$10,000.
- On April 24, 2018, 1,090,000 common shares of the Company held by the spouse of the CEO were sold to non-related parties.
- On April 18, 2018, 2089064 Ontario Ltd. ("2089064 Ltd."), a private company controlled by the Chairman participated in the April 2018 Private Placement. 2089064 Ltd. was issued 125,000 units at \$0.80 per unit for proceeds of \$100,000. Millstone subscribed for 375,000 units for proceeds of \$300,000.
- On April 10, 2018, the Company entered into a three-year supply agreement with Emblem Corp. ("Emblem"), a public company. At the time of entering into the agreement the Chairman of the Board served as the chairman of the board of directors of Emblem.
- On April 18, 2018, Emblem participated in the April 2018 Private Placement. Emblem was issued 3,125,000 units at \$0.80 per unit for proceeds of \$2,500,000.

26. CAPITAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The Company currently has not paid any dividends to its shareholders.

As at February 1, 2020, total capital was comprised of shareholders' equity of \$ 46,909,880.

The Company's objective when managing capital is to spend its existing working capital and raise additional amounts in the subsequent period.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital by:

- i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- ii) minimizing discretionary disbursements; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

- iii) reducing or eliminating expansion expenditures which are of limited strategic value.

In light of the above, the Company will continue to assess retail locations and seek to acquire an interest in additional locations if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the fiscal year ended February 1, 2020 and February 2, 2019. As at February 1, 2020, the Company was not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

27. COMMITMENTS AND CONTINGENCIES

- a) Agreements with Ontario retail cannabis store lottery winners

On February 14, 2019 the Company entered into two separate consulting agreements with two Ontario retail cannabis store lottery winners, whereby the Company would a) provide consulting services and licence its intellectual property to these two parties and b) would also have an option to purchase the Alcohol and Gaming Commission of Ontario cannabis retail licence and associated operations from these two parties when regulations allow for consideration to be paid.

The purchase option under the first agreement includes the issuance of 800,000 common shares of the Company (subject to compliance with applicable law, including the Ontario Cannabis Licence Act). The purchase option further contemplates that at the time the purchase option is exercised, that if the 10-day volume weighted average price of the Company's common shares is less than \$1.50, the Company will pay an additional amount in cash that would bring the aggregate consideration paid to \$1,200,000. This purchase option is disclosed as a contingent liability given the execution of the purchase option was conditional on regulations permitting such a transfer. Subsequent to the year ending, on February 11, 2020, the Company completed the acquisition of this location. See also note 29 – Subsequent Events.

The purchase option under the second agreement includes 933,333 common shares of the Company (subject to compliance with applicable law, including the Ontario Cannabis Licence Act). The purchase option further contemplates that if the proposed transfer is not permitted under applicable law on or before April 1, 2020, then on such day, the Company shall issue 933,333 common shares and the parties shall enter into a definitive agreement requiring the lottery winner to transfer their interest in the cannabis retail store for no further consideration on the date. Total share consideration of \$887,000 has been recorded as other non-current assets and as shares to be issued and in the consolidated statements of financial position. The shares were valued at \$0.95 per share based on the share price of as at February 1, 2020. Subsequent to the year ending, on February 27, 2020, the Company completed the acquisition of this location. See also note 29 – Subsequent Events.

On March 8, 2019 and March 11, 2019, the Company entered into promissory note agreements with each of the two lottery winners for \$800,000, subject to interest at the Canadian prime lending rate and mature on December 13, 2019. The promissory notes were measured at amortized cost and recognized under other current assets. On September 8, 2019, \$815,800 of principal and interest was repaid. As at February 1, 2020, the promissory notes had a carrying value of \$828,463 (2018: \$ nil). Subsequent to the year ending, on February 27, 2020, this promissory note was settled as part of the purchase price adjustments for the acquisition of this location. See also note 29 – Subsequent Events.

- b) Supply agreement commitments

On January 30, 2019, the Company entered into a one-year supply agreement for the purchase of \$348,000 in cannabis. The Company did not exercise the option to renew the agreement after the initial term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

In April 2018, the Company entered into two three-year supply agreements for the purchase of cannabis, with the option to renew for two additional years at the Company's discretion, with annual renewal dates set at April 16 and September 30, respectively. Under the terms of each agreement the annual purchase amount is based on the ability of the Company to purchase cannabis products from the supplier under applicable laws and regulations, with a maximum annual commitment of \$5,000,000, subject to adjustment based on the proportion of cannabis retail licences held by the Company in jurisdictions permitting such agreements as of the annual renewal date and at prices determined by an applicable provincial regime or, where a provincial regime is silent as to price, negotiated in good faith.

c) Lease commitments

Please refer to note 16 for more information regarding future minimum lease payments.

28. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows:

- 1) The retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal;
- 2) The wholesale distribution segment which distributes cannabis products and accessories; and
- 3) The digital development segment which designs, develops and delivers digital experiences.

The chief operating decision makers monitor the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. All segments operate within Canada. Information on the Company's operating segments as at and for the fiscal year ended February 1, 2020, are as follows:

Information about reportable segments	Retail	Wholesale distribution	Digital development	Corporate	Eliminations and adjustments	Consolidated
Fiscal year ended February 1, 2020	\$	\$	\$	\$	\$	\$
Revenues	42,910,121	5,574,376	2,621,617	-	-	51,106,114
Intercompany revenues ¹	59,420	5,554,789	2,626,839	-	(8,241,048)	0
Total revenues	42,969,541	11,129,165	5,248,456	-	(8,241,048)	51,106,114
Cost of sales	(29,062,508)	(8,958,862)	(54,968)	-	5,577,782	(32,498,556)
Gross profit	13,907,033	2,170,303	5,193,488	-	(2,663,266)	18,607,558
Total operating expenses before depreciation	(35,769,599)	(2,523,737)	(5,071,039)	(3,955,594)	706,892	(46,613,077)
Depreciation and amortization	(7,230,563)	(115,094)	(132,198)	-	(174,671)	(7,652,526)
Segment profit (loss)	(29,093,129)	(468,528)	(9,749)	(3,955,594)	(2,131,045)	(35,658,045)
Listing expense	-	-	-	(1,834,674)	-	(1,834,674)
Gain on revaluation of derivative liability	-	-	-	31,192,658	-	31,192,658
Loss on extinguishment and revaluation of debentures	-	-	-	(9,027,678)	-	(9,027,678)
Interest income and finance costs	-	-	-	(17,266,717)	-	(17,266,717)
Loss before income taxes	(29,093,129)	(468,528)	(9,749)	(892,005)	(2,131,045)	(32,594,456)

¹ Sales between segments are made at prices that approximate market prices.

Total non-current assets	105,385,781	2,111,328	470,360	-	-	107,967,469
Total assets	141,879,547	5,141,911	2,933,664	1,050,875	-	151,005,997
Total non-current liabilities	33,458,074	-	709,658	13,347,527	-	47,515,259
Total liabilities	48,206,604	836,369	1,464,747	53,588,397	-	104,096,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Information on the Company's operating segments as at and for the fiscal year ended February 2, 2019, are as follows:

Information about reportable segments Fiscal year ended February 2, 2019	Retail	Wholesale distribution	Digital development	Corporate	Eliminations and adjustments	Consolidated
	\$	\$	\$	\$	\$	\$
Revenues	11,658,241	795,407	525,508	-	-	12,979,156
Intercompany revenues ¹	-	1,256,115	788,939	-	(2,045,054)	-
Total revenues	11,658,241	2,051,522	1,314,447	-	(2,045,054)	12,979,156
Cost of sales	(7,372,185)	(1,751,454)	-	-	1,121,981	(8,001,658)
Gross profit	4,286,056	300,068	1,314,447	-	(923,073)	4,977,498
Total operating expenses before depreciation	(23,107,682)	(327,656)	(720,491)	(5,882,626)	312,129	(29,726,326)
Depreciation and amortization	(382,923)	(22,505)	(89,940)	-	-	(495,368)
Segment profit (loss)	(19,204,549)	(50,093)	504,016	(5,882,626)	(610,944)	(25,244,196)
Listing expense	-	-	-	(470,000)	-	(470,000)
Gain on revaluation of derivative liability	-	-	-	(9,597,979)	-	(9,597,979)
Interest income and finance costs	-	-	-	(2,486,585)	-	(2,486,585)
Loss before income taxes	(19,204,549)	(50,093)	504,016	(18,437,190)	(610,944)	(37,798,760)

¹ Sales between segments are made at prices that approximate market prices.

Total non-current assets	23,739,120	2,069,355	79,825	-	-	25,888,300
Total assets	77,646,709	344,765	2,512,113	-	-	80,503,587
Total non-current liabilities	435,499	-	-	-	-	435,499
Total liabilities	16,106,313	394,758	68,113	36,936,039	-	53,505,223

29. SUBSEQUENT EVENTS

a) Acquisition of the Ontario locations

Subsequent to the year end, the operators of the Branded Stores transferred all of their interests in the Branded Stores in Ottawa and Kingston, including all equipment, furnishings and inventory into 2727765 Ontario Inc. ("**272 Ontario**") and 2676053 Ontario Limited ("**267 Ontario**"), respectively, for purposes of completing FFI's acquisition of the Branded Stores in accordance with AGCO requirements, and the AGCO issued retail operator licences and retail store authorizations in respect of the Ottawa and Kingston stores to 272 Ontario and 267 Ontario. On February 11, 2020, the Company completed the acquisition of the Ottawa location by way of its acquisition of all of the issued and outstanding shares of 272 Ontario for a total purchase price of \$1,742,073 consisting of \$1,110,073 in cash and 800,000 common shares of the Company. On February 27, 2020, the Company completed the acquisition of the Kingston location by way of its acquisition of all of the issued and outstanding shares of 267 Ontario for a total purchase price of \$1,370,721 consisting of \$153,099 in cash, settlement of the promissory note and accrued interest receivable and 933,333 common shares of the Company.

b) Acquisition of the assets of Flora and Tridelion

On June 4, 2019, the Company and FFI entered into asset purchase agreements with Flora (Bernard) Enterprises Inc., Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. pursuant to which the Company proposed to acquire an aggregate of five cannabis retail stores in Kelowna, Kamloops, Vernon, Prince George and Quesnel, British Columbia subject to customary conditions including satisfaction of all licensing requirements. On November 22, 2019, FFI completed the acquisition of the cannabis retail store in Kelowna and submitted its application to the LCRB for a cannabis retail store licence, issuance of which remained a condition to delivery of the remainder of the purchase price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Subsequent to the end of the fiscal year, the asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. in respect of stores in Kamloops, Vernon, Prince George and Quesnel expired in accordance with their terms (note 12), and the Company and FFI entered into an amended and restated asset purchase agreement with Flora (Bernard) Enterprises Inc. in respect of a store in Kelowna (which was completed on April 15, 2020). The purchase price consisted of \$450,000 in cash including retention of deposits paid, \$300,000 by way of a promissory note, and \$1,397,055 (2,408,715 common shares of the Company).

c) Conversion of LP Debentures

Subsequent to the year end, the provisions of the LP Debentures have been amended to provide for the forced conversion of the principal amount of Debentures by the Company at its sole discretion in the event the common shares of the Company have a closing trading price of not less than \$0.70. Concurrently with the amendments, the Company has issued 12,223,638 common shares for the forced conversion of all remaining principal amount accrued and unpaid interest thereon.

d) Commitment letter

Subsequent to the year end, on April 21, 2020, the Company entered into a commitment letter to obtain up to an aggregate amount of \$10 million (with an option for an additional \$5 million), non-dilutive credit facilities with ATB Financial. The new financing will be comprised of two separate loan facilities on a two-year term: a revolving credit facility in the amount of \$5 million that bears a variable interest rate of 1.75% plus the ATB Financial prime rate currently at 2.45% for a total rate of 4.20%, and a term loan in the amount of \$5 million that bears a variable interest rate of 1.50% plus the ATB Financial prime rate currently at 2.45% for a total rate of 3.95%. The Commitment Letter also includes an "accordion" option to increase the revolving facility by an additional \$5 million, subject to ATB Financial's consent and certain other customary conditions. Funding will become available under the Commitment Letter upon the Company satisfying all applicable conditions precedent. These credit facilities are subject to financial ratio covenants beginning in the 2021 fiscal year and are secured by the assets of the Company and its subsidiaries. Additional details on the credit facilities with ATB Financial can be found in the Company's documents that will be filed on SEDAR at www.sedar.com.

e) Private placements

Subsequent to the year end, on April 28, 2020, the Company completed two private placements for aggregate gross proceeds of up to \$28 million (collectively, the "Offerings"). The Offerings are comprised of (i) a non-brokered private placement of up to 19,800 8.0% secured \$1,000 principal amount convertible debentures (the "Convertible Debentures") at a price of \$1,000 per Convertible Debenture for aggregate gross proceeds of up to \$19.8 million, and (ii) a non-brokered private placement of up to 8,200 subscription receipts (the "Subscription Receipts") at a price of \$1,000 per Subscription Receipt for aggregate gross proceeds of up to \$8.2 million, subject to shareholder approval. Each Subscription Receipt shall be automatically converted into one \$1,000 principal amount Convertible Debenture upon the satisfaction of certain escrow release conditions further described below. Additionally, Alimentation Couche-Tard Inc., through a wholly-owned subsidiary has exercised its participation rights in respect of the Offerings and received an additional (a) 3,523,705 Series A Warrants; (b) 11,048,651 Series B Warrants; and (c) 22,686,864 Series C Warrants.

The Convertible Debentures will mature on June 1, 2021, which date will be automatically extended to the date that is 24 months from the closing date in the event certain outstanding securities of the are converted, exercised or otherwise extinguished (the "Maturity Date") as will be further set out in a debenture indenture to be entered into prior to closing of the Offerings. The principal amount of Convertible Debenture will be convertible at the holder's option into common shares of the Company (the "Conversion Shares") at any time prior to the Maturity Date at a conversion price of \$0.50 per Conversion Share. The Company's obligations under the Convertible Debentures will be secured by the assets of the Company and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended February 1, 2020 and February 2, 2019
(In Canadian Dollars)

Subject to the approval of the TSX, which pursuant to the TSX policies requires the approval of the shareholders of the Company, in lieu of paying any interest accrued and payable in respect of the Convertible Debentures up to and including December 31, 2020 (or June 30, 2021 in the event the Maturity Date is extended), The Company may elect to add such accrued and unpaid interest to the then outstanding principal amount of Convertible Debentures.

The net proceeds of the offering of Subscription Receipts (the “Subscription Receipt Proceeds”) will be delivered to and held by a licensed Canadian trust company, in its capacity as subscription receipt agent. Upon the satisfaction and/or waiver of certain escrow release conditions (the “Escrow Release Conditions”) each Subscription Receipt will automatically be converted into a \$1,000 principal amount Convertible Debenture and the Subscription Receipt Proceeds will be released to the Company.

The Escrow Release Conditions shall include the Conversion Shares underlying the Convertible Debentures issuable upon conversion of the Subscription Receipts being conditionally approved for listing on the TSX and the completion, satisfaction or waiver of all conditions precedent to such listing, including the receipt of shareholder approval.

f) COVID-19

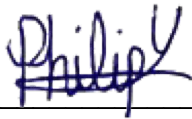
Subsequent to the year end, COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods, social distancing and temporary closures of non-essential businesses. The Company has reacted by i) rapidly commissioning a Pandemic Response Team with focused on keeping its employees safe and healthy while ensuring the continuity and sustainability of its business; ii) implementing enhanced in-store procedures including increased and frequent cleaning, installation of safety shields, reduction of paper materials and ceasing acceptance of cash or product returns; iii) monitoring store performance, shopping patterns and employee availability on an ongoing basis to optimize operating hours and selectively close stores where required by law or otherwise appropriate to enhance the productivity of the network under the circumstances; iv) temporarily adapting its business model by moving towards exclusively servicing stores through the Spark Fastlane™ “click-and-collect” service that enables customers to order products online for fast pickup and payment in store; and v) offering curbside pickup and delivery options in Saskatchewan and Ontario. At the initial outset of the pandemic in mid-March, the Company experienced higher than normal sales, and sales have since normalized but may still be volatile. Although the Company’s services have been deemed an essential in the provinces it operates in, if the impact of COVID-19 continues for an extended period, it may materially adversely affect the business operations and future financial results.

EXHIBIT "E"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits



CONSOLIDATED FINANCIAL STATEMENTS OF

Fire & Flower Holdings Corp.

FOR THE FISCAL YEARS ENDED JANUARY 30, 2021 AND FEBRUARY 1, 2020

MANAGEMENT'S REPORT

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for approving the consolidated financial statements, primarily through its Audit Committee. This committee, which holds periodic meetings with members of management as well as with the independent external auditors, reviewed the consolidated financial statements and recommended their approval to the Board of Directors.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

/s/ "Trevor Fencott"
Trevor Fencott,
Chief Executive Officer

/s/ "Nadia Vattovaz"
Nadia Vattovaz,
Chief Financial Officer & Executive Vice President of Operations

April 26, 2021



Independent auditor's report

To the Shareholders of Fire & Flower Holdings Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fire & Flower Holdings Corp. and its subsidiaries (together, the Company) as at January 30, 2021 and February 1, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 30, 2021 and February 1, 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
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Key audit matter

Accounting of the issuance of the April 2020 Debentures and Additional Investor Warrants and the amendments of the Investor Debentures and Investor Warrants and their related fair value measurements

Refer to Note 4 – Summary of significant accounting policies, Note 6 – Critical accounting estimates and judgments and Note 15 – Debentures and Loans, Derivative Liability to the consolidated financial statements.

During the year ended January 30, 2021, the Company completed two private placements for aggregate gross proceeds of \$28 million, which were comprised of (i) a non-brokered private placement of 8% secured convertible debentures for aggregate proceeds of \$19.8 million, which closed on April 28, 2020, and (ii) on June 17, 2020, upon shareholder approval, a non-brokered private placement of 8% secured convertible debentures for aggregate gross proceeds of \$8.2 million. The private placements are collectively referred to as the April 2020 Debentures.

The April 2020 Debentures are convertible at the holder's option into common shares of the Company at any time prior to the maturity date. The April 2020 Debentures consisted of the host debt, classified as a financial liability at amortized cost and the conversion option along with the embedded derivatives, classified as a derivative liability in the consolidated financial statements. Management applied judgment in identifying the components and determining their inception fair value for the purpose of allocating the proceeds to the components. The gross proceeds from each of the April 2020 Debentures were allocated on a relative fair value basis which resulted in the following allocations: (i) \$9.23 million to the host debt and \$10.57 million to the derivative liability; and (ii) \$3.46 million to the host debt and \$4.74 million to the derivative liability. The fair value of the host debt

How our audit addressed the key audit matter

Our approach to addressing the matter involved the following procedures, among others:

- Read the underlying agreements and evaluated whether management's interpretation of the agreements in relation to accounting for financial instruments was reasonable, which included the accounting analysis of the identification of derivatives in the agreements for the April 2020 Debentures and the amended instruments.
- With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the fair values of the components of the April 2020 Debentures and Series C Additional Investor Warrants on initial recognition, and of the fair values of the amended instruments, which involved the following procedures, among others:
 - Tested the underlying data used in developing the fair values.
 - Determined some significant assumptions, which included:
 - volatility by benchmarking to the volatility of the Company's historical data and industry index; and
 - credit spreads based on credit spreads used on similar transactions.
 - Compared the fair value of our independent point estimates to management's fair value estimates to evaluate the reasonability of management's estimates.
- Tested the disclosures in the consolidated financial statements, particularly with regards to the sensitivity of the significant assumptions used.



Key audit matter

How our audit addressed the key audit matter

was determined using a probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific events. The discount rate utilized to value the host debt is a significant assumption in the model. The fair value of the derivative liability was determined using Monte-Carlo and trinomial tree simulation valuation techniques to project the Company's share price and expected maturity date. Volatility of the Company's share price is a significant assumption in the model.

In connection with the issuance of the April 2020 Debentures, the Company also issued additional warrants to Alimentation Couche-Tard (ACT) under its participation rights under the terms of the August 7, 2019 Investor Rights Agreement, including (i) 3,523,705 Series A Warrants; (ii) 11,048,651 Series B Warrants; and (iii) 22,686,864 Series C Warrants, collectively referred to as the Additional Investor Warrants. The Company determined that the Additional Investor Warrants were accounted for as transaction costs of the April 2020 Debentures. The Series A and B Additional Investor Warrants were accounted for as equity instruments and their fair value on initial recognition was determined to be \$0.81 million. The Series C Additional Investor Warrants were accounted for as derivative liabilities and their fair value was determined to be \$nil consistent with the measurement of the previously issued Series C Warrants measured at fair value through profit and loss. The initial fair value of the Series C warrants was determined using a Monte-Carlo simulation valuation technique. Volatility of the Company's underlying stock in the model is a significant assumption utilized in the model.

On September 15, 2020, the terms of the Investor Debentures and Investor Warrants were amended. Management considered qualitative factors in determining whether the amended terms resulted in a substantial modification to the instruments on a



Key audit matter

How our audit addressed the key audit matter

qualitative basis for the Investor Debentures and Investor Warrants. The amendments resulted in derecognition of the existing debenture and warrants and recognition of the debentures and warrants under the amended terms. The amended terms also resulted in a change in classification of the conversion option and Series B Warrants from an equity instrument to a derivative liability post-amendment. The aggregate amounts of \$20.73 million and \$0.81 million were derecognized for the Investor Debentures and Investor Warrants, respectively. Management applied judgment in identifying the components and determining their inception fair values. The aggregate fair value of the amended Investor Debentures and Investor Warrants of \$87.07 million was allocated \$13.60 million as a debenture liability for the host debt component, \$21.97 million as a derivative liability in relation to the conversion option, \$4.67 million for the Series A Warrants as an equity instrument, and \$16.95 million and \$29.88 million for the Series B and Series C Warrants, respectively, as derivative liabilities. The recognition of the Investor Debentures and Investor Warrants under the amended terms resulted in an extinguishment loss of \$54.36 million, which was recognized in net loss, and a decrease in contributed surplus of \$11.17 million. The fair value of the host debt component was determined based on a discount rate assumption. Discount rate was determined to be a significant assumption. The fair value of the Series A Warrants was estimated using a Black-Scholes valuation model and the fair values of the Investor Debenture conversion option and the Series B and C Warrants were estimated using Monte-Carlo and trinomial tree model simulation valuation techniques. The volatility of the Company's underlying stock was determined to be a significant assumption.

We considered this a key audit matter due to the complexity of the April 2020 Debenture agreement, the Additional Investor Warrant agreements and the



Key audit matter

How our audit addressed the key audit matter

amendments to the terms of the Investor Debentures and Investor Warrants (the amended instruments), which was due to the interpretation of the agreements in relation to the accounting for financial instruments and the significant judgment involved in determining the fair values of the components. This led to a high degree of auditor judgment, subjectivity and effort in applying audit procedures to assess management's interpretation of the agreements in relation to accounting for financial instruments, and the significant judgment involved in determining the fair values of the components. In addition, professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

Valuation of intangible assets acquired in the Business Acquisition of Friendly Stranger Holdings Corp.

Refer to Note 4 – Summary of significant accounting policies, Note 6 – Critical accounting estimates and judgments and Note 7 – Acquisitions to the consolidated financial statements.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the fair value of the intangible assets, which included the following:
 - Read the purchase agreement.
 - Evaluated the appropriateness of management's valuation methods, which include the excess earnings method and relief from royalty method (the valuation models) and tested the mathematical accuracy thereof.
 - Tested the underlying data used by management in the valuation models.
 - Evaluated the reasonableness of significant assumptions used by management related to revenue projections, growth rates and the terminal growth rate by comparing revenue projections and growth rates assumptions to the acquisition plan approved by the Board of Directors and by comparing revenue growth rates and terminal growth



Key audit matter

How our audit addressed the key audit matter

The Company acquired Friendly Stranger Holdings Corp. (Friendly Stranger) for an aggregate consideration of \$25.28 million in common shares, subject to certain closing adjustments. Concurrently with entering into the Friendly Stranger share purchase agreement on November 1, 2020, the Company also entered into a loan agreement with Friendly Stranger under which Friendly Stranger borrowed from the Company up to \$2 million, which has been included as part of the overall purchase consideration. The assignment of the estimated fair values of the identifiable assets acquired included \$17.85 million in intangible assets, which relates primarily to retail operator licences and retail store authorizations as well as brands and trademarks. The estimated fair values of the intangible assets acquired were based on the excess earnings methodology for retail operator licences and retail store authorizations and the relief from royalty method for brands and trademarks. Management used significant judgment in determining revenue projections, growth rates, the terminal growth rate, discount rates and the royalty rate utilized in the relief from royalty method (significant assumptions).

Due to the timing of the Friendly Stranger acquisition, and the provisional nature of the purchase consideration, the Company has not finalized the assessment of the fair value of the net assets acquired.

We considered this a key audit matter due to the significant judgment applied by management in estimating the fair value of the intangible assets, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant input assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

rates to economic and industry data. The reasonableness of the value of the licences acquired was also compared to the value of licences acquired in past transactions.

- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's valuation methods and valuation models, as well as certain significant assumptions such as royalty rates and discount rates.



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.

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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
April 26, 2021

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian Dollars)

	As at January 30, 2021	As at February 1, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	30,613	22,900
Restricted cash (note 15)	4,254	-
Short-term investments	-	5,000
Trade and other receivables (note 9)	6,248	4,161
Merchandise inventories (note 10)	9,838	5,876
Deposits held in trust	493	595
Prepaid expenses	1,814	3,678
Other current assets	60	828
Total current assets	53,320	43,038
Non-current assets		
Deposits held in trust	3,831	2,470
Property, plant and equipment, net (note 11)	43,355	34,399
Right-of-use assets, net (note 13)	40,500	33,633
Intangible assets, net (note 12)	58,570	35,782
Other non-current assets	-	1,282
Goodwill (note 12)	13,806	402
Total assets	213,382	151,006
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,049	12,728
Income tax payable	2,037	-
Debentures and loans (note 15)	637	38,154
Derivative liability (note 15)	-	2,078
Deferred revenue	112	281
Provisions (note 14)	2,672	265
Lease liabilities (note 13)	2,784	3,075
Total current liabilities	28,291	56,581
Non-current liabilities		
Debentures and loans (note 15)	33,017	13,348
Derivative liability (note 15)	66,317	-
Lease liabilities (note 13)	43,122	33,787
Deferred tax liability (note 26)	5,451	-
Other non-current liabilities	1,509	380
Total liabilities	177,707	104,096
Shareholders' equity		
Share capital	180,780	106,067
Common shares to be issued	112	1,233
Debenture equity (note 15)	-	1,756
Warrant reserve	4,874	6,271
Contributed surplus	1,056	3,771
Accumulated deficit	(151,147)	(72,188)
Total shareholders' equity	35,675	46,910
Total liabilities and shareholders' equity	213,382	151,006

Subsequent events (note 27)

/s/ "Trevor Fencott", Director
Trevor Fencott

/s/ "Sharon Ranson", Director
Sharon Ranson

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In thousands of Canadian Dollars, except per share information)

	Fiscal Years Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Revenue		
Retail	101,497	42,910
Wholesale	20,300	5,574
Digital development	6,256	2,622
Total revenue	128,053	51,106
Cost of goods sold		
Merchandise (note 10)	82,634	32,499
Gross profit	45,419	18,607
Expenses		
General and administrative (note 18)	39,403	30,259
Share-based payments (note 16)	2,512	3,101
Marketing and promotion	1,709	1,679
Acquisition and business development costs	2,153	492
Depreciation & amortization (notes 11, 12, 13)	12,345	7,653
Impairment of fixed and intangible assets (notes 11, 12)	1,448	4,613
Impairment of ROU assets, net of lease liability remeasurement (note 13)	1,863	-
Restructuring charges (note 14)	1,548	6,469
Total expenses	62,981	54,266
Loss from operations	(17,562)	(35,659)
Other income (expenses)		
Listing expense (note 16(a))	-	(1,835)
Gain on revaluation of derivative liability, net (note 15)	18,638	31,193
Loss on extinguishment and revaluation of debentures (note 15)	(53,152)	(9,028)
Interest income	220	384
Finance costs (note 19)	(25,104)	(17,650)
Total other (expenses) income	(59,398)	3,064
Total loss before tax	(76,960)	(32,595)
Current tax expense	(2,049)	-
Deferred tax recovery	50	-
Net loss and comprehensive loss	(78,959)	(32,595)
Net loss per share (note 17)		
Basic	\$(0.45)	\$(0.28)
Diluted	\$(0.45)	\$(0.28)

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian Dollars, except common share information)

	Common Shares	Share Capital	Shares to be issued	Debtenture Equity	Warrant Reserve	Contributed Surplus	Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance, February 1, 2020	146,093,212	106,067	1,233	1,756	6,271	3,771	(72,188)	46,910
Common shares to be issued - store acquisitions	-	-	920	-	-	-	-	920
Common shares issued - At-the-Market offering (note 16)	8,397,500	7,071	-	-	-	-	-	7,071
Common shares issued - store and asset acquisitions (note 7)	37,830,622	29,766	(1,808)	-	-	-	-	27,958
April 2020 Debtentures - Additional Investor Warrants issued (note 15)	-	-	-	-	808	-	-	808
Conversion of debtentures (note 15)	12,373,912	14,407	-	-	-	-	-	14,407
Common shares issued - debtenture interest (note 15)	2,816,686	2,119	-	-	-	-	-	2,119
Debtenture conversion option expiry - June 2019 Debtentures (note 15)	-	-	-	(1,756)	-	1,756	-	-
Acquisition of Hifyre Inc. (note 7)	650,000	434	(233)	-	-	-	-	201
Investor debtentures equity conversion option extinguished due to amendments (note 15)	-	-	-	-	-	(3,549)	-	(3,549)
Investor warrants cancelled due to amendments (note 15)	-	-	-	-	(808)	(7,625)	-	(8,433)
Investor warrants issued - amended series A warrants - A-1, A-2, A-3 (note 15)	-	-	-	-	4,674	-	-	4,674
Warrants exercised (note 16)	23,652,248	20,818	-	-	(1,844)	-	-	18,974
Warrants expired (note 16)	-	-	-	-	(4,227)	4,227	-	-
Options vested (note 16)	-	-	-	-	-	2,512	-	2,512
Options exercised (note 16)	300,000	98	-	-	-	(36)	-	62
Net loss and comprehensive loss	-	-	-	-	-	-	(78,959)	(78,959)
Balance, January 30, 2021	232,114,180	180,780	112	-	4,874	1,056	(151,147)	35,675
Balance, February 2, 2019	77,524,102	26,376	34,290	-	5,096	830	(39,593)	26,999
Concurrent November 2018 private placement (note 16(a))	24,333,334	33,667	(33,667)	-	-	-	-	-
Common shares, options and warrants retained under RTO (note 16(a))	1,446,257	2,169	-	-	34	115	-	2,318
Common shares to be issued - Ontario licences	-	-	887	-	-	-	-	887
Debtentures - conversion option	-	-	-	1,757	-	-	-	1,757
Share debtentures issuance	(7,250,000)	(5,800)	-	-	-	-	-	(5,800)
Conversion of debtentures	18,864,773	24,019	-	(1)	-	-	-	24,018
Common shares issued - debtenture interest	2,346,768	2,425	-	-	-	-	-	2,425
Common shares issued - store acquisitions	13,394,964	16,623	-	-	-	-	-	16,623
Acquisition of Hifyre Inc.	700,000	478	(277)	-	-	-	-	201
Issuance of June 2019 Debtenture warrants and broker warrants, net of costs	-	-	-	-	2,215	-	-	2,215
Compensation warrants issued	-	-	-	-	85	-	-	85
Options vested	-	-	-	-	-	2,918	-	2,918
Options exercised	880,639	270	-	-	-	(109)	-	161
Warrants exercised	13,852,375	5,840	-	-	(1,142)	-	-	4,698
Warrants cancelled	-	-	-	-	(17)	17	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	(32,595)	(32,595)
Balance, February 1, 2020	146,093,212	106,067	1,233	1,756	6,271	3,771	(72,188)	46,910

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian Dollars)

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Operating activities		
Net loss and comprehensive loss	(78,959)	(32,595)
Items not affecting cash		
Depreciation and impairment of capital assets (notes 11, 12, & 13)	15,656	12,265
Share-based compensation	2,512	3,003
Gain on revaluation of derivative liability	(18,638)	(31,193)
Listing expense (note 16(a))	-	2,318
Transaction costs on issuance of debentures and loans (note 19)	1,686	1,133
Interest expense on debentures and loans and other finance costs (note 19)	20,271	13,981
Interest expense on lease liabilities (note 19)	3,147	2,536
Debenture revaluation loss	53,152	9,028
Restructuring charges	1,548	6,469
Other non-cash charges	-	288
Changes in non-cash working capital items (note 22)	2,280	(8,204)
Net cash provided by (used in) operating activities	2,655	(20,971)
Financing activities		
Conversion of subscription receipts under November 2018 financing (note 16(a))	-	34,545
Issuance of common shares and other equity securities (note 16)	7,224	-
Cash collateral for loans, credit facilities and letters of credit (note 15)	(4,254)	-
Transaction costs on issuance of shares (note 16)	(153)	-
Senior secured term loan drawdown (note 15)	2,538	-
Proceeds from issuance of convertible debentures (note 15)	28,000	53,178
Cash transaction costs on debenture and loan issuances	(1,806)	(3,657)
Principal repayment on debentures and loans (note 15)	(27,400)	-
Interest paid on debentures and loans (note 15)	(1,057)	(1,117)
Exercise of warrants and options	19,036	4,860
Lease liability payments (note 13)	(5,132)	(3,613)
Net cash provided by financing activities	16,996	84,196
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(11,567)	(23,945)
Disposal of property, plant and equipment and intangible assets	1,898	-
Prepaid deposits for long-term assets	(60)	(3,344)
Business combinations	(5,733)	(6,768)
Asset acquisitions, net of cash acquired	(750)	(11,678)
Additions to right-of-use assets	(726)	-
Redemption of short-term investments	5,000	(5,000)
Net cash used in investing activities	(11,938)	(50,735)
Increase in cash	7,713	12,490
Cash and cash equivalents, beginning of year	22,900	10,410
Cash and cash equivalents, end of year	30,613	22,900

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Fire & Flower Holdings Corp. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange (the "TSX") under the symbol 'FAF'. The Company is an independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfillment business operations in Saskatchewan, Canada ("Open Fields Distribution"). The Company also operates a proprietary digital retail and analytics platform (the "Hifyre Digital Platform") supporting e-commerce retail activities and providing a compliant technology system for cannabis licensed producers. The Company's head office and registered office is located at 130 King Street West, Suite 2500, Toronto, Ontario, M5X 1C8, Canada.

The Company's fiscal year ends on the Saturday closest to January 31.

On February 13, 2019, the Company completed its qualifying transaction (the "RTO Transaction"). In connection with the RTO Transaction, the Company: (a) consolidated its issued and outstanding common shares on a 10.64814815 to 1 basis; (b) changed its name to "Fire & Flower Holdings Corp." from "Cinaport Acquisition Corp II" (a Capital Pool Company); and (c) continued the Company under the federal jurisdiction of Canada under the Canada Business Corporations Act. Results of the RTO Transaction are described in Note 16.

COVID-19

In March 2020, COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods, social distancing and temporary closures of non-essential businesses.

The Company reacted by i) rapidly commissioning a Pandemic Response Team focused on keeping its employees safe and healthy while ensuring the continuity and sustainability of its business; ii) implementing enhanced in-store procedures including increased and frequent cleaning, installation of safety shields, reduction of paper materials and ceasing acceptance of cash or product returns; iii) monitoring store performance, shopping patterns and employee availability on an ongoing basis to optimize operating hours and selectively close stores where required by law or otherwise appropriate to enhance the productivity of the network under the circumstances; iv) temporarily adapting its business model by moving towards exclusively servicing stores through the Spark Fastlane™ "click-and-collect" service that enables customers to order products online for fast pickup and payment in store; and v) temporarily offering curbside pickup and delivery options in Saskatchewan and Ontario.

Since the initial outset of the pandemic in mid-March 2020 to the current fiscal year end January 30, 2021, the Company did not experience a significant decline in sales. However, it is not possible to reliably estimate the length and severity of these events and conclusively quantify the impact on the financial results and condition of the Company in future periods. If the impact of COVID-19 continues for an extended period, it may materially adversely affect the business operations and future financial results.

2. BASIS OF PRESENTATION

Statement of Compliance and Presentation

The Company's audited consolidated financial statements for the fiscal years ended January 30, 2021 and February 1, 2020 ("Consolidated Financial Statements"), have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of financial statements.

These Consolidated Financial Statements were authorized for issuance by the Board of Directors on April 26, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Basis of Presentation

The consolidated financial statements have been prepared on a going concern basis using the historical cost basis except for certain financial instruments that are measured at fair value. These consolidated financial statements are presented in Canadian dollars. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar.

Presentation of Comparative Amounts

The comparative consolidated financial statements have been restated in thousands of Canadian dollars to conform to the presentation of the current period. The comparative amounts were previously presented in whole Canadian dollars.

Year-end Date

The fiscal year of the Company consists of a fifty-two or fifty-three week period ending on the Saturday closest to January 31. Fiscal year 2020 represents the fifty-two weeks ended January 30, 2021 with a comparative fiscal year 2019 consisting of the fifty-two weeks ended on February 1, 2020. References to years in the consolidated financial statements relate to fiscal year or period rather than calendar year. The fiscal years ended January 30, 2021 and February 1, 2020 are referred to as “2020” and “2019”, respectively.

3. PRINCIPLES OF CONSOLIDATION

Basis of Consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Entity Legal Name ⁽¹⁾	Principal Activity	Place of Incorporation	Ownership Interest as at	
			January 30, 2021	February 1, 2020
Fire & Flower Holdings Corp.	Parent & Holding Company	Canada	Parent Company	Parent Company
Significant subsidiaries and affiliates:				
Fire & Flower Inc.	Retail Operations	Canada	100%	100%
10926671 Canada Ltd. (o/a Open Fields Distribution)	Wholesale Distribution and Fulfillment	Canada	100%	100%
Hifyre Inc.	Digital Platform	Canada	100%	100%
11180703 Canada Inc.	Holding Company	Canada	100%	100%
Friendly Stranger Holdings Corp. ⁽²⁾	Retail Operations	Canada	100%	N/A

(1) Certain entities are not included within this list as these entities were acquired and wound down in the same fiscal year, or not considered a significant subsidiary. These entities related to acquisitions of the Company during the comparative fiscal year ended February 1, 2020. Refer to Note 7 for further details.

(2) Acquired businesses during the current fiscal year ended January 30, 2021. Refer to note 7 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents, Short-term Investments

Cash and cash equivalents include cash deposits in financial institutions and other short-term deposits that are readily convertible into cash. Short-term deposits with maturity dates greater than 90 days are classified as Short-term investments.

Interest income is earned on the Company's cash deposits and short-term investments in High Interest Savings Accounts and GIC's.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

Cost is determined using the average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs are comprised of all variable costs, and certain fixed costs, incurred in bringing inventories to the location and condition necessary for sale to customers. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

c) Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that can be directly attributed to the acquisition of the asset as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. Depreciation is accounted for using the following terms and methods:

Fixed Asset	Method	Depreciation Periods
Land	Non-Depreciable	Non-Depreciable
Buildings	Straight-Line	20 years
Leasehold Improvements	Straight-Line	Shorter of initial lease term and 10 years
Computer, Hardware and Software, and Equipment	Straight-Line	5 years
Signage and Displays	Straight-Line	3 years
Vehicles	Straight-Line	5 years
Furniture and Fixtures	Straight-Line	5 years

An asset's residual value, useful life and depreciation method are reviewed at the end of each financial reporting period and adjusted where appropriate.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Depreciation commences once the acquired asset is available for use or, in the case of leasehold improvements, at the later of that date and commencement of the lease of the property to which the leasehold improvement relates to.

d) Intangible Assets and Goodwill

Intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. The estimated useful life and depreciation method are reviewed at the end of each financial reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Estimated useful lives are as follows:

Intangible Assets	Method	Depreciation Periods
Trademarks, Tradenames and Patents	Straight-Line	15 years
Acquired Licenses	Straight-Line	Over estimated lease term of associated location. ⁽¹⁾
Capitalized Software Development	Straight-Line	5 years
Product Design	Straight-Line	10 years
Acquired Customer Lists	Straight-Line	5 years

(1) Shorter of initial lease term and 10 years.

Costs associated with maintaining computer software are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, including directly attributable employee costs, are recognized as intangible assets.

Depreciation commences once the acquired asset is available for use or, in the case of patents or trademarks, on the date the license is acquired.

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

e) Leases

At lease possession date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line over the estimated lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income/loss.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

f) Impairment of Non-Financial Assets

Non-financial assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed for impairment at the end of each financial reporting period. If any such indications exist, the asset's recoverable amount is estimated and compared to its carrying amount.

Goodwill and 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 assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

The recoverable amount of an asset or cash-generating-unit is the higher of an asset's fair value less costs to sell ("FVLCD") and value in use ("VIU"). VIU is estimated as the present value of the future cash flows that the Company expects to derive from the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit" or "CGU").

When the carrying amount of the asset exceeds the recoverable amount, the excess amount is recognized as an impairment charge in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, with the exception of goodwill and indefinite lived intangible assets, if there has been a change in estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets. Losses are recognized in profit or loss.

g) Provisions

Provisions, including those for onerous contracts, legal claims, and restructuring events are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Company performs evaluations to identify onerous contracts and legal claims and, where applicable, records provisions for such items. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received from the contract.

Actual costs and timing of future cash flows are dependent on future events; thus, any variance between estimates and the actual future liability will be accounted for in the period when such determination is made. Recoveries from third parties and other contingent gains are recognized when realized.

Restructuring provision are recognized only when a detailed formal plan for the restructuring exists and either the plan has commenced, or the plan's been announced internally and with the board of directors. A formal plan usually includes the identification of principal locations affected, details regarding the employees affected and timing of the planned restructuring, and the expenditures that will have to be undertaken.

h) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition.

Identifiable assets acquired, and liabilities assumed are measured at their fair values at the acquisition date.

The Company expenses acquisition-related expenses as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

i) Revenue Recognition

For its three major revenue segments, retail merchandise, wholesale distribution, and digital development, the Company recognizes revenue when control of goods or services is transferred to a customer. For disaggregated disclosure of revenues belonging to each segment, please refer to note 25.

Revenue is measured at the fair value of the consideration received or receivable from customers for the sale of goods and services provided by the Company, net of promotional discounts, estimated returns and sales taxes.

Retail merchandise sales

Revenue consists of sales through the Company's network of retail stores and includes sales through the Company's e-commerce platform. Merchandise sales through retail stores are recognized at the time of delivery to the customer which is generally at the point of sale. Merchandise sales through the Company's e-commerce operations are recognized upon date of receipt by the customer.

Wholesale distribution sales

Revenue from sales to customers through the Company's wholesale distribution arm are recognized when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is generally recognized on the date the goods are shipped to from the Company's warehouse (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer's carrier. Costs to ship orders to customers are included as an expense in cost of goods sold.

Digital platform revenue

Digital development revenues are earned by Hifyre primarily through digital platform subscription services, and some custom software development services. Customers can enter into fixed, variable or a combination thereof of fee contracts. For variable fee contracts, revenue is deferred and recognized during the period over which services are performed based on the number of labor hours incurred. Fixed contract fees are structured under a monthly cycle. The customer is billed at the beginning of the month whereas the performance obligation is fulfilled at the end of that month. The performance obligation is fulfilled when the data and services agreed upon are delivered to the customer at the end of the calendar month. Therefore, the ending contract liability is presented as deferred revenue on the consolidated statement of financial position and represents the timing difference between the amounts billed and the remaining performance obligation to be fulfilled.

j) Cost of Goods Sold

Cost of goods sold expenses relate to the Company's retail and wholesale distribution operations, and includes cost of inventory, packaging costs and shipping costs.

k) Research and Development

Expenditures related to research activities are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use or sell the technology, are met; otherwise, they are recognized in profit and loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

l) Income Taxes

The Company is subject to income, value added, withholding and other taxes, and their determination of liabilities requires interpretation of Canadian jurisdictions laws and regulations.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

m) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction to equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value of the shares on the date of issue.

n) Share-based Payments

Equity settled share-based payments are measured at their fair value on the date of grant using the Black-Scholes model. Stock options are recognized as compensation expense on a graded vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When stock options or warrants expire after vesting, the recorded value remains in contributed surplus.

For stock options and warrants granted to non-employees, the compensation expense is measured at the fair value of goods or services received. If the fair value cannot be reasonably estimated, compensation expense is then measured at the fair value of the equity instruments granted and measured at the date the Company obtains goods or services rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Where the terms and conditions of options are modified, the increase or decrease in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss over the remaining vesting period.

Consideration paid by employees or non-employees on the exercise of stock options and warrants are recorded as share capital and the related share-based payment expense is transferred from contributed surplus or warrant reserve, respectively, to share capital.

o) Earnings or Loss per Share

Basic earnings (loss) per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year.

Diluted loss per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of warrants, and the exercise of the conversion option of convertible debentures. The number of additional shares for inclusion in the diluted loss per share calculation was determined using the treasury stock method.

p) Financial instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Short-term investments	Amortized cost
Trade account receivables	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Derivative liability	Fair value through profit or loss

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets measured at amortized cost are measured at cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Marketable securities have been classified as FVTPL. Cash, short-term deposits, restricted cash, short-term investments and accounts receivable has been classified as amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

The impact of amendments to terms of financial instruments such as debentures and loans are assessed to determine if the change is a modification or an extinguishment. The Company reviews both quantitative and qualitative factors in determining whether the changes in terms are substantial and extinguishment accounting is required. Qualitative factors involve assessing whether the amendments represent a significant change in the terms and conditions of the instruments, including changes in conversion price, settlement options or introducing variability in such terms such that the accounting treatment of the instrument changes. A gain or a loss is recorded in profit or loss related to the modification or extinguishment. Under extinguishment accounting, the old instrument is derecognized and the amended instruments are recognized at the estimated fair value of the date the amendment was substantially effective.

Impairment of financial assets carried at amortized cost - expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

For short-term trade account receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. Where information exists, the Company establishes a loss rate based on historical normalized credit loss experience. The loss rate is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

5. NEW STANDARDS AND INTERPRETATIONS

New Standards Adopted

Amendments to IFRS 16 Leases ("IFRS 16")

In response to the COVID-19 coronavirus pandemic, the IASB issued amendments to IFRS 16 that introduce an optional practical expedient simplifying how a lessee accounts for rent concessions that are a direct consequence of COVID-19, and, if certain conditions are met, allows a lessee to not account for such rent concessions as lease modifications. The amendments were effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. Subsequent to the initial amendment, IASB extended the period of rent concession application, allowing for lessees to apply it until June 30, 2022. During the fiscal year ended

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

January 30, 2021, the Company did not have any significant rent concession arrangements on rent payments due on or before June 30, 2022.

Amendments to IFRS 3 Business Combinations (“IFRS 3”)

The amendments to IFRS 3 revise and clarify the definition of a business. To be considered a business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. It is also no longer required to assess whether market participants have the capability to replace missing elements or integrating the acquired activities and assets. These amendments also introduce an optional concentration test that, if met, leads to the conclusion that the group of assets acquired is not a business.

Definition of “material” - amendments to IAS 1 Presentation of Financial Statements (“IAS 1”), and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

The changes in definition of “material” (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material'. The new definition states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments to the definition of material did not have a significant impact on the consolidated financial statements.

Standards, amendments and interpretations issued as of January 30, 2021 that are not yet effective

A number of new and amendments to accounting standards are effective for the Company for annual periods beginning on or after January 31, 2021 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following are relevant new and amended standards. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

- Classification of liabilities as current or non-current - amendment to IAS 1;
- Onerous Contracts; Cost of fulfilling a contract - amendments to IAS 37.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a) Business acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill.

The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The *assumptions* with respect to the fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. The Company's business acquisitions, including fair value estimates and judgments, are described under Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

b) Recoverable amounts and impairment

Management assesses impairment of non-financial assets such as intangible assets, goodwill, property, plant and equipment, and ROU assets on a periodic basis. When impairment indicators are noted, management estimates the recoverable amount of each asset or CGU based on a VIU model, using expected future cash flows, or a FVLCD model, using recent sales data or appraisal reports. Under a VIU model, when measuring expected future cash flows, management makes assumptions about future growth of profits of CGU locations which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Impairment losses on the consolidated financial statements are further described in Notes 11, 12 and 13.

c) Convertible debentures

Management applies judgment in identifying the components and determining their inception fair value for the purpose of allocating the proceeds to the component(s) of its convertible debentures. Management applies assumptions and estimates when using the Black-Scholes, Monte-Carlo, and Trinomial simulation valuation models used to estimate fair value for such derivatives. These assumptions and estimates require a high degree of judgment and a change in these estimates may result in a material effect to the consolidated financial results. The judgments and estimates are described under Note 15.

d) Lease term

Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and ROU assets (which use lease term as the basis for determining useful life).

e) Incremental borrowing rate

The incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, and risks specific to the underlying assets. The carrying balance of the ROU, lease liabilities, and the resulting amortization and finance expenses, may differ due to changes in the Company's own credit risk, market conditions and lease term. Refer to note 4 for estimates with respect to incremental borrowing rate applied in lease liability calculations.

f) Share-based payments and warrants fair values

The Company applies the Black-Scholes valuation technique for fair valuing stock options and share purchase warrants that are classified as equity instruments. The key estimate in these models relates to future volatility assumptions, which uses both Company and peer company share price data. Volatility assumptions and estimates require judgment given limited history of Company and industry share price and operating performance data. Changes in these assumptions may affect the fair value estimates of stock options and share purchase warrants. Refer to note 16 for details of valuation model inputs applied for these instruments.

The Company has also issued warrants as part of a strategic investment transaction with a key investor, that were classified as a derivative liability due to a variable exercise price range and is fair valued using Monte-Carlo simulation valuation technique. Key estimates and sensitivity of unobservable inputs (volatility) are described under Note 15.

7. ACQUISITIONS

a) Business Acquisition of Friendly Stranger

On November 1, 2020, the Company entered into a share purchase agreement (the "FSHC SPA") with Friendly Stranger Holdings Corp. ("Friendly Stranger"). The transaction closed effective December 1, 2020. Pursuant to the terms of the FSHC SPA, the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020

(In thousands of Canadian Dollars, unless otherwise noted)

purchased all of the issued and outstanding shares of Friendly Stranger for an aggregate consideration of \$25,276 in common shares, subject to certain closing adjustments. The Company issued an aggregate of 31,297,342 common shares. As at January 30, 2021, 4,854,369 common shares were held in escrow in relation to the share consideration issued for the acquisition, a portion of which will be released from escrow upon finalization of post-closing adjustments and the remainder of which will be released on June 1, 2021.

Concurrently with entering into the FSHC SPA on November 1, 2020, the Company also entered into a loan agreement with Friendly Stranger under which Friendly Stranger borrowed from the Company up to \$2,000 to support the purchase of certain licensed cannabis retail stores operating in the province of Ontario. The loan remained outstanding at the time of close of acquisition and therefore the balance was included as part of the overall purchase consideration.

Friendly Stranger (and its subsidiaries) hold numerous Alcohol and Gaming Commission of Ontario ("AGCO") retail operator licences ("ROL") and retail store authorizations ("RSA") throughout the province of Ontario under the "Friendly Stranger", "Hotbox" and "Happy Dayz" brands.

In accordance with IFRS 3, the substance of these acquisitions constituted a business combination as these individual companies met the definition of a business under the standard. Accordingly, the assets acquired, including the AGCO ROLs/RSAs, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid is detailed below:

Consideration paid	
	\$
Common shares issued	25,276
Advances under loan arrangement	2,000
Total consideration	27,276
Identifiable assets (liabilities) acquired	
	\$
Cash & cash equivalents	330
Inventory	935
Prepaid expense and deposits	1,292
Receivables and other assets	609
Property, plant & equipment	5,152
Intangible assets - brands and trademarks	7,223
Intangible assets - retail operator licence and retail store authorizations	10,630
Accounts payable and accrued liabilities	(3,055)
Loans payable	(3,345)
Earnout liability	(522)
Right-of-use assets	11,086
Lease liabilities	(10,962)
Deferred tax liability	(3,739)
Goodwill	11,642
Total identifiable net assets and goodwill	27,276

The estimated fair value of the brands/trademarks was determined using the relief from royalty method, which was based on a market input (royalty rate) and revenue projections. The licences were valued using the excess earnings methodology, which utilized revenue projections, free cash-flows and contributory asset charge estimates.

Significant judgments and estimate areas in these valuations related to the following:

- Inputs in the financial projections related to revenue projections by store location and 2-4% growth rate in projection and terminal value. The growth rate also reflect the anticipated market conditions, including the inherent uncertainty due to the evolving impact of the COVID-19 pandemic (note 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

- Discount rate range of 13% - 18% utilized in arriving at the present value of the projections and contributory assets expected return. The discount rates were determined based on risk and liquidity of the intangibles relative to the overall return on the assets acquired, estimates of the Company's weighted average cost of capital, and benchmarking to peers.
- Royalty rate range of 2% - 6% utilized in relief from royalty method. The rate was benchmarked using comparable market transactions for similar products, technology and industry.

The Company recognized deferred tax liabilities associated with the licences, brands and trademarks. The deferred tax liability resulted in an additional goodwill amount of \$3,739.

Changes in these assumptions may affect the fair value estimates determined for these intangibles and a reallocation of purchase price to or from the amount recognized for goodwill.

The earnout liability assumed by the Company relates to an arrangement between Friendly Stranger and owners of acquired stores prior to the Company's acquisition. The additional consideration is to be paid out to a maximum of \$1,200, depending on certain revenue and branded store operations targets being achieved by December 31, 2022. Weighted average probability of achievement of these targets was estimated at 50% based on management's expectation of the targets being reached before expiration.

If the transaction had closed on February 1, 2020, the Company estimates revenue would have increased by approximately \$8,900 and the impact on loss from operations would have not been material for the fiscal year ended January 30, 2021. Estimates exclude the pro-forma impact of acquisitions completed by Friendly Stranger in the period between February 2, 2020 and prior to the Company's acquisition and include results for fiscal months prior to the impact of COVID-19 (note 1).

Due to the timing of the Friendly Stranger acquisition and the provisional nature of the purchase consideration (given shares held in escrow), the Company has not finalized the assessment of the fair value of the net assets acquired and, as a result, the working capital balances, deferred taxes and the fair value assessments for intangible assets may be subject to adjustments pending close of the purchase price, final valuations and post-closing adjustments. Differences between these preliminary amounts and the final accounting may occur. Adjustments, including purchase consideration finalization, will be finalized within twelve (12) months from the acquisition date.

Acquisition costs of \$1,813 arose as a result of the transaction, which were recognized in the statement of loss and comprehensive loss.

b) Acquisitions of Additional Ontario Retail Businesses

Summarized below are the Company's other Ontario retail location acquisitions completed in the fiscal year ended January 30, 2021. These transactions comprised primarily single retail location store operations. In accordance with IFRS 3, the substance of these acquisitions constituted a business combination as these individual companies met the definition of a business under the standard. Accordingly, the assets acquired, including the AGCO ROLs/RSAs, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The total consideration paid, and the preliminary estimate of fair value of the assets and liabilities acquired at the date of acquisition are detailed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid are detailed below:

Consideration paid	Quad Nine	Busboy	2673 Ontario	115 Canada	267 Ontario	272 Ontario	TOTAL
							\$
Common shares issued	100	1,700	250	-	411	631	3,092
Cash	1,034	800	893	1,245	-	1,110	5,082
Settlement of receivables	-	-	-	-	1,728	-	1,728
Total consideration	1,134	2,500	1,143	1,245	2,139	1,741	9,902
Identifiable assets (liabilities) acquired							
Cash & cash equivalents	2	39	26	207	745	-	1,019
Inventory	80	61	51	102	520	433	1,247
Other assets	53	21	60	162	-	-	296
Property, plant & equipment	131	-	364	228	-	-	723
Intangible assets - retail operator licence and retail store authorizations	855	2,359	631	509	874	1,398	6,626
Accounts payable and accrued liabilities	-	-	-	-	-	(90)	(90)
Right-of-use assets	413	724	624	2,769	-	-	4,530
Lease liabilities	(400)	(704)	(613)	(2,732)	-	-	(4,449)
Deferred tax liability	(227)	(631)	(167)	(135)	(230)	(372)	(1,762)
Goodwill	227	631	167	135	230	372	1,762
Total identifiable net assets and goodwill	1,134	2,500	1,143	1,245	2,139	1,741	9,902
Common shares issued (#)	124,069	2,198,655	248,410	-	753,431	800,000	4,124,565

For the above acquisitions, the value to the licences was determined as a residual in the purchase price allocation, and was determined to be a reasonable approximation of the fair value of the licences based on recent market transactions, valuations done (see Friendly Stranger acquisition) and retail location value. The Company also recognized deferred tax liabilities associated with the licences acquired. The deferred tax liabilities resulted in the recognition of goodwill amounts for these acquisitions.

Acquisition entered and closed during fiscal year January 30, 2021

- *Acquisition of Quad Nine* - On December 6, 2020, the Company completed the acquisition of Quad Nine Investments Inc. ("Quad Nine"). Quad Nine holds an AGCO ROL and RSA in respect of a cannabis retail store located in Ontario.
- *Acquisition of Busboy* - On November 1, 2020, the Company completed the acquisition of Busboy Ventures Inc. ("Busboy"). Busboy Ventures Inc. holds an AGCO ROL and RSA in respect of one location in Toronto, Ontario, and at time of acquisition, had an application for an RSA for another location in Ontario, which was issued to the Company in December 2020.
- *Acquisition of 2673 Ontario* - On October 22, 2020, the Company completed the acquisition of a cannabis retail store (holding an ROL and RSA) located in Toronto, Ontario by way of its acquisition of all of the issued and outstanding shares of 2673801 Ontario Inc. ("2673 Ontario").
- *Acquisition of 115 Canada* - On September 1, 2020, the Company completed the acquisition of a cannabis retail store (holding an ROL and RSA) located in Toronto, Ontario by way of its acquisition of the issued and outstanding shares of 11522302 Canada Inc. ("115 Canada").

Due to the timing of the above acquisitions, the identification and measurement of the assets acquired and liabilities assumed, including deferred taxes and utilization of available tax loss carryforwards, may be subject to adjustment as additional information is obtained. Differences between these preliminary amounts and the final accounting may occur. Adjustments will be finalized within twelve (12) months from the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Completion of acquisition of Ontario Branded Stores in February 2020

In the prior fiscal year ended February 1, 2020, the Company entered into consulting agreements to provide services to two licensed cannabis retail stores operating in Ottawa and Kingston, Ontario (the “Branded Stores”), including options to acquire the licensed cannabis retail stores when and as permitted by AGCO. The owners/operators of the Branded Stores transferred all of their interests in these stores into 2727765 Ontario Inc. (“272 Ontario”) and 2676053 Ontario Limited (“267 Ontario”), respectively, for purposes of completing the Company’s acquisition of these stores.

The Company also entered into promissory note agreements with each of the two lottery winners for \$800, subject to interest at the Canadian prime lending rate and mature on December 13, 2019. The promissory notes were measured at amortized cost and recognized under other current assets. On September 8, 2019, \$816 of principal and interest was repaid.

On February 11, 2020, the Company completed the acquisition of the Ottawa location by way of its acquisition of all of the issued and outstanding shares of 272 Ontario for a total purchase price of \$1,742, consisting of \$1,110 in cash and 800,000 common shares of the Company.

On February 27, 2020, the Company completed the acquisition of the Kingston location by way of its acquisition of all of the issued and outstanding shares of 267 Ontario for a total purchase price of \$2,139 consisting of the settlement of receivables of \$1,728 and 753,431 common shares of the Company issued upon final closing adjustments on August 27, 2020. On February 27, 2020, the remaining promissory note balance outstanding of \$828 was settled as part of the purchase price adjustments for the acquisition of this location.

The Company also recognized deferred tax liabilities associated with the licences acquired for the Branded Stores. The deferred tax liability resulted in the recognition of goodwill for both acquisitions.

c) Asset Acquisition - Flora and Tridelion

On June 4, 2019, the Company entered into asset purchase agreements with Flora (Bernard) Enterprises Inc., Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. pursuant to which the Company proposed to acquire an aggregate of five cannabis retail stores in Kelowna, Kamloops, Vernon, Prince George and Quesnel, British Columbia, subject to customary conditions including satisfaction of all licensing requirements.

During the fiscal year ended January 30, 2021, the asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. in respect of stores in Kamloops, Vernon, Prince George and Quesnel expired in accordance with their terms, and the Company and FFI entered into an amended and restated asset purchase agreement with Flora (Bernard) Enterprises Inc. in respect of a store in Kelowna (the “Kelowna Acquisition”) which was completed on April 15, 2020. The purchase price was \$2,147, consisting of \$450 in cash including retention of deposits already paid, \$300 by way of a promissory note, and 2,408,715 common shares of the Company (issued on July 31, 2020). Under IFRS 3, the substance of the acquisition does not constitute a business combination. The purchase price was allocated fully to the acquired licence and recognized as an intangible asset. The promissory note was fully settled as at January 30, 2021.

d) Acquisitions Completed in Prior Fiscal Year

The Company completed a series of business combination and asset acquisitions in the prior fiscal year ended February 1, 2020, which are described below.

Acquisition of Prairie Sky Cannabis Inc.

On May 13, 2019, the Company acquired four licensed and operating retail store locations in the province of Saskatchewan from Prairie Sky Cannabis Inc. (the “Prairie Sky Locations”). The acquisition included the leases, equipment, furnishings, inventory and municipal licences and permits used to operate the Prairie Sky Locations for an aggregate purchase price of \$12,882, comprised of \$6,531 in cash

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

and 4,961,832 in common shares of the Company. The Company received cannabis retail sales licences from the Saskatchewan Liquor and Gaming Authority (“SLGA”) and commenced operations on May 17, 2019 at each of the Prairie Sky Locations.

In accordance with IFRS 3, Business Combinations (“IFRS 3”), the substance of the transaction constituted a business combination as the Prairie Sky Locations meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

Consideration paid	
	\$
Common shares issued	6,351
Cash	6,531
Total consideration	12,882
Identifiable assets (liabilities) acquired	
	\$
Inventory	448
Leasehold Improvements	619
Intangible assets ⁽¹⁾	11,815
Right-of-use assets	894
Lease liabilities	(894)
Total identifiable net assets	12,882

(1) Intangible assets consist of the municipal licences and permits, and the SLGA cannabis retail store permits.

Asset acquisitions of retail cannabis licences and permits

Retail cannabis operator licences, permits and in-progress licence applications were acquired for an aggregate purchase price of \$22,279, comprised of \$11,678 in cash and \$10,601 in common shares (or 8,433,130 common shares) of the Company. Under IFRS 3, the substance of these acquisitions did not constitute a business combination, and the purchase price was allocated fully to the licences and permits, which were recognized as intangible assets.

- *Vancouver Locations* - On May 28, 2019, the Company acquired certain assets from 1011173 B.C. Ltd. o/a The Green Rhino in relation to two locations to operate cannabis retail stores in Vancouver, British Columbia (the “Vancouver Locations”). The City of Vancouver issued development permits in the name of the Company, as well as its recommendation to the BC Liquor & Cannabis Regulation Branch that licences be issued for these locations. As at January 30, 2021, the applications continue to be in progress. On March 5, 2021, one application was completed and licence was issued.
- *Banff Location* - On May 24, 2019, the Company acquired all the issued and outstanding shares of 2103430 Alberta Ltd., the developer of a proposed cannabis retail store in the Town of Banff, Alberta (the “Banff Location”) that holds an in-progress retail cannabis licence application in the province of Alberta. The acquisition also includes rights of first refusal and last offer in favour of the Company in respect of two locations under development in British Columbia. On November 15, 2019, the Banff Location commenced operations.
- *Cannabis Cowboys Inc.* - On October 7, 2019, the Company acquired the assets held by the wholly-owned subsidiaries of Cannabis Cowboy Inc. in connection with the in-progress development of eight cannabis retail stores, including municipal development permits issued thereto. The Company subsequently submitted its applications to the AGLC for cannabis retail store licences at each of the acquired locations. Subsequently, two of the locations were closed under the Company’s restructuring activities (Note 14).
- *Regina Location* - On October 7, 2019, the Company completed its acquisition of all of the issued and outstanding shares of a subsidiary of Mera Cannabis Corp. (“Mera”) that held a cannabis retail licence for a location in Regina, Saskatchewan. The acquisition included municipal license and permits used to operate the retail location. The store commenced operations on October 18, 2019. Upon closing of the acquisition, the Company also entered into a supply agreement with Mera (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Issuance of common share instalments related to the acquisition of Hifyre Inc. in July 2018

On July 20, 2018, the Company acquired 100% of the issued share capital of Hifyre Inc. (“Hifyre”). In accordance with IFRS 3, Business Combinations, the substance of the transaction constituted a business combination as Hifyre meets the definition of a business under the standard. The acquisition of Hifyre Inc. was accounted for as a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

The consideration paid to the vendor included issuances of common shares of the Company as follows:

- 1,350,000 common shares issued in six-month intervals over three years from the Hifyre acquisition date of July 20, 2018; and,
- Maximum of 750,000 common shares issued if Hifyre achieved certain gross revenue and earnings before interest, taxes, depreciation and amortization (“EBITDA”) targets following the twelve-month anniversary of the closing of the Hifyre acquisition date. The Company is to issue these common shares in one-third tranches ninety (90) days following the twelve-month anniversary date, twenty-four (24) months after closing and thirty-six (36) months after closing.

The common share consideration was recognized at the acquisition date fair value of the Company’s common shares of \$0.80 and discounted to incorporate the issuance over time. Instalment shares were recognized in equity as common shares to be issued, and the revenue/EBITDA target based common shares were recognized as a contingent consideration liability at date of acquisition.

The revenue and EBITDA targets were fully met in fiscal year ended January 30, 2021.

During the fiscal year ended January 30, 2021, the Company issued 650,000 common shares with a carrying value of \$434 (2019: 700,000 common shares with a carrying value of \$478), with 450,000 common shares remaining for issuance. The vendor of Hifyre is an officer of the Company and designated as key management personnel (note 21).

8. CASH AND CASH EQUIVALENTS

As at January 30, 2021 and February 1, 2020, the Company’s cash and cash equivalents was comprised of the following:

	January 30, 2021	February 1, 2020
	\$	\$
Cash	30,412	17,629
Cash equivalents	201	5,271
Total Cash and Cash Equivalents	30,613	22,900

Cash equivalents are comprised of highly liquid money market mutual funds and GIC’s held with large Canadian financial institutions.

9. TRADE AND OTHER RECEIVABLES

As at January 30, 2021 and February 1, 2020, the Company’s trade and other receivables was comprised of the following:

As at	January 30, 2021	February 1, 2020
	\$	\$
Trade accounts receivable	4,283	1,732
Sales tax receivable	1,913	1,335
Due from related parties	-	53
Other receivables	52	1,041
Total trade and other receivables	6,248	4,161

In the prior fiscal period, February 1, 2020, other receivables included \$914 related to consulting and rental income from Ontario licensees, which were settled as part of the completed acquisition of the Ontario locations in the fiscal year ended January 30, 2021 (note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

10. MERCHANDISE INVENTORIES

As at January 30, 2021 and February 1, 2020, the Company's merchandise inventories were comprised of the following:

As at	January 30, 2021	February 1, 2020
	\$	\$
Cannabis	8,991	5,202
Accessories & apparel	847	674
Total merchandise inventories	9,838	5,876

11. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, February 1, 2020	7,110	919	23,670	5,311	173	391	37,574
Acquisitions (note 7)	-	1,736	4,201	114	95	-	6,146
Additions	259	819	7,195	913	355	-	9,541
Disposal	(2,232)	-	(21)	-	-	-	(2,253)
Impairment	(92)	(193)	(224)	(68)	(2)	-	(579)
Balance, January 30, 2021	5,045	3,281	34,821	6,270	621	391	50,429
Accumulated Depreciation							
Balance, February 1, 2020	243	117	1,746	893	70	106	3,175
Depreciation	280	256	2,473	1,040	142	73	4,264
Disposal	(365)	-	-	-	-	-	(365)
Balance, January 30, 2021	158	373	4,219	1,933	212	179	7,074
Net Book Value							
Balance, February 1, 2020	6,867	802	21,924	4,418	103	285	34,399
Balance, January 30, 2021	4,887	2,908	30,602	4,337	409	212	43,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, February 2, 2019	5,105	225	12,820	2,524	189	349	21,212
Acquisitions	-	-	619	-	-	-	619
Additions	3,669	752	13,275	2,893	-	42	20,631
Disposal	-	(54)	(50)	(41)	-	-	(145)
Impairment	(1,664)	-	-	-	-	-	(1,664)
Restructuring	-	(4)	(2,994)	(125)	-	-	(3,123)
Revaluation	-	-	-	60	(16)	-	44
Balance, February 1, 2020	7,110	919	23,670	5,311	173	391	37,574
Accumulated Depreciation							
Balance, February 2, 2019	10	15	114	164	12	31	346
Depreciation	233	123	1,637	759	58	75	2,885
Disposals	-	(21)	(5)	(30)	-	-	(56)
Balance, February 1, 2020	243	117	1,746	893	70	106	3,175
Net Book Value							
Balance, February 2, 2019	5,095	210	12,706	2,360	177	318	20,866
Balance, February 1, 2020	6,867	802	21,924	4,418	103	285	34,399

As at January 30, 2021, the amount of property, plant and equipment classified as under construction or development and therefore not being amortized was \$15,759 (2019: \$5,867).

In the fiscal year ended January 30, 2021, the Company recognized \$580 of net impairment charges. The net impairment charges include i) \$1,489 related to impairment reversals of locations that were restructured from prior year, and subsequently achieved improved operating performance, ii) \$1,040 related to locations that were terminated during the year, iii) \$483 related to additional adjustments for restructured locations, and iv) \$546 related to the write down of capital assets under the expired asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc.

12. INTANGIBLE ASSETS AND GOODWILL

	Trademarks & Customer List	Licenses	Software Development	Total
Cost	\$	\$	\$	\$
Balance, February 1, 2020	1,120	34,845	1,614	37,579
Acquisitions (note 7)	7,223	19,403	-	26,626
Additions	148	-	882	1,030
Impairment	-	(868)	-	(868)
Balance, January 30, 2021	8,491	53,380	2,496	64,367
Accumulated Depreciation				
Balance, February 1, 2020	270	1,303	224	1,797
Depreciation	316	3,268	416	4,000
Balance, January 30, 2021	586	4,571	640	5,797
Net Book Value				
Balance, February 1, 2020	850	33,542	1,390	35,782
Balance, January 30, 2021	7,905	48,809	1,856	58,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

	Trademarks & Customer List	Licenses	Product Design	Software Development	Total
Cost	\$	\$	\$	\$	\$
Balance, February 2, 2019	1,034	1,528	180	774	3,516
Acquisitions	-	34,002	-	-	34,002
Additions	86	-	25	840	951
Disposals	-	-	(205)	-	(205)
Restructuring	-	(685)	-	-	(685)
Balance, February 1, 2020	1,120	34,845	-	1,614	37,579
Accumulated Depreciation					
Balance, February 2, 2019	90	30	0	29	149
Depreciation	180	1,273	1	195	1,649
Disposals	-	-	(1)	-	(1)
Balance, February 1, 2020	270	1,303	-	224	1,797
Net Book Value					
Balance, February 2, 2019	944	1,498	180	745	3,367
Balance, February 1, 2020	850	33,542	-	1,390	35,782

During the fiscal year ended January 30, 2021, the Company generated \$676 (2019: \$719) of internally developed software assets.

The Company recognized \$868 of impairment charges related to the write-off of a licence for a location that was restructured and closed during the fiscal year ended January 30, 2021, and in which the carrying value exceeded the recoverable amount. The recoverable amount was estimated based on a VIU approach. Refer to Note 14 for further details.

Goodwill

Goodwill is comprised of:

	January 30, 2021	February 1, 2020
	\$	\$
Hifyre	402	402
Friendly Stranger	11,642	-
Other Ontario locations	1,762	-
	13,806	402

During the fiscal year ended January 30, 2021, the Company had goodwill arising from the acquisitions of Friendly Stranger and other Ontario retail store acquisitions, which totalled \$11,642 and \$1,762 (note 7). Of the goodwill recognized, \$5,501 arose upon recognition of deferred tax liabilities for the acquisitions during the fiscal year. The purchase price allocations are further detailed under Note 7.

Of the goodwill recognized, \$12,802 relates to purchase allocations that are subject to final adjustments, and therefore remain unallocated to a CGU for the purposes of goodwill impairment testing (note 7). There were no indicators of impairment as at January 30, 2021 for these goodwill amounts.

The remaining goodwill of \$602, which also arose upon recognition of deferred tax liabilities, related to the Ontario based Branded Stores, and was allocated to the Company's CGUs under the retail operating segment. Annual impairment test as at January 30, 2021 was completed and the recoverable amounts were determined to be higher than the carrying value, and no impairment was recognized.

The goodwill arising from the acquisition of Hifyre (acquired in fiscal year 2018), totalled \$402 and was allocated to the digital platform operating segment. The recoverable amounts exceeded the carrying value of the operating segment and no impairment was recognized. Any reasonable changes in these assumptions were not significant to impact the conclusions of the goodwill impairment test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into various lease agreements predominantly to execute its retail platform strategy.

The Company leases properties such as various retail stores and offices. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets as at	January 30, 2021	February 1, 2020
	\$	\$
Beginning balance	33,633	21,471
Additions	19,567	15,338
Terminated locations	(8,620)	-
Depreciation expense for the period	(4,080)	(3,176)
Ending balance	40,500	33,633

The lease liabilities pursuant to these leases is summarized in the below table:

Lease liabilities as at	January 30, 2021	February 1, 2020
	\$	\$
Beginning balance	36,862	22,206
Additions	18,851	15,733
Cash outflows in the period	(5,132)	(3,613)
Terminated locations	(7,822)	-
Accretion expense for the period ended (note 19)	3,147	2,536
Ending balance	45,906	36,862
	January 30, 2021	February 1, 2020
Current	2,784	3,075
Non-current	43,122	33,787
Maturity analysis - contractual undiscounted cash flow	\$	\$
Less than one year	8,823	5,408
One year	8,607	5,806
Two years	7,866	5,871
Three years	6,258	5,280
Four years	5,758	3,994
Five years and beyond	20,591	16,589
	57,903	42,948
Amounts recognized in the consolidated statement of loss and comprehensive loss	January 30, 2021	February 1, 2020
	\$	\$
Expenses relating to short-term leases	73	218
Expenses relating to variable lease payments not included in the measurement of lease liabilities	2,231	2,072
Income from subleasing right-of-use assets	321	64

During the fiscal year ended January 30, 2021, the Company impaired \$9,729 of right-of-use assets, net of associated lease liability payment obligation reductions of \$7,822, and \$44 related to other restructuring provision drawdown, offset by \$1,109 of impairment reversals from restructuring. The impairments related to locations that were terminated during the year, and certain leases under the expired asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. (note 7). With respect to the leases under the expired asset purchase agreements, \$884 of lease liabilities was also written off during the fiscal year ended January 30, 2021, as these leases reverted to the seller upon expiry. The impairment reversals related to locations that were restructured from prior year, and subsequently achieved improved operating performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

14. PROVISIONS

	January 30, 2021	February 1, 2020
	\$	\$
Beginning balance	265	1,662
Additions	2,649	265
Drawdowns	(242)	-
IFRS 16 reclassification	-	(1,662)
Ending balance	2,672	265

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the 2020 fiscal year, the Company performed an analysis of its retail store network and recorded a provision for estimated severance costs of \$123, and facility exit and other costs of \$2,526. The value of the provision is management's best estimate of the amount of expenditures expected to occur over the next five years. Lease obligation costs related to the restructuring locations have been recorded in lease liabilities (note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

15. DEBENTURES AND LOANS, DERIVATIVE LIABILITY

Debentures and Loans balances outstanding:

	Contractual Maturity Date	Coupon Interest Rate	Principal Outstanding		Carrying Amount	
			January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
			\$	\$	\$	\$
Convertible debenture liability						
LP Debentures	July 31, 2020	8.00%	-	14,000	-	13,087
June 2019 Debentures	June 26, 2020	8.00%	-	27,168	-	24,865
April 2020 Debentures ⁽¹⁾	June 1, 2022	8.00%	29,407	-	16,364	-
Investor Debentures ⁽¹⁾	June 30, 2023	8.00%	25,990	25,990	14,931	13,550
			55,397	67,158	31,295	51,502
Term loans and credit facilities						
Term loan	April 30, 2030	3.95%	2,359	-	2,359	-
Total debentures and loans			57,756	67,158	33,654	51,502
Current Portion			(219)	(41,168)	(637)	(38,154)
Long-term Portion			57,537	25,990	33,017	13,348

Derivative Liability balances outstanding:

	Contractual Maturity Date	Conversion Price/unit	Equivalent Units		Carrying Amount	
			January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
		\$/unit	#	#	\$	\$
Conversion option derivative liabilities						
LP Debentures	July 31, 2020	\$1.15	-	14,000,000	-	2,078
April 2020 Debentures	June 1, 2022	\$0.50	29,407,000	-	21,355	-
Investor Debentures ⁽¹⁾	June 30, 2023	variable ⁽¹⁾	25,989,985	25,989,985	17,457	-
					38,812	2,078
Warrants recognized as derivative liability						
Series B Warrants ^{(1) (2)}	September 30, 2022	variable	67,175,541	n/a	10,576	-
Series C Warrants ^{(1) (3)}	June 30, 2023	variable	133,390,789	133,390,789	16,929	-
					27,505	-
Total derivative liability					66,317	2,078
Current Portion					-	(2,078)
Long-term Portion					66,317	-

(1) Amended. See further details below.

(2) Exercisable after January 1, 2022 (see terms described below).

(3) Exercisable after October 31, 2022 (see terms described below).

Cash proceeds from convertible debentures issued totalled \$28,000 (February 1, 2020: \$27,188).

Cash proceeds from term loan facilities totalled \$2,538 (February 1, 2020: \$Nil).

As of January 30, 2021, \$100 of the April 2020 Debentures (defined herein) were early converted and 200,000 common shares were issued by the Company.

Subsequent to January 30, 2021, \$52,990 of principal of the convertible debentures were converted (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Convertible debenture related activity is summarized below:

	Principal Outstanding	Carrying Amount		
		Debenture component	Derivative liability - conversion option	Equity component - conversion option
	\$	\$	\$	\$
Balance at February 2, 2019	27,317	25,683	11,253	-
Extinguishment - 2018 debentures	(20,000)	(18,855)	(8,121)	-
Debenture conversions - 2018 Debentures	(7,317)	(6,984)	(2,974)	-
Issuances - LP Debentures	20,000	16,388	15,660	-
Issuances - Share Debentures	5,800	4,905	4,804	-
Issuances - June 2019 Debentures	27,188	21,479	-	1,756
Issuances - Investor Debentures	25,990	9,708	-	-
Gain on revaluation	-	-	(15,648)	-
Accretion and interest expense	-	13,873	-	-
Coupon interest payment in cash	-	(1,117)	-	-
Coupon interest payment in common shares	-	(2,425)	-	-
Debenture conversions - Other	(20)	(6)	-	-
Debenture conversions - LP Debentures	(6,000)	(5,591)	(1,180)	-
Debenture conversions - Share Debentures	(5,800)	(5,556)	(1,716)	-
Balance, February 1, 2020	67,158	51,502	2,078	1,756
Conversion and settlement - LP Debentures	(14,000)	(13,132)	(1,112)	-
Repayment and settlement - June 2019 Debentures	(27,168)	(27,168)	-	-
Conversion option expiry - June 2019 Debentures	-	-	-	(1,756)
Issuances - April 2020 Debentures	28,000	11,762	15,309	-
Pre-amendment Investor Debentures- extinguishment ⁽¹⁾	(25,990)	(20,728)	-	-
Amended Investor Debentures - new liability	25,990	13,601	21,966	-
Debenture modifications	-	(1,207)	-	-
Loss on revaluation of derivative liability	-	-	682	-
Accretion and interest expense	-	19,892	-	-
Coupon interest payment in cash	-	(1,057)	-	-
Coupon interest payment in common shares	-	(2,119)	-	-
Coupon interest capitalization to principal	1,507	-	-	-
Debenture conversions - other	(100)	(51)	(111)	-
Balance, January 30, 2021	55,397	31,295	38,812	-

(1) Represents proportion of extinguishment loss related to the debenture liability component. Extinguishment loss for all components of the instrument totalled \$53,459 (note 15(a)).

Derivative liability activity related to warrants are summarized below:

	January 30, 2021	February 1, 2020
	\$	\$
Issuance - Series C Warrants	-	15,546
Amended Series B Warrants - new liability	16,949	-
Amended Series C Warrants - new liability	29,876	-
Gain on revaluation	(19,320)	(15,546)
Balance, end of fiscal year	27,505	-

Measurement and sensitivity analysis as at January 30, 2021

As at January 30, 2021, the derivative liability for the April 2020 Debentures conversion option was revalued using the above described valuation technique and the following assumptions: stock price of \$0.80; risk-free interest rate of 0.12%; and expected volatility of 82% based on historical trading data of the Company and its peers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

As at January 30, 2021, the derivative liabilities related to the Investor Debentures conversion option, Series B Warrants and Series C Warrants were revalued using the Monte-Carlo and trinomial tree model simulation valuation technique and the following assumptions: stock price of \$0.80; risk-free interest rate range of 0.14% - 0.16%; and expected volatility of 80% based on historical trading data of the Company and its peers.

These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimated fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

Volatility assumptions are a significant unobservable input to the estimate, mainly due to the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in.

As at January 30, 2021, with all other variables held constant, a 5% increase and 5% decrease in volatility would have resulted in a change in the estimated fair values of the derivative liability instruments as follows:

Sensitivity Analysis	Valuation Technique	As at January 30, 2021	
		Volatility - 5%	Volatility +5%
April 2020 Debentures conversion option	Monte-carlo	\$ (507)	\$ 345
Investor Debentures conversion option - amended	Monte-carlo/ Trinomial	(329)	315
Series B Warrants - amended	Monte-carlo	(1,585)	1,341
Series C Warrants - amended	Monte-carlo	(3,036)	3,314
Total		(5,457)	5,315

a) Strategic Investment - Investor Debentures and Investor Warrants

On August 7, 2019, the Company issued: (i) \$25,990 principal amount of 8.0% unsecured convertible debentures (the "Investor Debentures"); (ii) 30,634,322 series A Common Share purchase warrants (the "Series A Warrants"); (iii) 56,126,890 series B Common Share purchase warrants (the "Series B Warrants"); and (iv) 110,703,926 series C Common Share purchase warrants (the "Series C Warrants" and with the Series A Warrants and the Series B Warrants, the "Investor Warrants") pursuant to the terms of a subscription agreement with 2707031 Ontario Inc., an indirect wholly-owned subsidiary of Alimentation Couche-Tard ("ACT") (the "Strategic Investment"). Pursuant to the terms of the Strategic Investment, ACT had the right, but not the obligation, to acquire that number of common shares that may result in ACT holding 50.1% of the issued and outstanding common shares if the principal amount of Investor debentures and warrants are converted and exercised, respectively, in full.

On July 23, 2020, the Company announced a series of amendments to convertible debentures and investor warrants issued to ACT under the strategic investment agreement completed on August 7, 2019 (the "ACT Investment Amendments"). These amendments were approved at a special meeting of shareholders on September 15, 2020.

These amendments resulted in the following:

- Extending the maturity date of \$25,990 principal amount 8.0% convertible unsecured debentures to June 30, 2023 from June 30, 2021. ACT would have the right to accelerate the Investor Debentures maturity date once \$20,000 in principal of the April 2020 Debentures was converted.
- The Investor Debentures conversion price is now the lesser of: (A) the 20-day volume weighted average price ("VWAP") of the common shares of the Company on the last trading day prior to ACT delivering a notice of its intention to convert; and (B) \$0.90.
- The Company has the ability to repay the principal amount of the Investor Debentures and interest by issuing common shares of the Company at a price equal to \$0.75 per common share (subject to satisfaction of certain conditions precedent, including the common shares having a 20-day VWAP of at least \$1.00 on the date the Company gives its notice of intention to convert).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

- 34,158,027 series A common share purchase warrants ("Series A Warrants"), previously with an exercise price of \$1.40, were amended as follows:
 - 13,146,469 of the Series A Warrants (the "A-1 Warrants") have an exercise price equal to \$0.78, which were subsequently exercised by ACT on September 18, 2020 for cash exercise proceeds of \$10,254;
 - 10,505,779 of the Series A Warrants (the "A-2 Warrants") has an exercise price equal to \$0.83, which were exercised during the fiscal year ended January 30, 2021 for cash exercise proceeds of \$8.720; and
 - 10,505,779 of the Series A Warrants (the "A-3 Warrants") has an exercise price equal to \$0.93. The A-3 Warrants will expire on June 30, 2021 (the "Series A Expiry Date").
- 67,175,541 series B common share purchase warrants ("Series B Warrants"), previously with an exercise price of \$1.875, were amended such that the exercise price is the lesser of: (A) \$1.875; and (B) the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series B Warrants are exercised; is exercisable at any time after January 1, 2022; and the expiry date is September 30, 2022.
- 133,390,789 series C common share purchase warrants ("Series C Warrants"), previously with an exercise price range of \$2.00 - \$6.00, were amended such that the exercise price is the lesser of: (A) \$3.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised; is exercisable at any time after October 1, 2022; and the expiry date would be June 30, 2023.

The A-3 Warrants is exercisable at ACT's option, without any impact to the Series B Warrants and Series C Warrants.

Initial Recognition and Measurement in fiscal year ended February 1, 2020

The Investor Debentures' host debt component was classified as a financial liability measured at amortized cost, while the holder's conversion option component was classified as an equity instrument, and the accelerated maturity date prepayment option and the Company's conversion option components were classified as embedded derivatives.

The classification of Investor Warrants was determined based on the terms and conditions attached to each series. The Series C Warrants were classified as a derivative liability due to the variability in exercise price, while the Series A Warrants and Series B Warrants were classified as equity instruments and are not subject to revaluation in accordance with IFRS.

Gross proceeds were \$25,990 and net proceeds were \$24,092, net of cash transaction costs of \$1,898. The gross proceeds were allocated on a relative fair value basis to the Series C warrants for \$15,546, the host debt component for \$10,473, and the embedded derivatives for \$29,015. Of the cash transaction costs, \$765 was allocated and netted against the host debt component, and \$1,133 was recognized as finance costs expense at inception (note 19). In accordance with IFRS, any residual value remaining would be allocated to the identified equity instruments. At initial recognition, no residual value remained for allocation, and the Series A Warrants, Series B Warrants and the holder's conversion option was assigned a \$nil value. At initial recognition, these equity instruments had an aggregate estimated fair value of \$60,581.

The host debt component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal \$25,990, using an effective interest rate of 80%.

The estimated fair value at initial recognition for the Investor Debentures host debt component and the Investor Warrants differed from the transaction price. For the Series C Warrants derivative liability, which are to be recognized at fair value, IFRS permits the deferral of the recognition of the difference of \$11,503, between the estimated fair value at initial recognition of \$27,049 and the allocated relative fair value amount. This Company's policy is to defer such differences and recognize the deferred amounts once estimated fair values can be determined based solely on market observable inputs.

The estimated fair value of the Investor Debentures host debt component at initial recognition was determined using probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific operational events, and a company specific discount rate assumption range of 33% - 46%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

The Series C Warrants were valued using the Monte-Carlo simulation valuation technique to project the Company's share price to the expected maturity date, and the following assumptions: stock price of \$1.39; \$nil dividends; risk-free interest rate of 1.33%; and expected volatility of 70% based on historical trading data.

As at February 1, 2020 and prior to amendment, the Series C Warrants were revalued to \$nil (net of the deferred initial difference), using the above described valuation technique. These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimated fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

Accounting for the amendments to Investor Debentures and Investor Warrants

The amendment to the terms of the Investor Debentures and Investor Warrants resulted in the derecognition of the existing debenture and warrants carrying values at the date of amendment (September 15, 2020), which were in aggregate \$20,728 and \$808, respectively, and recognition of the debentures and warrants under the amended terms. The aggregate fair value of the amended debentures and warrants totalled \$87,066, and were allocated as follows:

- Recognition of \$13,601 as a debenture liability for the host debt component and \$21,966 as a derivative liability in relation to the conversion option. The conversion option was accounted for as a derivative liability as the amended terms did not meet the fixed-for-fixed criteria under IFRS (pre-amendment, accounted for as an equity instrument with \$Nil carrying value).
- Recognition of \$4,674 for Series A Warrants, which were accounted for as an equity instrument (pre-amendment, \$Nil carrying value).
- Recognition of \$16,949 for Series B Warrants, which were accounted for as a derivative liability (pre-amendment, accounted for as an equity instrument with \$Nil carrying value).
- Recognition of \$29,876 for Series C Warrants, which were accounted for as a derivative liability (pre-amendment, \$Nil carrying value and \$13,860 in unrecognized deferred losses).

The recognition of the Investor Debentures and Investor Warrants under the amended terms resulted in an extinguishment loss of \$54,359 in the fiscal year ended January 30, 2021, which was recognized in net loss, and an amount of \$11,174 recognized in contributed surplus in relation to the equity instrument components that were extinguished.

The amendment date fair value estimates for the Investor Debentures conversion option and Investor Warrants were estimated using Black-Scholes, Monte-Carlo and trinomial tree model simulation valuation techniques, and the following assumptions: stock price of \$0.88; risk-free interest rate range of 0.19% - 0.27%; and expected volatility range of 60%-94% based on historical trading data of the Company and its peers and variability of the life of the conversion option and warrants.

The estimated fair value of the host debt component of the Investor Debentures was determined based on a discount rate assumption of 40%, and was measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal using an effective interest rate of 33%.

Amendment date measurement and sensitivity analysis

As there was no associated consideration or transaction price for the amendment, the aggregate fair value was recognized without calibration to proceeds or other consideration, and no relative fair value allocation of proceeds to the instruments. As such, the following assumptions were determined significant to the fair value recognized as at September 15, 2020:

- *Discount rate utilized for the host debt component* - A discount rate range of 34% to 46% would result in an initial host debt liability range of \$12,300 - \$15,200. Discount rate is based on both market and company specific premium assumption that considers the Company's borrowing profile relation to the comparable group. Changes in the discount rate would result in a change in the non-cash accretion expense recognized to accrete up to the principal at expected maturity date. The Company estimated the maturity date consistent with the contractual maturity date of June 30, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

- *Volatility* – As described further above, volatility is a significant assumption in the valuations utilized to estimate fair value of the Company's derivative liabilities. The following table summarizes the sensitivity of the amendment date estimate fair values:

Sensitivity Analysis - Investor Debentures and Derivative Liabilities	Valuation Technique	As at September 15, 2020	
		Volatility - 5%	Volatility +5%
		\$	\$
Investor Debentures conversion option - amended	Monte-carlo/ Trinomial	(364)	229
Series B Warrants - amended	Monte-carlo	(1,847)	1,871
Series C Warrants - amended	Monte-carlo	(4,939)	1,368
Total		(7,150)	3,468

b) Issuance of April 2020 Debentures

During the fiscal year ended January 30, 2021, the Company completed two private placements for aggregate gross proceeds of \$28,000, which were comprised of:

- a non-brokered private placement of 8% secured convertible debentures for aggregate gross proceeds of \$19,800 (the "April 2020 Initial Debentures"), which closed on April 28, 2020, and
- a non-brokered private placement of subscription receipts for aggregate gross proceeds of \$8,200, subject to shareholder approval (the "April 2020 Subscription Receipts"). The April 2020 Subscription Receipts were automatically converted into convertible debentures upon shareholder approval on June 17, 2020. These convertible debentures have the same terms as the April 2020 Initial Debentures.

The principal amount of the April 2020 Initial Debentures and the April 2020 Subscription Receipts, upon conversion to convertible debentures (collectively the "April 2020 Debentures"), will be convertible at the holder's option into common shares of the Company (the "Conversion Shares") at any time prior to the maturity date (described below) at a conversion price of \$0.50 per Conversion Share. The Company's obligations under the April 2020 Debentures is secured by the assets of the Company.

On July 23, 2020, in conjunction with entering into the ACT Investment Amendments, the Company also entered into a supplemental debenture indenture (the "Supplemental Indenture") to the debenture indenture dated April 28, 2020 (the "Indenture") which governs the April 2020 Debentures. The Supplemental Indenture amendments included:

- modification of the April 2020 Debenture maturity date to June 1, 2021, or June 1, 2022, in the event that, on or before April 1, 2021, ACT's A-1 Warrants and A-2 Warrants have been exercised. As at January 30, 2021, ACT's A-1 Warrants and A-2 Warrants were fully converted as at January 30, 2021, and the maturity date was extended to June 1, 2022;
- the Company's election to force the conversion of the principal amount of April 2020 Debentures shall no longer be contingent on the conversion or retirement of the Investor Debentures; and
- the Company may elect to add any interest accrued and payable on the December 31, 2021 payment date to the principal amount of April 2020 Debentures (as is already contemplated for the interest payments owing on December 31, 2020 and June 30, 2021) (the "Interest Amendment"). The Interest Amendment was approved by the shareholders of the Company on September 15, 2020.

The Supplemental Indenture amendments' impact on the carrying value of the debt was assessed by the Company once the ACT Investment Amendments were effective upon shareholder and regulatory approvals received on September 15, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

April 2020 Debentures - initial recognition

Of the \$28,000 in gross proceeds, \$19,800 was received during the first quarter of 2020, and \$8,200 related to the April 2020 Subscription Receipts was received in the second quarter of 2020. The gross proceeds were allocated on a relative fair value basis to the conversion option derivative and embedded derivatives and the host debt component.

The April 2020 Debentures' host debt component was classified as a financial liability measured at amortized cost, while the holder's conversion option along with the embedded derivatives were classified as a derivative liability given the variability in settlement options of the conversion. Transaction costs totalled \$2,058, with cash transaction costs of \$1,250 and non-cash costs of \$808 related to the Additional Investor Warrants (described and defined further below). Transaction costs totalling \$685 was deferred and recognized in other assets as deferred charges as at May 2, 2020, and then allocated once the April 2020 Subscription Receipts were converted into debenture units during the second quarter of 2020.

See table below for a summary of the allocation of proceeds and initial recognition values at inception:

Initial Recognition	Debentures			Derivative liability	
	Gross proceeds	Carrying value	Transaction Costs ⁽¹⁾ (2)	Carrying value	Transaction Costs ⁽¹⁾
April 2020 Initial Debentures	\$ 19,800	\$ 9,234	\$ 640	\$ 10,566	\$ 733
April 2020 Subscription Receipts	8,200	3,457	289	4,743	396
Total	28,000	12,691	929	15,309	1,129

(1) Transaction cost amounts were allocated on a proportional basis. Transaction costs allocated to the debentures was netted against the host debt component, and costs allocated to the derivative liability were treated as finance costs expense (note 19).

(2) Includes fair value of additional Investor Warrants issued in connection with the issuance of these debentures. See details below.

The estimated fair value of the April 2020 Debentures host debt component at initial recognition was determined using a probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific events, and a company specific discount rate assumption range of 33% - 46%. The host debt component for the April 2020 Debentures was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal using an effective interest rate of 52%.

The derivative liability inception fair value was estimated using the Monte-Carlo and trinomial tree model simulation valuation techniques to project the Company's share price and expected maturity date, and the following assumptions:

- April 2020 Initial Debentures – stock price of \$0.63; risk-free interest rate of 0.31%; and expected volatility of 70% based on historical trading data of the Company and its peers.
- April 2020 Subscription Receipts – stock price of \$0.74; risk-free interest rate of 0.26%; and expected volatility of 92% based on historical trading data of the Company and its peers.

As the estimated fair value at initial recognition of the overall instrument differed from the transaction price, for the derivative liabilities (which are to be recognized at fair value under IFRS), \$7,442 in fair value was deferred at inception. The deferred amount was the difference between the estimated fair value at initial recognition for the derivative liabilities and allocated relative fair value amount of \$18,439. As per the Company's accounting policy and as permitted under IFRS, the deferred amount will be recognized once estimated fair values can be determined based solely on market observable inputs.

Discount rate and volatility are significant assumptions in the valuation models utilized to estimate fair value of the host debt and derivatives, respectively. Changes in either the discount rate or volatility assumptions at inception would have resulted in a change in the relative fair value allocation between the host debt component and the conversion option derivative at inception, and would not have a material effect on the statement of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Issuance of Additional Investor Warrants

ACT also participated in the April 2020 Debentures, and consequently exercised its participation rights under the terms of the August 7, 2019 investor rights agreement. As a result, on April 28, 2020, the Company issued an additional 3,523,705 Series A Warrants, 11,048,651 Series B Warrants, and 22,686,864 Series C Warrants, for an aggregate issuance of 37,259,220 warrants ("Additional Investor Warrants"). The Additional Investor Warrants were accounted for as transaction costs of the April 2020 Debentures, and followed the same accounting treatment as the initial tranche of warrants issued on August 7, 2019:

- Series A Warrants and Series B Warrants were accounted for as equity instruments and the initial fair value of \$808 was recognized in warrants reserves. These instruments were not subject to revaluation in accordance with IFRS.
- The Series C Warrants were accounted for as derivative liabilities and were recognized at \$Nil consistent with the fair value recognized for the existing series C warrants. The same fair value model was applied to these Series C Warrants as was applied to the initial Series C Warrants.

Assumptions used in valuing the Additional Investor Warrants were stock price of \$0.63, risk-free interest rate of 0.31%, and expected volatility of 77% based on historical trading data of the Company and its peers.

On September 15, 2020, the Additional Investor Warrants were de-recognized as a result of the ACT Investment Amendments, and then re-recognized under the amended terms (note 15(a)).

April 2020 Debentures – modification gains

The amendments to the host debt component were not considered to be substantial modification of the original terms, and therefore did not result in de-recognition. The Company recognized a modification gain of \$497 in net loss.

The Company elected to defer the coupon interest payment on December 31, 2020, and a deferred amount of \$1,507 was capitalized and added as principal to the April 2020 Debentures, with repayment expected upon settlement of the debentures. This resulted in a change in the estimated timing of cash outflows of the host debt component and a modification gain of \$710.

c) Commitment Letter Agreement - Senior Secured Term Loan and Credit Facilities

On April 21, 2020, the Company entered into a commitment letter to obtain up to an aggregate amount of \$10 million (with an option for an additional \$5 million), non-dilutive credit facilities with a financial institution. The new financing is comprised of two separate loan facilities on a two-year term: a revolving credit facility in the amount of \$5 million that bears a variable interest rate of 1.75% plus prime rate, and a term loan in the amount of \$5 million that bears a variable interest rate of 1.50% plus prime rate. An "accordion" option is also available to increase the revolving facility by an additional \$5 million, subject to the financial institution's consent and certain other customary conditions. As at January 30, 2021, the Company had drawn \$2,538 under the term loan (February 1, 2020: \$Nil) and repaid \$180 in principal.

Under the terms of the facility, the Company also recognized \$4,000 in restricted cash representing cash collateral security under the arrangement.

These credit facilities are subject to quarterly financial ratio covenants beginning in the 2021 fiscal year and are secured by the assets of the Company.

d) June 2019 Debentures

On June 26, 2019, the Company closed a bought deal private placement of 27,188 convertible debenture units at a price of \$1000 per unit for total gross proceeds of \$27,188. Each unit comprised of one \$1 principal amount unsecured convertible debenture ("June 2019 Debentures") and 278 common share purchase warrants. The convertible debentures had a maturity date of June 26, 2020, at 8% interest per annum and a conversion price of \$1.20 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Each common share purchase warrant entitles the holder to purchase one common share of the Company for a period of 24 months following the close of the offering at an exercise price of \$1.45. In connection with the private placement, the Company paid the underwriters aggregate cash consideration of \$1,476 and 1,355,350 broker warrants. Each broker warrant is exercisable for one common share of the Company at a price of \$1.20 per share until June 26, 2021.

Gross proceeds were \$27,188 and net proceeds were \$24,768, net of cash transaction costs of \$1,738 and broker warrants valued at \$682. Net proceeds were allocated on a relative fair value basis to the common share purchase warrants for \$1,533, to the June 2019 Debentures debt component for \$21,479, and the residual value to the debenture conversion option for \$1,756.

The June 2019 Debentures were classified as a debenture with the conversion option component classified as an equity instrument. The debenture component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$27,188, using an effective interest rate of 32%.

The 7,558,264 common share purchase warrants issued were valued on a relative fair value basis using the following assumptions: stock price of \$1.03; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

The 1,355,350 broker warrants issued were valued at \$161,718, which is recorded in warrant reserve, based on a pro-rata basis of its fair value using the following assumptions: stock price of \$1.03; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

During the fiscal year ended January 30, 2021, \$27,168 in principal outstanding of the June 2019 Debentures was settled in cash at maturity. The conversion option carrying value of \$1,756 recorded within debenture equity reserves expired and was reclassified to contributed surplus.

e) 2018 Debentures and LP Debentures

On July 26, 2018 and August 1, 2018, the Company issued \$27,317 in unsecured convertible debentures, bearing coupon rate of 8% per annum with a maturity date of July 31, 2019 (the "2018 Debentures"). The 2018 Debentures were classified as a debenture with a fair value derivative liability component. As at February 2, 2019, the debenture portion and the derivative liability had a carrying value of \$25,683 and \$11,253, respectively.

During the fiscal year ended February 1, 2020, the 2018 Debentures with principal \$7,317 were converted upon completion of the RTO Transaction into 6,380,717 common shares of the Company at the carrying value of the convertible debenture and derivative liability at the time of conversion, which totalled \$9,958.

The remaining \$20,000 in principal was amended upon close of the RTO Transaction (the "LP Debentures"). As a result of the amendment and the recognition of the new LP Debentures resulted in a net loss on extinguishment and revaluation of \$5,119 during the fiscal year ended February 1, 2020.

The LP Debentures were classified as a debt liability with a fair value derivative liability component with respect to the conversion option. The debt component was recognized at \$16,388 and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$20,000 using an effective interest rate of 23.5%. The conversion option was initially recognized at \$15,660 and measured using the Black-Scholes model and the following assumptions: stock price of \$1.50; expected life of 1.5 years; \$nil dividends; expected volatility of 95% based on comparable companies; exercise price of \$1.15; and risk-free interest rate of 1.81%.

During the prior fiscal year end February 1, 2020, \$6,000 in principal was early converted resulting in 5,217,390 shares being issued, with a carrying value of \$6,771, of which \$1,179 related to the settlement value of the corresponding conversion option derivative liability.

During the fiscal year ended January 30, 2021, the remaining outstanding \$14,000 in principal was early converted by the Company. This resulted in 12,173,912 common shares being issued, with a carrying value of \$14,244, of which \$1,112 related to the settlement value of the corresponding conversion option derivative liability. The provisions of the LP debentures were amended to provide for the forced

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

early conversion of the principal amount by the Company at its sole discretion upon certain share price conditions being met. An additional 49,726 common shares were issued to settle accrued and unpaid interest thereon.

f) Share Debentures

Contemporaneous with, and as part of closing the RTO Transaction and to meet certain regulatory requirements for public company listing, 7,250,000 common shares of the Company held by certain holders were exchanged for \$5,800,000 principal amount of convertible debentures (the "Share Debentures") at \$0.80 per common share (representing the issue price of the share purchased by the holders) (the "Original Issue Price"). The Share Debentures were non-interest bearing with a maturity date of November 30, 2019.

The carrying value of the 7,250,000 common shares of the Company, totaling \$5,800, was reclassified from share capital and recognized as a debenture with a fair value derivative liability component, and had an aggregate fair value of \$9,709 at inception. A revaluation loss of \$3,909 was recorded upon reclassification and remeasurement of the Share Debentures.

The debenture component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$5,800 using an effective interest rate of 23.5%. The derivative liability component of the Share Debentures was initially measured at \$4,804 using the Black-Scholes model and the following assumptions: stock price of \$1.50; expected life of 0.8 years; \$nil dividends; expected volatility of 96.5% based on comparable companies; exercise price of \$0.80; and risk-free interest rate of 1.81%.

During the fiscal year ended February 1, 2020, all Share Debentures were converted, resulting in 7,250,000 common shares being issued to debenture holders, with a carrying value of \$7,272, of which \$1,716 related to the settlement value of the corresponding conversion option derivative liability.

16. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share Capital

The Company is authorized to issue an unlimited number of common shares.

As at January 30, 2021, the Company had 232,114,180 common shares outstanding (2019: 146,093,212).

As at January 30, 2021, 4,854,369 common shares were held in escrow in relation to share consideration issued for the acquisition of Friendly Stranger (note 7) (2019: Nil).

At-the-Market Offering

On December 3, 2020, the Company announced it has established an At-the-Market equity program (the "ATM Program"), under which the Company can issue and sell up to \$15,000 of common shares from treasury to the public. All common shares sold under the ATM Program are sold through the TSX or another marketplace where the common shares are listed, quoted or otherwise traded, at the prevailing market price at the time of sale. The volume and timing of distributions under the ATM Program, is determined in the Company's sole discretion. The ATM Program is effective until the earlier of December 1, 2021.

During the fiscal year ended January 30, 2021, the Company issued 8,397,500 common shares for proceeds, net of transaction costs, of \$7,071 (2019: Nil).

RTO Transaction completed in fiscal year ended February 1, 2020

On February 13, 2019, the Company completed its RTO Transaction, which was executed by way of a three-cornered amalgamation, pursuant to which Fire & Flower Inc. ("Old FFI") amalgamated with 11048449 Canada Inc., a wholly-owned subsidiary of the Company, to form Fire & Flower Inc. ("New FFI"), resulting in the indirect acquisition by the Company of all the issued and outstanding securities of New FFI. This resulted in a reverse take-over ("RTO") of the Company by the shareholders of New FFI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020

(In thousands of Canadian Dollars, unless otherwise noted)

Prior to the close of the RTO Transaction, the Company consolidated its common shares on a 10.64814815 to 1 basis (the “Share Consolidation”). Upon completion of the RTO Transaction on February 13, 2019, shareholders of Old FFI received one post-Share Consolidation common share for every common share of the Company.

The RTO Transaction does not qualify as a business combination under IFRS 3 Business Combinations, as at the time of this transaction, the Company did not meet the definition of a business. As a result, the RTO Transaction was accounted under IFRS 2 Share Based Payments, as a reverse takeover asset acquisition with Old FFI being identified as the acquirer and the net assets of the Company being treated as the acquired assets. The difference between the consideration given to acquire the Company and the fair value of the net assets of the Company was recorded as a listing expense to net loss. These consolidated financial statements present the historical financial information of Old FFI up to the date of the RTO Transaction.

The Company retained 1,446,257 common shares, 114,625 stock options and 50,713 common share purchase warrants, all issued and outstanding prior to the RTO, with an aggregate estimated fair value of \$2,318, and net identifiable assets of \$733.

The fair value of the 1,446,257 issued common shares was estimated using \$1.50 share price.

The RTO Transaction resulted in recognition of listing expense totalling \$1,835 in the fiscal year ended February 1, 2020. The common shares outstanding pre-RTO Transaction close on February 13, 2019, represents the cumulative share capital transactions of Old FFI.

Fair value of post-Share Consolidation common shares, options and warrants retained:		
Common shares	\$	2,169
Stock options and warrants		149
Total consideration paid:		2,318
Less: fair value of net identifiable assets required of the Company		(733)
Add: Legal and professional fees related to the RTO Transaction		250
Total listing expense	\$	1,835
Net identifiable assets acquired		
Cash and cash equivalents	\$	766
Accounts payables and accrued liabilities		(33)
	\$	733

Concurrent Financing prior to RTO Transaction

On November 1, 2018, Old FFI had completed a private placement in connection with the RTO Transaction, where 24,333,334 subscription receipts were issued at a price of \$1.50 per subscription receipt for aggregate gross proceeds of \$36,500. Upon completion of the RTO Transaction on February 13, 2019, the Company issued common shares to the holders, and proceeds, net of transactions costs, totalling \$34,545, were released from escrow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

b) Warrants

The following is a summary of the movement in warrants outstanding:

	January 30, 2021		February 1, 2020	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	232,531,772	1.72	39,894,283	0.81
Issued - compensation warrants	-	-	100,000	0.85
Issued under RTO transaction (note 28)	-	-	50,713	1.07
Issued - June 2019 Debentures (note 15)	-	-	8,913,614	1.41
Issued - Investor Warrants A (note 15)	3,523,705	1.40	30,634,322	1.40
Issued - Investor Warrants B (note 15)	11,048,651	1.88	56,126,890	1.88
Issued - Investor Warrants C (note 15) ⁽¹⁾	22,686,864	variable	110,703,925	variable
Cancelled - Investor Warrants A (note 15)	(34,158,027)	1.40	-	-
Cancelled - Investor Warrants B (note 15)	(67,175,541)	1.88	-	-
Cancelled - Investor Warrants C (note 15)	(133,390,789)	variable	-	-
Issued - amended Series A-1 Warrants (note15)	13,146,469	0.78	-	-
Issued - amended Series A-2 Warrants (note15)	10,505,779	0.83	-	-
Issued - amended Series A-3 Warrants (note15)	10,505,779	0.93	-	-
Issued - amended Series B Warrants (note15) ⁽²⁾	67,175,541	variable	-	-
Issued - amended Series C Warrants (note15) ⁽¹⁾	133,390,789	variable	-	-
Forfeited	-	-	(39,600)	1.50
Exercised - Investor Warrants	(23,652,248)	0.78	-	-
Exercised - Non-Investor Warrants	-	-	(13,852,375)	0.34
Expired	(26,053,021)	1.06	-	-
Balance, end of fiscal year	220,085,723	2.49	232,531,772	1.72
Warrants recognized under derivative liability, end of fiscal year (note 15)	200,566,330	variable	110,703,925	variable

(1) For purposes of weighted average calculations, the exercise price is assumed to be \$2.00 for pre-amendment Series C Warrants, and \$3.00 for amended Series C Warrants. Exercise price conditions are described under Note 15.

(2) For purposes of weighted average calculations, the exercise price is assumed to be \$1.875 for the amended Series B Warrants. Exercise price conditions are described under Note 15. Pre-amended Series B Warrants had a fixed exercise price of \$1.875.

The following table reflects the warrants issued and outstanding as at January 30, 2021:

Expiry dates	Number of warrants outstanding	Exercise price (\$)	Grant date fair value per warrant (\$)	Remaining contractual Life (years)
February 12, 2021	100,000	1.15	0.858	0.04
June 26, 2021	7,558,264	1.45	0.223	0.40
June 30, 2021	10,505,779	0.93	0.269	0.41
September 30, 2022	67,175,541	variable	0.252	1.67
June 30, 2023	133,390,789	variable	0.224	2.41
Total warrants	218,730,373			
June 26, 2021	1,355,350	1.20	0.503	0.40
Total broker warrants	1,355,350			
	220,085,723			

(1) Amended Series B Warrants and Amended Series C Warrants are exercisable after January 1, 2022 and October 1, 2022, respectively (note 15).

As at January 30, 2021, 211,072,109 warrant units were held by ACT (2019: 197,465,137 units). The terms of these warrants were amended during the fiscal year ended January 30, 2021 and are detailed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Excluding the Investor Warrants, the weighted average life for warrants outstanding as at January 30, 2021 was 0.40 years (2019: 0.57 years). See Note 15 for further details on the expiry of the Investor Warrants.

c) Stock Options

The following is a summary of the movement in stock options outstanding:

	January 30, 2021		February 1, 2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	12,329,485	0.97	8,078,333	0.64
Issued under RTO Transaction (28)	-	-	144,625	1.07
Issued	4,437,500	0.65	5,790,500	1.30
Exercised	(300,000)	0.07	(880,639)	0.18
Forfeited	(1,706,581)	0.99	(765,834)	1.03
Cancelled	(90,000)	1.50	-	-
Expired	(75,205)	1.06	(37,500)	0.21
Balance, end of fiscal year	14,595,199	0.88	12,329,485	0.97
Exercisable balance, January 30, 2021	6,263,692	0.83	3,976,706	0.62

During the fiscal year ended January 30, 2021, the Company recorded an expense of \$ 2,512 (2019: \$2,918) related to stock options in share-based payments expense and contributed surplus. Stock option related compensation expense is recognized over the vesting period of the underlying options, which typically range from three to four years with the first tranche vesting on the annual anniversary date from grant date, and remaining options vesting in monthly tranches evenly over the remaining vesting period.

The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
Options issued (#)	4,437,500	5,790,500
Expected option lives range in years	4	5
Volatility range, based on comparable companies	85%-105%	97%-105%
Risk-free interest rate range	0.32% - 0.38%	1.33% - 1.81%
Share price range	\$0.64 - \$0.86	\$0.94 - \$1.50
Exercise Price range	\$0.58-\$0.86	\$1.00 - \$1.50
Dividend yield	nil	nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

The following table reflects the options issued and outstanding as at as at January 30, 2021:

Exercise price per share	Outstanding		Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Remaining Contractual Life
	#	(years)	#	(years)
\$0.10 - \$0.21	2,350,000	2.16	2,039,394	2.00
\$0.58 - \$0.86	6,212,000	2.97	1,620,027	2.00
\$1.00 - \$1.07	2,110,280	3.07	511,459	3.00
\$1.15 - \$1.19	547,500	2.77	316,854	3.00
\$1.34 - \$1.50	3,375,419	3.11	1,775,958	3.00
Total	14,595,199	2.88	6,263,692	2.42

17. LOSS PER COMMON SHARE

For the fiscal years ended January 30, 2021 and February 1, 2020, basic loss per share and diluted loss per share were the same as the exercise of any potentially dilutive instruments would be anti-dilutive.

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
Loss attributable to common shares (\$)	(78,959)	(32,595)
Adjusted net (loss) income attributable to common shares	(78,959)	(32,595)
Weighted average number of shares outstanding - basic (#)	174,096,744	118,492,477
Weighted average number of shares outstanding - diluted (#)	174,096,744	118,492,477
Loss per common share, basic (\$)	(0.45)	(0.28)
Loss per common share, diluted (\$)	(0.45)	(0.28)

18. EXPENSES BY NATURE

Below are the expenses by nature included in general and administrative expenses:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
General and administrative expenses		
Salaries and benefits	23,542	17,503
Facility expenses	5,411	4,014
Professional and consulting fees	4,688	4,075
Office & Insurance	5,075	3,313
Travel	447	1,063
Other administrative expenses	240	291
Total general and administrative expenses	39,403	30,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

19. FINANCE COSTS

Finance costs are comprised of the following:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Interest expense on lease liabilities (note 13)	3,147	2,536
Interest expense on debentures and loans (note 15)	19,999	13,873
Transaction costs - issuance of debentures and loans (note 15)	1,686	1,133
Other finance costs	272	108
Total finance costs	25,104	17,650

20. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest Risk

The Company is exposed to interest rate risk to the extent that cash and investments maintained at financial institutions may fluctuate with the prevailing market rate. The Company invests surplus cash in GIC's which accumulate interest at the prevailing rate. As at January 30, 2021 and February 1, 2020, the Company had cash and cash equivalents of \$30,613 (2019: \$22,900), restricted cash of \$4,254 (2019: \$nil), short term investments of \$Nil (2019: \$5,000) and outstanding convertible debentures of \$33,654 (2019: \$51,502). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, restricted cash, and trade and other receivables. The Company's cash and cash equivalents include petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of \$4,283, which primarily arise from the Company's wholesale distribution and digital development operating segments (2019: \$1,732). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment or short net credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash and cash equivalents, restricted cash, short term investments and trade and other receivables represent the maximum exposure to credit risk and at January 30, 2021, this amounted to \$41,115 (2019: \$32,061), and provision for expected credit loss allowances related to trade account receivables was \$9 as at January 30, 2021 (2019: \$19).

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at January 30, 2021, the Company had \$30,613 (2019: \$22,900) of cash and cash equivalents, restricted cash of \$4,254 (2019: \$nil) and short-term investments of \$Nil (2019: \$5,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

The Company's non-current financial liabilities are comprised of convertible debentures and derivative liabilities including warrants, which have varying contractual maturity/expiry dates, and are described under note 15 and note 16. All other financial liabilities of the Company are current.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to \$20,049 (2019: \$12,728), which are due within one year. The company also has convertible debentures outstanding in the amount of \$637 and \$33,017 for the current and long-term portions, respectively (2019: \$38,154 and \$13,348) with a corresponding derivative liability of \$66,317 (2019: \$2,078).

During the fiscal year ended January 30, 2021, the LP Debentures and the June 2019 Debentures were settled, the Company raised an additional \$28,000 in convertible debenture financing and entered into a commitment letter to obtain up to an aggregate amount of \$10 million (with an option for an additional \$5 million) credit facility (note 15), and raised \$7,071 in net proceeds under the ATM Program.

Subsequent to the fiscal year ended January 30, 2021, of the \$57,537 in principal outstanding as at January 30, 2021, \$52,990 in principal (related to convertible debentures) were converted and settled in common shares. The Company also concluded the ATM Program, with an additional \$7,671 in net proceeds raised. Refer to Note 27 for details.

d) Fair Value of Financial Instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Carrying value approximates the fair value for cash and cash equivalents, restricted cash, trade and other receivables, other current assets and accounts payable and accrued liabilities.

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at January 30, 2021 and February 1, 2020:

As at January 30, 2021	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Debentures and loans (note 15)	33,654	33,654	-	2,359	31,295
Derivative liability (note 15)	66,317	66,317	-	-	66,317
As at February 1, 2020	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Debentures and loans (note 15)	51,502	51,502	-	-	51,502
Derivative liability (note 15)	2,078	2,078	-	2,078	-

There were no transfers between Level 1, Level 2 or Level 3 during the fiscal years ended January 30, 2021 and February 1, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

21. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 30, 2021, key management personnel participated in the April 2020 Debentures offerings by subscribing for 1,065 units for aggregate gross proceeds of \$1,065. Specifically:

- Officers and directors subscribed for 125 units for proceeds of \$125;
- JNZS Consulting Inc. (“JNZS”), a private company controlled by the Chairman of the Board of Directors, subscribed for 90 units for proceeds of \$90; and
- Millstone Investment Limited Partnership, a private company controlled by the Chief Executive Officer, subscribed for 850 units for proceeds of \$850.

Debenture and warrants related transactions with ACT are described under Note 15. During the fiscal year ended January 30, 2021, the following additional transactions occurred with ACT:

- ACT exercised 23,652,248 warrants and the Company received gross proceeds of \$20,818 (2019: \$Nil);
- Sub-lease rental and real estate service charges of \$176 (2019: \$Nil); and
- Store build-out capital expenditure charges of \$429 were incurred for certain retail locations where the Company has sub-lease arrangements with ACT.

As at January 30, 2021, \$429 of capital expenditure charges remain payable and recognized under Other Liabilities (2019: \$Nil).

Key Management Compensation

Compensation for key management personnel, including the Company’s officers and Board of Directors and private companies controlled by Officers and Directors, was as follows:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Salaries and consulting fees ⁽²⁾	1,614	1,250
Share-based payments ⁽¹⁾	1,031	1,486
Directors' board fees	475	316
Total	3,120	3,052

(1) Includes base salary and management fees elected to be paid in common shares of the Company. See further details below.

(2) Excludes bonuses earned and yet to be paid out, which totalled \$600 as at January 30, 2021 (2019: \$155). As at January 30, 2021, the non-current portion of bonus payable totalled \$250 and was recognized under Other Liabilities (2019: \$95).

During the fiscal year ended January 30, 2021, a total of 1,050,000 stock options were issued to the Company’s officers and directors (2019: 620,000), with an exercise price range of \$0.58 - \$0.60 (2019: \$0.80 - \$1.50), and maturity date of April 29, 2024 (2019: February 13, 2024).

The common shares paid to the vendor of Hifyre Inc. was designated an officer of the Company during fiscal year January 30, 2021. During the fiscal year ended January 30, 2021, a total of 650,000 common shares were issued in relation to Hifyre Inc. acquisition (note 7).

Under the Company’s amended and restated management services agreement with JNZS, JNZS receives from the Company a fee of \$300 for each of the calendar years 2020 and 2021 (collectively, the “JNZS Fee”). Pursuant to the terms of the original agreement entered into on January 1, 2018 as amended by a supplemental management services agreement entered into on August 17, 2018, JNZS elected to receive half of the JNZS Fee for the 2019 calendar year by the issuance of 133,333 common shares. The Chairman of the Board, as the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

service provider, is also eligible to participate in the Company's bonus plans and stock option plans. During the fiscal year ended January 30, 2021, \$275 in management service fees was incurred (2019: \$387), of which \$Nil was charged as share-based payment expense ((2019: \$183).

22. SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Changes in non-cash working capital - operating activities		
Merchandise inventories	(1,780)	(1,348)
Trade and other receivables	(1,170)	(2,470)
Deposits held in trust	(1,259)	(297)
Lease deposits		(291)
Prepaid expenses and other current assets	1,987	(3,644)
Deferred revenue	(169)	281
Accounts payable, accrued liabilities and other	4,671	(435)
Total	2,280	(8,204)
Non-cash investing and financing activities		
Acquisition of property, plant and equipment and intangible assets - working capital	(6,151)	(2,431)
Acquisition of retail stores and licences	(31,493)	(16,952)

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of ROU assets – Notes 13 and 7,
- Partial settlement of a business combination through issue of common shares and settlement of receivables – Note 7, and
- Conversion and settlements of debentures and coupon interest via issue of common shares – Note 15.

23. CAPITAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The Company currently has not paid any dividends to its shareholders.

As at January 30, 2021, total capital was comprised of shareholders' equity of \$ 35,675.

The Company's objective when managing capital is to spend its existing working capital and raise additional amounts in the subsequent period.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital by:

- maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- minimizing discretionary disbursements; and
- reducing or eliminating expansion expenditures which are of limited strategic value.

In light of the above, the Company will continue to assess retail locations and seek to acquire an interest in additional locations if it believes there is sufficient potential and if it has adequate financial resources to do so.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the fiscal year ended January 30, 2021 and February 1, 2020. As at January 30, 2021, the Company was not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

24. COMMITMENTS AND CONTINGENCIES

a) Supply agreement commitments

In April 2018, the Company entered into two three-year supply agreements for the purchase of cannabis, with the option to renew for two additional years at the Company's discretion, with annual renewal dates set at April 16 and September 30, respectively. Under the terms of each agreement the annual purchase amount is based on the ability of the Company to purchase cannabis products from the supplier under applicable laws and regulations, with a maximum annual commitment of \$5,000, subject to adjustment based on the proportion of cannabis retail licences held by the Company in jurisdictions permitting such agreements as of the annual renewal date and at prices determined by an applicable provincial regime or, where a provincial regime is silent as to price, negotiated in good faith.

Upon closing of the Mera Acquisition on October 17, 2019 (note 7), the Company entered into a supply agreement with Mera (the "Supply Agreement") pursuant to which the Company will be the exclusive distributor of Mera's adult-use cannabis products in the province of Saskatchewan and the Company will purchase Mera's adult-use cannabis products for re-sale at its retail locations, in provinces where this is permitted.

b) Contingencies

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Certain outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. No legal provisions have been recognized as at January 30, 2021 (2019: \$Nil). As at January 30, 2021, based on information available, the Company has not identified any outcomes that will have a material adverse effect on the Company's financial position, results of operations or cash flows.

25. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows: (1) The retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal; (2) The wholesale distribution segment which distributes cannabis products and accessories; and (3) The digital platform segment which develops digital experiences and retail analytical insights.

All segments operate within Canada. Information on the Company's reporting segments detailed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Information about reportable segments	Retail	Wholesale distribution	Digital platform	Corporate	Eliminations and adjustments	Consolidated
Fiscal Year Ended January 30, 2021	\$	\$	\$	\$	\$	\$
Revenues	101,497	20,300	6,256	-	-	128,053
Intercompany revenues ¹	-	12,278	4,604	-	(16,882)	-
Total revenues	101,497	32,578	10,860	-	(16,882)	128,053
Cost of sales	(68,412)	(26,473)	-	-	12,251	(82,634)
Gross profit	33,085	6,105	10,860	-	(4,631)	45,419
Total operating expenses before depreciation	(40,718)	(593)	(3,454)	(5,871)	-	(50,636)
Depreciation and amortization	(11,972)	(118)	(255)	-	-	(12,345)
Segment profit (loss)	(19,605)	5,394	7,151	(5,871)	(4,631)	(17,562)
Gain on revaluation of derivative liability	-	-	-	18,638	-	18,638
Loss on extinguishment and revaluation of debentures	-	-	-	(53,152)	-	(53,152)
Interest income and finance costs	-	-	-	(24,884)	-	(24,884)
Income (loss) before income taxes	(19,605)	5,394	7,151	(65,269)	(4,631)	(76,960)
Current tax expense	(203)	(889)	(907)	-	-	(1,999)
Net loss and comprehensive loss	(19,808)	4,505	6,244	(65,269)	(4,631)	(78,959)

¹ Sales between segments are made at prices that approximate market prices.

As at January 30, 2021

Total non-current assets	158,037	1,993	32	-	-	160,062
Total assets	200,499	8,785	3,444	654	-	213,382
Total non-current liabilities	50,208	5	54	99,149	-	149,416
Total liabilities	67,637	5,522	2,703	101,845	-	177,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

Information about reportable segments Fiscal Year Ended February 1, 2020	Retail	Wholesale distribution	Digital platform	Corporate	Eliminations and adjustments	Consolidated
	\$	\$	\$	\$	\$	\$
Revenues	42,910	5,574	2,622	-	-	51,106
Intercompany revenues ¹	59	5,555	2,627	-	(8,241)	-
Total revenues	42,969	11,129	5,249	-	(8,241)	51,106
Cost of sales	(29,063)	(8,959)	(55)	-	5,578	(32,499)
Gross profit	13,906	2,170	5,194	-	(2,663)	18,607
Total operating expenses before depreciation	(35,770)	(2,524)	(5,071)	(3,955)	707	(46,613)
Depreciation and amortization	(7,231)	(115)	(132)	-	(175)	(7,653)
Segment profit (loss)	(29,095)	(469)	(9)	(3,955)	(2,131)	(35,659)
Listing expense	-	-	-	(1,835)	-	(1,835)
Gain on revaluation of derivative liability	-	-	-	31,193	-	31,193
Loss on extinguishment and revaluation of debentures	-	-	-	(9,028)	-	(9,028)
Interest income and finance costs	-	-	-	(17,266)	-	(17,266)
Income (loss) before income taxes	(29,096)	(469)	(9)	(891)	(2,131)	(32,595)

¹ Sales between segments are made at prices that approximate market prices.

As at February 1, 2020

Total non-current assets	105,387	2,111	470	-	-	107,968
Total assets	141,879	5,142	2,934	1,051	-	151,006
Total non-current liabilities	33,458	-	710	13,347	-	47,515
Total liabilities	48,207	836	1,465	53,588	-	104,096

26. INCOME TAXES

a) Provision for income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to income or loss before income taxes. These differences result from the following:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Combined Canadian statutory income tax rate	26.50%	26.50%
Loss before income tax	(76,960)	(32,594)
Expected tax recovery based on statutory rate	(20,394)	(8,638)
Adjustments to expected income tax benefit:		
Share-based payments	667	822
Non taxable loss (gain) related to derivative revaluations	9,146	(5,874)
Non-deductible expenses	6,076	4,025
Change in unrecorded deferred tax asset	6,504	9,665
Total income tax provision	1,999	-

The Company's income tax provision is allocated as follows:

Current tax expense	2,049	-
Deferred tax recovery	(50)	-
	1,999	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

b) Deferred income tax

The following table summarizes the components of deferred tax:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
Deferred tax assets	\$	\$
Non-capital loss carry-forwards	18,864	18,356
Property, Plant and Equipment	925	142
Right of Use assets	830	556
Accretion, provision and accrued reserves	2,074	1,715
Finance costs	1,633	1,787
Other	158	328
Total	24,484	22,884
Deferred tax liabilities	\$	\$
Property, Plant and Equipment	(375)	-
Intangible assets - retail operator licence and retail store authorizations	(6,502)	-
Right of Use assets	(46)	-
Tax benefits not recognized	(23,012)	(22,884)
Total	(29,935)	(22,884)
Net deferred tax asset (liabilities)	(5,451)	-

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

Movement in net deferred tax liability balances is as follows:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	\$	\$
Acquisitions - purchase accounting (note 7)	5,501	-
Recognized as deferred tax recovery	(50)	-
Balance, end of fiscal year	5,451	-

c) Loss Carry-Forwards

As at January 30, 2021, the Company's non-capital income tax losses expire as follows:

Fiscal Year	\$
2038	18,087
2039	2,829
2040	27,871
2041	21,441
	70,228

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 30, 2021 and February 1, 2020
(In thousands of Canadian Dollars, unless otherwise noted)

27. SUBSEQUENT EVENTS

At-the-Market Offering

Subsequent to January 30, 2021, the ATM Program was concluded, whereby the Company issued a further 8,170,900 common shares for proceeds, net of transaction costs, of \$7,671.

Debenture Conversions

Subsequent to January 30, 2021, \$23,583 in principal of the Investor Debentures was converted (note 27), with \$2,407 in principal remaining outstanding. A total of 31,932,547 common shares were issued on March 10, 2021 for the conversion.

Subsequent to January 30, 2021, the April 2020 Debentures with principal outstanding of \$29,407 were fully converted and settled (note 27), and 59,231,318 common shares were issued on March 3, 2021 for the conversion.

The U.S. Market

On February 22, 2021, the Company announced that it has entered into agreements with a Canadian private company, operating as "American Acres Managers" ("American Acres") including an agreement to license the Company's brand, store operating system and digital retail and analytics platform for cannabis dispensaries in the United States ("U.S."), specifically the states of California, Arizona and Nevada. Under the agreement, the Company will have the option to acquire American Acres at a discount to fair market value. The acquisition is expected to occur upon the federal legalization of adult-use cannabis in the U.S. or when otherwise permitted by the policies of the TSX or any other stock exchange on which the Company's securities are listed for trading.

On March 10, 2021, the Company announced that it has entered into a strategic agreement with BDS Analytics Inc. ("BDSA") to incorporate the Company's Canadian digital retail and analytics platform into BDSA's existing online U.S.-based market research platform. The agreement will allow the Company and BDSA to offer cross-border data and analysis to their respective analytics subscriber bases.

Asset Purchase Agreement for Store in Ontario

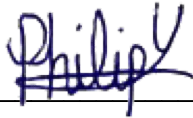
On April 13, 2021, the Company entered into an asset purchase agreement (the "APA") with a Canadian partnership to acquire all of the assets related to the operation of a cannabis retail store located in Sarnia, Ontario. Such retail store has received a RSA. Concurrently with the execution of the APA, the Company entered into a consulting services agreement to provide (a) advisory and consulting services and (b) a non-exclusive licence to use certain of the Company's intellectual property, including the "Fire & Flower" brand during the interim period prior to completion of the asset acquisition. The asset acquisition is expected to be completed in September 2021.

EXHIBIT "F"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that reads "Philip". The signature is written in a cursive style with a large, looped 'P' and a trailing flourish.

Commissioner for Taking Affidavits



CONSOLIDATED FINANCIAL STATEMENTS OF

Fire & Flower Holdings Corp.

FOR THE FISCAL YEARS ENDED JANUARY 29, 2022 AND JANUARY 30, 2021

MANAGEMENT'S REPORT

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for approving the consolidated financial statements, primarily through its Audit Committee. This committee, which holds periodic meetings with members of management as well as with the independent external auditors, reviewed the consolidated financial statements and recommended their approval to the Board of Directors.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

/s/ "Trevor Fencott"
Trevor Fencott,
Chief Executive Officer

/s/ "Judy Adam"
Judy Adam,
Chief Financial Officer

April 25, 2022



Independent auditor's report

To the Shareholders of Fire & Flower Holdings Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fire & Flower Holdings Corp. and its subsidiaries (together, the Company) as at January 29, 2022 and January 30, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 29, 2022 and January 30, 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 29, 2022. These matters were

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="271 577 876 651">Impairment assessment of retail cash-generating units</p> <p data-bbox="271 651 876 861"><i>Refer to note 4 – Summary of Significant Accounting Policies, note 6 – Critical Accounting Estimates and Judgments, note 19 – Restructuring and Impairment Costs, Net and note 26 – Segmented Information to the consolidated financial statements.</i></p> <p data-bbox="271 861 876 1575">Total net book value of non-current assets within the Company's retail cash-generating units (CGUs) as at January 29, 2022 is \$137 million, of which a significant portion relates to property, plant and equipment, right-of-use assets and intangible assets. Property, plant and equipment, right-of-use-assets and intangible assets are reviewed for impairment indicators at the end of each reporting period. During the year, management identified indicators of impairment for the retail CGUs. When any indication of impairment exists, management estimates the recoverable amount of the CGU to which the asset relates to determine the extent of any impairment loss. A CGU is the lowest level of a group of assets for which there are separately identifiable cash flows. The recoverable amount is the higher of fair value less cost to sell and value in use of the CGU. When the recoverable amount of the CGU is lower than the carrying amount, the carrying amount is reduced to the recoverable amount.</p> <p data-bbox="271 1575 876 1808">Management performed impairment assessments using the fair value less cost to sell method based on the market approach. Key assumptions used by management in estimating the recoverable amounts of the CGUs included the revenue forecasts and the revenue multiple. Based on the impairment assessments performed with respect</p>	<p data-bbox="876 577 1508 651">Our approach to addressing the matter involves the following procedures, among others:</p> <ul data-bbox="876 651 1508 1428" style="list-style-type: none"><li data-bbox="876 651 1508 756">• Tested how management determined the recoverable amounts of the retail CGUs, which included the following:<ul data-bbox="876 756 1508 1428" style="list-style-type: none"><li data-bbox="876 756 1508 840">– Tested the appropriateness of the method and approach used.<li data-bbox="876 840 1508 924">– Tested the underlying data used in the recoverable amount calculations.<li data-bbox="876 924 1508 1134">– Evaluated the reasonableness of the revenue forecasts used by management by comparing them to the revenue forecasts approved by the Board and by considering the past performance of the CGUs.<li data-bbox="876 1134 1508 1260">– Evaluated the reasonableness of the revenue multiple by considering third party comparative market data.<li data-bbox="876 1260 1508 1428">– Evaluated the reasonableness of the recoverable amounts of the retail CGUs by considering the Company's market capitalization and the recoverable amounts of the Company's other CGUs.



Key audit matter

How our audit addressed the key audit matter

to the retail CGUs, management recognized impairment charges of \$17.1 million, which was allocated to the licenses within the impaired CGUs.

We considered this a key audit matter due to the judgment required by management in determining the recoverable amounts of retail CGUs, including the determination of key assumptions. This has resulted in a significant audit effort and subjectivity in performing procedures to test the recoverable amounts of retail CGUs determined by management.

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.

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.

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



statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario

April 26, 2022

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian Dollars)

	As at January 29, 2022	As at January 30, 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 8)	19,847	30,613
Restricted cash	-	4,254
Trade and other receivables (note 9)	15,948	6,248
Merchandise inventories (note 10)	12,458	9,838
Prepaid expenses, deposits, and other current assets	4,413	2,367
Total current assets	52,666	53,320
Non-current assets		
Deposits	3,305	3,831
Property, plant and equipment, net (note 11)	47,500	43,355
Right-of-use assets, net (note 12)	43,755	40,500
Intangible assets, net (note 13)	45,113	58,570
Goodwill (note 13)	30,541	13,806
Total assets	222,880	213,382
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	21,697	20,049
Income tax payable	3,749	2,037
Debentures and loans (note 15, 22)	20,119	637
Derivative liability (note 15)	1,349	-
Deferred revenue	489	112
Provisions (note 14)	1,742	2,672
Lease liabilities (note 12)	5,113	2,784
Total current liabilities	54,258	28,291
Non-current liabilities		
Debentures and loans (note 15, 22)	1,705	33,017
Derivative liability (note 15)	1,371	66,317
Lease liabilities (note 12)	47,090	43,122
Deferred tax liability (note 27)	1,749	5,451
Other non-current liabilities	1,015	1,509
Total liabilities	107,188	177,707
Shareholders' equity		
Share capital (note 16)	324,248	180,780
Common shares to be issued	-	112
Warrant reserve	-	4,874
Contributed surplus	6,179	1,056
Accumulated deficit	(214,739)	(151,147)
Accumulated other comprehensive income	4	-
Total shareholders' equity	115,692	35,675
Total liabilities and shareholders' equity	222,880	213,382

Commitments and contingencies (note 25)

Subsequent events (note 28)

/s/ "Trevor Fencott", Director
Trevor Fencott

/s/ "Sharon Ranson", Director
Sharon Ranson

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In thousands of Canadian Dollars, except per share information)

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Revenue (note 26)	175,499	128,053
Costs of goods sold (notes 10, 26)	113,405	82,634
Gross profit	62,094	45,419
Expenses (income)		
Selling, general and administrative (note 18)	63,242	45,777
Depreciation & amortization (notes 11, 12, 13)	19,080	12,345
Restructuring, impairment and other costs, net (note 19)	25,122	4,859
Loss (gain) on revaluation of derivative liability, net (note 15)	8,545	(18,638)
Loss on extinguishment and revaluation of debentures (note 15)	-	53,152
Finance costs, net (note 20)	7,245	24,884
Total expenses	123,234	122,379
Loss before tax	(61,140)	(76,960)
Current tax expense (note 27)	(5,313)	(2,049)
Deferred tax recovery (note 27)	2,861	50
Net loss	(63,592)	(78,959)
Net loss per share (note 16, 17)		
Basic	\$(1.89)	\$(4.54)
Diluted	\$(1.89)	\$(4.54)
Comprehensive loss		
Net loss	(63,592)	(78,959)
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation, net of income tax effect	4	-
Other comprehensive income, net of income tax effect	4	-
Total comprehensive loss	(63,588)	(78,959)

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian Dollars, except common shares information)

	Common Shares ⁽¹⁾	Share Capital	Shares to be issued	Debenture Equity	Warrant Reserve	Contributed Surplus	Accumulated other comprehensive income	Total Shareholders' Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 30, 2021	23,211,418	180,780	112	-	4,874	1,056	-	(151,147)	35,675
Common shares cancelled - acquisition post-closing adjustment (note 7)	(53,678)	(53)	-	-	-	-	-	-	(53)
Common shares issued - At-the-Market offering (note 16)	817,090	7,618	-	-	-	-	-	-	7,618
Common shares issued - store asset acquisitions (note 7)	8,838	100	-	-	-	-	-	-	100
Common shares issued - PotGuide (note 7)	597,805	5,440	-	-	-	-	-	-	5,440
Common shares issued - Wikileaf (note 7)	801,710	7,296	-	-	-	-	-	-	7,296
Common shares issued - Pineapple Express Delivery (note 7)	1,153,144	5,166	-	-	-	-	-	-	5,166
Conversion of debentures (note 15)	9,025,661	102,843	-	-	-	-	-	-	102,843
Common shares issued - debenture interest (note 15)	304,495	1,698	-	-	-	-	-	-	1,698
Acquisition of Hifyre Inc. (note 7)	45,000	312	(112)	-	-	-	-	-	200
Warrants exercised (note 16)	1,050,577	12,599	-	-	(2,830)	-	-	-	9,769
Warrants expired (note 16)	-	-	-	-	(2,044)	2,044	-	-	-
Redemption of restricted share units	11,879	121	-	-	-	(250)	-	-	(129)
Share-based compensation - options and restricted share units (note 16)	-	-	-	-	-	3,465	-	-	3,465
Options exercised (note 16)	41,769	328	-	-	-	(136)	-	-	192
Currency translation adjustment on foreign subsidiary	-	-	-	-	-	-	4	-	4
Net loss and comprehensive loss	-	-	-	-	-	-	-	(63,592)	(63,592)
Balance, January 29, 2022	37,015,708	324,248	-	-	-	6,179	4	(214,739)	115,692
Balance, February 1, 2020	14,609,323	106,067	1,233	1,756	6,271	3,771	-	(72,188)	46,910
Common shares to be issued - acquisitions	-	-	920	-	-	-	-	-	920
Common shares issued - At-the-Market offering	839,750	7,071	-	-	-	-	-	-	7,071
Common shares issued - store acquisitions	3,783,062	29,766	(1,808)	-	-	-	-	-	27,958
April 2020 Debentures - warrants issued	-	-	-	-	808	-	-	-	808
Conversion of debentures - LP Debentures	1,237,391	14,407	-	-	-	-	-	-	14,407
Common shares issued - debenture interest	281,668	2,119	-	-	-	-	-	-	2,119
Debenture conversion option expiry - June 2019 Debentures	-	-	-	(1,756)	-	1,756	-	-	-
Acquisition of Hifyre Inc.	65,000	434	(233)	-	-	-	-	-	201
Investor debentures equity conversion option extinguished due to amendments	-	-	-	-	-	(3,549)	-	-	(3,549)
Investor warrants cancelled due to amendments	-	-	-	-	(808)	(7,625)	-	-	(8,433)
Investor warrants issued - amended series A warrants - A-1, A-2, A-3	-	-	-	-	4,674	-	-	-	4,674
Warrants exercised	2,365,224	20,818	-	-	(1,844)	-	-	-	18,974
Warrants expired	-	-	-	-	(4,227)	4,227	-	-	-
Share-based compensation - options and restricted share units	-	-	-	-	-	2,512	-	-	2,512
Options exercised	30,000	98	-	-	-	(36)	-	-	62
Net loss and comprehensive loss	-	-	-	-	-	-	-	(78,959)	(78,959)
Balance, January 30, 2021	23,211,418	180,780	112	-	4,874	1,056	-	(151,147)	35,675

(1) On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares, which was applied retrospectively. As a result, the common share amounts are stated on an adjusted post-consolidation basis (note 16). The common shares began trading on the TSX on a post-consolidation basis on December 2, 2021.

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian Dollars)

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Operating activities		
Net loss	(63,592)	(78,959)
Items not affecting cash and cash equivalents		
Depreciation and amortization (note 11, 12 & 13)	19,080	12,345
Impairment of intangible assets (note 13 & 19)	18,943	869
Impairment of property, plant and equipment (note 11 & 19)	3,734	579
Impairment of ROU assets, net lease liability remeasurement (note 12 & 19)	1,499	1,863
Share-based compensation	3,174	2,512
Interest expense on debentures and loans and other finance costs (note 20)	2,734	20,271
Loss (gain) on revaluation of derivative liability (note 15)	8,545	(18,638)
Transaction costs on issuance of debentures and loans	304	1,686
Interest expense on lease liabilities (note 12)	4,670	3,147
Loss on extinguishment and revaluation of debentures (note 15)	-	53,152
Restructuring charges (note 19)	777	1,548
Changes in non-cash working capital items (note 23)	(12,466)	2,280
Cash (used in) provided by operating activities	(12,598)	2,655
Investing activities		
Acquisition of property, plant and equipment and intangible assets (note 11)	(16,580)	(11,567)
Disposal of property, plant and equipment and intangible assets (note 11)	-	1,898
Deposits related to acquisitions	-	(60)
Business combination, net of cash acquired (note 7)	(10,011)	(5,733)
Asset acquisitions (note 7)	(1,569)	(750)
Deposits related to leases	33	(726)
Redemption of short-term investments	-	5,000
Cash used in investing activities	(28,127)	(11,938)
Financing activities		
ACT secured debt facility (note 15)	20,000	-
Issuance of common shares and other equity securities (note 16)	7,777	7,224
Cash collateral for loans, credit facilities and letters of credit (note 15)	3,948	(4,254)
Transaction costs on issuance of shares (note 16)	(159)	(153)
Proceeds from issuance of convertible debentures (note 15)	-	28,000
Senior secured term loan drawdown (note 15)	-	2,538
Transaction costs on debenture and loan issuances (note 15)	-	(1,806)
Redemption of restricted share units	(65)	-
Principal repayment on debentures and loans (note 15)	(2,359)	(27,400)
Interest paid on debentures and loans (note 15)	(111)	(1,057)
Exercise of warrants and options	9,960	19,036
Lease liability payments (note 12)	(9,036)	(5,132)
Cash provided by financing activities	29,955	16,996
Effect of foreign exchange on cash and cash equivalents	4	-
(Decrease) increase in cash and cash equivalents	(10,766)	7,713
Cash and cash equivalents, beginning of year	30,613	22,900
Cash and cash equivalents, end of year	19,847	30,613

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Fire & Flower Holdings Corp. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange (the "TSX") under the symbol 'FAF'. The Company is a technology-powered, independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfilment business operations in Saskatchewan, Canada ("Open Fields Distribution"). The Company also operates a proprietary digital retail and analytics platform (the "Hifyre Digital Platform") supporting e-commerce retail activities, rapid delivery services and providing a compliant technology system for cannabis licensed producers and other industry stakeholders. The Company's head office and registered office is located at 130 King Street West, Suite 2500, Toronto, Ontario, M5X 1C8, Canada.

On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares and began trading on the TSX on a post-consolidation basis on December 2, 2021. The Share Consolidation has been applied retrospectively and as a result, the per share and common share amounts are stated on an adjusted post-consolidation basis. Refer to note 16 for further details.

COVID-19

In March 2020, COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods, social distancing, vaccine mandates and temporary closures of non-essential businesses. Subsequently, in November 2020 and April 2021, the Government of Ontario announced lockdowns through Ontario, in efforts to combat COVID-19. No other provincial or territorial government has ordered the closure of any of the Company's operations in response to COVID-19, though several provincial and municipal governments have imposed restrictions on occupancy limits and/or sales in physical retail stores or implemented vaccine mandates for customers in certain regions.

Since the outset of the pandemic in March 2020, the Company has reacted to this unprecedented public health challenge by i) rapidly commissioning a Pandemic Response Team focused on keeping its employees safe and healthy while ensuring the continuity and sustainability of its business; ii) implementing enhanced in-store procedures including increased and frequent cleaning, installation of safety shields, reduction of paper materials and ceasing acceptance of cash or product returns; iii) monitoring store performance, shopping patterns and employee availability on an ongoing basis to optimize operating hours and selectively close stores where required by law or otherwise appropriate to enhance the productivity of the network under the circumstances; iv) temporarily adapting its business model by moving towards exclusively servicing stores through the Spark Fastlane™ "click-and-collect" service that enables customers to order products online for fast pickup and payment in store; and v) offering curbside pick-up and delivery options in British Columbia, Saskatchewan and Ontario.

Since the initial outset of the pandemic in mid-March 2020 to the current fiscal year end January 29, 2022, the Company did not experience a significant decline in sales. However, it is not possible to reliably estimate future impacts, if any, on the financial results and condition of the Company. The Company is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available and will continue to respond accordingly.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company's audited consolidated financial statements for the fiscal years ended January 29, 2022 and January 30, 2021 ("Consolidated Financial Statements"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements were authorized for issuance by the Board of Directors on April 25, 2022.

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis using the historical cost basis except for certain financial instruments that are measured at fair value. The policies applied in these consolidated financial statements are based on IFRS standards, which have been applied consistently to all periods presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company's subsidiaries in Canada and the United States is the Canadian dollar and U.S. dollar, respectively.

Reclassification of Comparative Amounts

Certain amounts in the prior year have been reclassified to conform to the current year's presentation. Reclassified amounts were not material to the consolidated financial statements and relate to the classification within Selling, General and Administrative expenses to include share-based compensation, marketing and promotion, and acquisition and business development costs, which were presented separately on the statements of loss and comprehensive loss in the prior year (Note 18).

The presentation of revenue amounts in the prior year has been aggregated into one line on the consolidated statements of loss and comprehensive loss under the current year's presentation. Refer to Note 26 for the disclosure of disaggregated revenues consistent with the prior year's revenue by segment.

The subtotal of Loss from operations and the line item, total other income (expenses) which were previously presented separately in the consolidated statements of loss and comprehensive loss in the prior year have been eliminated to conform as management determined that the subtotal was no longer relevant to an understanding of the company's financial performance.

Fiscal Year

The fiscal year of the Company consists of a fifty-two or fifty-three week period ending on the Saturday closest to January 31. Fiscal year 2021 represents the fifty-two weeks ended January 29, 2022 with a comparative fiscal year 2020 consisting of the fifty-two weeks ended on January 30, 2021. References to years in the consolidated financial statements relate to fiscal year rather than calendar year. The fiscal years ended January 29, 2022 and January 30, 2021 are referred to as "2021" and "2020", respectively.

3. PRINCIPLES OF CONSOLIDATION

Basis of Consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Entity Legal Name	Principal Activity	Place of Incorporation	Ownership Interest as at	
			January 29, 2022	January 30, 2021
Fire & Flower Holdings Corp.	Parent & Holding Company	Canada	Parent Company	Parent Company
Significant subsidiaries:				
Fire & Flower Inc.	Retail Operations	Canada	100%	100%
10926671 Canada Ltd. (o/a Open Fields Distribution)	Wholesale Distribution and Fulfillment	Canada	100%	100%
Hifyre Inc.	Digital Platform	Canada	100%	100%
11180703 Canada Inc.	Holding Company	Canada	100%	100%
Friendly Stranger Holdings Corp.	Retail Operations	Canada	100%	100%
Hifyre US, Inc.	Holding Company	Delaware	100%	N/A
13318184 Canada Inc.	Holding Company	Canada	100%	N/A
PGED Corp. ⁽¹⁾	Digital Platform	Delaware	100%	N/A
Pineapple Express Delivery ⁽¹⁾	Delivery Operations	Canada	100%	N/A

(1) Acquired businesses during the current fiscal year ended January 29, 2022. Refer to note 7 for further details.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents, Short-term Investments

Cash and cash equivalents include cash deposits in financial institutions and other short-term deposits that are readily convertible into cash. short-term deposits with maturity dates greater than 90 days and less than 365 days are classified as short-term investments.

Interest income is earned on the Company's cash deposits, short-term investments in High Interest Savings Accounts and Guaranteed Investment Certificates.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

Cost is determined using the average cost method. Costs are comprised of all variable costs, and certain fixed costs, incurred in bringing inventories to the location and condition necessary for sale to customers. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

Net realizable value is determined as the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

c) Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that can be directly attributed to the acquisition or construction of the asset as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations.

Depreciation is calculated on a straight-line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. Depreciation is accounted for using the following terms and methods:

Fixed Asset	Method	Depreciation Periods
Land	Non-Depreciable	Non-Depreciable
Buildings	Straight-Line	20 years
Leasehold Improvements	Straight-Line	Shorter of initial lease term and 10 years
Computer, Hardware and Software, and Equipment	Straight-Line	5 years
Signage and Displays	Straight-Line	3 years
Vehicles	Straight-Line	5 years
Furniture and Fixtures	Straight-Line	5 years

Depreciation commences once the acquired asset is available for use or, in the case of leasehold improvements, at the later of that date and commencement of the lease of the property to which the leasehold improvement relates to.

An asset's residual value, useful life and depreciation method are reviewed at the end of each financial reporting period and adjusted where appropriate.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the fixed asset and are recognized in the Consolidated statement of loss and comprehensive loss.

d) Leases

At lease possession date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line over the estimated lease term. The lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or in the Consolidated statement of loss and comprehensive loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income/loss.

The Company has elected to account for short-term leases that have a lease term of 12 months or less and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the Consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

e) Intangible Assets and Goodwill

Intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. The estimated useful life and depreciation method are reviewed at the end of each financial reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives are as follows:

Intangible Assets	Method	Depreciation Periods
Licenses	Straight-Line	Over estimated lease term of associated location. ⁽¹⁾
Trademarks, Subscriber & Customer Relationships		
Trademarks, Tradenames and Patents	Straight-Line	15 years
Acquired Customer Lists	Straight-Line	5 years
Subscriber Relationships	Straight-Line	5 years
Software and Platform Related Technology		
Capitalized Software Development	Straight-Line	5 years
Platform Related Technology	Straight-Line	5 years

(1) Shorter of initial lease term and 10 years.

Costs associated with maintaining Software and Platform Related Technology are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, including directly attributable employee costs, are recognized as intangible assets.

Amortization commences once the acquired asset is available for use or, in the case of patents or trademarks, on the date the license is acquired.

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Other indefinite life intangible assets are measured at cost less any accumulated impairment losses.

f) Impairment of Non-Financial Assets

Non-financial assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed for impairment if events or changes in circumstances indicate that they might be impaired. Management evaluates for indicators of impairment at the end of each financial reporting period. If any such indications exist, the asset's recoverable amount is estimated and compared to its carrying amount.

The Company assesses whether there is an indication that intangible assets are impaired at every reporting period. This assessment includes a review of the Company's current and expected performance, market conditions and trends, changes in regulatory environment, among other factors. If any indication of impairment exists, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to determine the extent of any impairment loss. A CGU is the lowest level of a group of assets for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset or CGUs fair value less costs of sale ("FVLCS") and its value in use ("VIU") to the Company. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment charge is recognized immediately in the statements of loss and comprehensive loss.

Goodwill and 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.

The recoverable amount of an asset or cash-generating-unit is the higher of an asset's FVLCS and VIU. VIU is estimated as the present value of the future cash flows that the Company expects to derive from the asset or CGU. The Company determines FVLCS using market-based information. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets, defined as a CGU.

Corporate assets, which include head office facilities do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. When the carrying amount of the asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

exceeds the recoverable amount, the excess amount is recognized as an impairment charge in the Consolidated statement of loss and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, with the exception of goodwill and indefinite lived intangible assets, if there has been a change in estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

g) Provisions

Provisions, including those for onerous contracts, legal claims, and restructuring events are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Company performs evaluations to identify onerous contracts and legal claims and, where applicable, records provisions for such items. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received from the contract.

Actual costs and timing of future cash flows are dependent on future events; thus, any variance between estimates and the actual future liability will be accounted for in the period when such determination is made. Recoveries from third parties and other contingent gains are recognized when realized.

Restructuring provisions are recognized only when a detailed formal plan for the restructuring exists and either the plan has commenced, or the plan's been announced internally and with the board of directors. A formal plan usually includes the identification of principal locations affected, details regarding the employees affected and timing of the planned restructuring, and the expenditures that will have to be undertaken.

h) Foreign Currency Translation

The functional currency of the Company's subsidiaries in Canada and the United States is the Canadian dollar and U.S. dollar, respectively. The Company's reporting currency is in Canadian dollars. Transactions undertaken in foreign currencies are translated into the Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains or losses are recognized in the consolidated statement of loss and other comprehensive loss in the period in which they arise.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company are translated into Canadian dollars using the period-end exchange rates in effect at the consolidated balance sheet date. Income, expenses and cash flows of foreign operations are translated into Canadian dollars using average exchange rates of the period that approximate the rates in effect at the dates which such items are transacted. The resulting exchange differences from the translation of foreign operations into Canadian dollars are recognized in accumulated other comprehensive loss.

i) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition.

Identifiable assets acquired, and liabilities assumed are measured at their fair values at the acquisition date.

The Company expenses acquisition-related expenses as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Any contingent consideration to be transferred by the group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized either in the Consolidated statement of loss and comprehensive loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the Consolidated statement of loss and comprehensive loss.

j) Revenue Recognition

For its three major revenue segments, retail merchandise, wholesale distribution, and digital development, the Company recognizes revenue when control of goods or services is transferred to a customer.

Revenue is measured at the fair value of the consideration received or receivable from customers for the sale of goods and services provided by the Company, net of promotional discounts, estimated returns and sales taxes.

Retail merchandise sales

Revenue consists of sales through the Company's network of retail stores and includes sales through the Company's e-commerce platform. Merchandise sales through retail stores are recognized at the time of delivery to the customer which is generally at the point of sale. Merchandise sales through the Company's e-commerce operations are recognized on the date of receipt by the customer.

Wholesale distribution sales

Revenue from sales to customers through the Company's Wholesale Distribution segment are recognized when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is generally recognized on the date the goods are shipped from the Company's warehouse (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer's carrier. Costs to ship orders to customers are included as an expense in cost of goods sold.

Digital platform revenue

Revenue from the Hifyre™ Digital Platform are earned primarily through subscription services, listing services and some custom software development services. Revenue from subscription services and listing services are recognized over the term of the contract. Revenue from custom software development is recognized as the services are performed. As it relates to the transaction price, customers can enter into fixed, variable or a combination thereof of fee contracts. For variable fee contracts, as the revenue is recognized over time, which reflects the period over which services are performed based on the number of labor hours incurred, there is no requirement to estimate variable consideration at the inception of the contract. Fixed contract fees are recognized over the term of a contract, under a monthly billing cycle. The performance obligation is fulfilled when the data and services agreed upon with the customer are transferred to the customer at the end of each month. From time to time, the Company will advance bill the customer prior to the completion of the performance obligation which would result in deferred revenue being recognized on the Consolidated statement of financial position.

k) Cost of Goods Sold

Cost of goods sold expenses for the Company's retail and wholesale distribution operations includes cost of inventory, packaging costs and shipping costs.

Cost of goods sold expenses for the Company's digital operations includes all costs attributable to the generation of digital platform revenues.

l) Research and Development

Expenditures related to research activities are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use or sell the technology, are met; otherwise, they are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

m) Income Taxes

The Company is subject to income, value added, withholding and other taxes, and their determination of liabilities requires interpretation of the respective jurisdictions' laws and regulations.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax are recognized in the Consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

n) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction to equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value of the shares on the date of issue.

o) Share-based Payments

Equity settled share-based payments are measured at their fair value on the date of grant using the Black-Scholes model. Stock options are recognized as compensation expense on a graded vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

The impact of the revision of the original estimates, if any, is recognized in the Consolidated statement of loss and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When stock options or warrants expire after vesting, the recorded value remains in contributed surplus.

For stock options and warrants granted to non-employees, the compensation expense is measured at the fair value of goods or services received. If the fair value cannot be reasonably estimated, compensation expense is measured at the fair value of the equity instruments granted and measured at the date the Company obtains goods or services rendered.

Where the terms and conditions of options are modified, the increase or decrease in the fair value of the options, measured immediately before and after the modification, is charged to the Consolidated statement of loss and comprehensive loss over the remaining vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Consideration paid by employees or non-employees on the exercise of stock options and warrants are recorded as share capital and the related share-based payment expense is transferred from contributed surplus or warrant reserve, respectively, to share capital.

p) Earnings or Loss per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of warrants, and the exercise of the conversion option of convertible debentures. The number of additional shares for inclusion in the diluted earnings (loss) per share calculation is determined using the treasury stock method.

q) Financial instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade account receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures & loans	Amortized cost
Derivative liability	Fair value through profit or loss

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets measured at amortized cost are measured at cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Cash, short-term deposits, restricted cash, short-term investments and accounts receivable has been classified as amortized cost.

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

The impact of amendments to terms of financial instruments such as debentures and loans are assessed to determine if the change is a modification or an extinguishment. The Company reviews both quantitative and qualitative factors in determining whether the changes in terms are substantial and extinguishment accounting is required. Qualitative factors involve assessing whether the amendments represent a significant change in the terms and conditions of the instruments, including changes in conversion price, settlement options or introducing variability in such terms such that the accounting treatment of the instrument changes. A gain or a loss is recorded in the Consolidated statement of loss and comprehensive loss related to the modification or extinguishment. Under extinguishment accounting, the old instrument is derecognized and the amended instruments are recognized at the estimated fair value of the date the amendment was substantially effective.

r) Impairment of financial assets carried at amortized cost - expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

For trade account receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. Where information exists, the Company establishes a loss rate based on historical normalized credit loss experience. The loss rate is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

5. NEW STANDARDS AND INTERPRETATIONS

New Standards Adopted

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform

Interbank Offered Rates ("IBORs") reform is the market-wide reform of interest rate benchmarks in which some IBORs are replaced with alternative risk-free rates. The amendments revise the existing requirements for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as Interbank Offered Rates.

To address the impact IBOR reform has on financial reporting, in August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases. These amendments became effective for annual periods beginning on or after January 1, 2021.

Phase 2 amendments provide certain practical reliefs related to modifications of financial instruments or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

The Company assessed the impacts of the IBOR reform on its financial instruments and hedging relationships. As a result, the Company is not immediately impacted by the IBOR reform. The Company will continue to monitor future developments of Canadian Dollar Offered Rate ("CDOR") and other applicable benchmark interest rates, and will elect the practical reliefs relating to financial instruments and hedges when applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Standards, amendments and interpretations issued as of January 29, 2022 that are not yet effective

A number of new and amendments to accounting standards are effective for the Company for annual periods beginning on or after January 30, 2022 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following are relevant new and amended standards. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8 in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

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

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

Amendments to IAS 37 Onerous Contracts and the Cost of Fulfilling a Contract ("IAS 37")

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company applied the standard prospectively from January 31, 2021. The amendments to the definition of material did not have a significant impact on the consolidated financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

a) Business acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill.

The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to the fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. The Company's business acquisitions, including fair value estimates and judgments, are described under Note 7.

b) Provisions

The recognition of provisions requires management to make certain judgements regarding whether there is a present legal or constructive obligation as a result of a past event, it is probably that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company. Due to the judgmental nature of these items, settlement of provisions may differ from amounts recognized.

c) Income taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Judgement is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings to tax authorities.

d) Recoverable amounts and impairment

Management assesses impairment of non-financial assets such as intangible assets, goodwill, property, plant and equipment, and ROU assets on a periodic basis. When impairment indicators are noted, management estimates the recoverable amount of each asset or CGU based on a VIU model, using expected future cash flows, or a FVLCS model, using recent sales data or appraisal reports. Under a VIU model, when measuring expected future cash flows, management makes assumptions about future growth of profits of CGU locations which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Impairment losses on the consolidated financial statements are further described in Note 19.

e) Convertible debentures

Management applies judgment in identifying the components and determining their inception fair value for the purpose of allocating the proceeds to the component(s) of its convertible debentures. Management applies assumptions and estimates when using the Black-Scholes, Monte-Carlo, and Trinomial simulation valuation models used to estimate fair value for such derivatives. These assumptions and estimates require a high degree of judgment and a change in these estimates may result in a material effect to the consolidated financial results. The judgments and estimates are described under Note 15.

f) Lease term

Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and ROU assets (which use lease term as the basis for determining useful life).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

g) Incremental borrowing rate

The incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, and risks specific to the underlying assets. The carrying balance of the ROU, lease liabilities, and the resulting amortization and finance expenses, may differ due to changes in the Company's own credit risk, market conditions and lease term. Refer to note 4 for estimates with respect to incremental borrowing rate applied in lease liability calculations.

h) Share-based payments and warrants fair values

The Company applies the Black-Scholes valuation technique for fair valuing stock options and share purchase warrants that are classified as equity instruments. The key estimate in these models relates to future volatility assumptions, which uses both Company and peer company share price data. Volatility assumptions and estimates require judgment given limited history of Company and industry share price and operating performance data. Changes in these assumptions may affect the fair value estimates of stock options and share purchase warrants. Refer to note 16 for details of valuation model inputs applied for these instruments.

The Company has also issued warrants as part of a strategic investment transaction with a key investor, that were classified as a derivative liability due to a variable exercise price range and is fair valued using Monte-Carlo simulation valuation technique. Key estimates and sensitivity of unobservable inputs (volatility) are described under Note 15.

i) Segment information

The Company uses judgment in determining its reportable segments based on how the Chief Operating Decision Makers ("CODMs") reviews information and assesses segment operating income or loss when making strategic decisions. Segment operating income or profit is calculated as segment gross profit less segment selling, general and administrative expenses. The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™; (2) The Wholesale Distribution segment which distributes cannabis products and accessories; and (3) The Digital Platform segment which sells products and services provided by the Hifyre™ digital and analytics platform, PotGuide content platform and Pineapple Express Delivery develops digital experiences and retail analytical insights. The CODMs are the Chief Executive Officer, Chief Financial Officer and Chief Innovation Officer.

During the fiscal year ended January 29, 2022, certain departmental costs previously presented under the Retail segment and their allocation to the other business lines and corporate segments were updated to better reflect how the Company services its customers and markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

7. ACQUISITIONS

Acquisitions Completed in the Current Fiscal Year

a) Business Acquisition of Pineapple Express Delivery Inc.

On December 9, 2021, the Company entered into a definitive agreement (“the Agreement”) to acquire Pineapple Express Delivery Inc. (“Pineapple Express Delivery”). The transaction closed effective January 21, 2022. Pursuant to the Agreement, the total purchase for the acquisition of Pineapple Express Delivery paid by the Company was comprised of (i) assumption and repayment of \$5,049 in debt (ii) issuance of 313,708 common shares with an aggregate value of \$1,405, based on the share price at the date of acquisition; and (iii) contingent consideration of \$3,761 consisting of 839,436 common shares held in escrow. As at January 29, 2022, 839,436 common shares were held in escrow in relation to the share consideration issued for the acquisition, subject to certain adjustments in accordance with the terms of the Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. As the release of the 839,436 common shares held in escrow are not dependent on continued employment by the seller, the amount is included as part of the consideration paid for the business combination. For accounting purposes, the common shares issued as contingent consideration were fair valued at \$3,761 based on the close price on the TSX on the date of acquisition and also factored in the probability of the contingent consideration becoming payable.

Pineapple Express Delivery is licensed to deliver cannabis and other regulated products including transportation and delivery of medical and recreational products in Ontario, Manitoba, Saskatchewan and British Columbia. Pineapple Express Delivery has partnered with BC Cannabis Stores to provide next business day delivery in the Metro Vancouver region through BC Cannabis Stores’ e-commerce website.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, January 21, 2022. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating Pineapple Express Delivery into the group of Retail and Digital CGUs. Refer to note 13 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

The estimated fair value of the identifiable assets and liabilities acquired, and the consideration paid is detailed below:

Consideration paid	
	\$
Common shares issued	1,405
Contingent consideration	3,761
Assumption of debt	5,049
Total consideration	10,215
Identifiable assets (liabilities) acquired	
	\$
Cash & cash equivalents	122
Prepays	261
Property, plant and equipment	797
Receivables and other assets	962
Accounts payable and accrued liabilities	(1,627)
Intangible assets - customer relationships (note 13)	890
Intangible assets - software and platform related technology (note 13)	741
Right-of-use assets	961
Lease liabilities	(1,053)
Deferred tax liability	(382)
Goodwill	8,543
Total identifiable net assets and goodwill	10,215

The estimated fair value of the material intangible assets was determined using the following methods:

- Customer relationships – Multiple period excess earnings method (“MEEM Method”); and
- Software and platform related technology – Replacement Cost method.

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected expansion of delivery services into new provinces and the growth in the medical delivery program.
- Discount rate of 17% across the valuation methods. The discount rate was based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated rate of return for companies of comparable size and other risk factors (utilized in the Corroborative Income approach).

The Company recognized deferred tax liabilities associated with the customer relationships and software and platform related technology. The deferred tax liability resulted in an additional goodwill amount of \$382.

Changes in these assumptions may affect the fair value estimates determined for these intangibles and a reallocation of purchase price to or from the amount recognized for goodwill. The goodwill arising from the acquisition of Pineapple Express Delivery represents synergies to be realized by integrating its operations and technologies with the Company’s retail network and Hifyre digital platform and will allow the Company to service the market end-to-end through customer acquisition, product discovery and delivery.

If the transaction had closed on January 31, 2021, the Company estimates proforma revenue and proforma loss from operations would have increased by approximately \$10,286 and \$2,992, respectively for the fiscal year ended January 29, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Due to the timing of the acquisition, the Company has not finalized the assessment of the fair value of the net assets acquired and, as a result, the working capital balances, deferred taxes and the fair value assessments for intangible assets may be subject to adjustments pending close of the purchase price, final valuations and post-closing adjustments. Differences between the preliminary purchase price allocations and the final purchase price allocation accounting may occur. Adjustments, including purchase consideration finalization, will be finalized within twelve (12) months from the acquisition date.

Acquisition costs of \$67 arose as a result of the transaction, which were recognized in the Consolidated statement of loss and comprehensive loss.

b) Business Acquisitions of PotGuide and Wikileaf

Wikileaf Business Acquisition

On August 3, 2021, the Company entered into an asset purchase agreement (the "Wikileaf APA") with Wikileaf Technologies Inc. and certain subsidiaries ("Wikileaf"). The transaction closed effective September 15, 2021. Pursuant to the Wikileaf APA, the Company acquired certain digital assets, including the website domain, and intellectual property rights from Wikileaf for a total purchase consideration of \$7,500, by issuing 801,710 common shares of the Company which was based on the Company's 10-day volume weighted average price on the TSX as of the date of agreement. For accounting purposes, the shares were fair valued at \$7,296 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, September 15, 2021. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating Wikileaf into the group of Retail and Digital CGUs. Refer to note 13 for further details.

If the transaction had closed on January 31, 2021, the Company estimates proforma revenue and proforma loss from operations would have increased by approximately \$90 and \$2,637, respectively for the fiscal year ended January 29, 2022.

PotGuide Business Acquisition

On August 25, 2021, the Company entered into a definitive share purchase agreement (the "PGED SPA") with PGED Corp. ("PotGuide"), the Denver Colorado based operator of PotGuide.com. The transaction closed effective September 15, 2021. Pursuant to the terms of the PGED SPA, the Company purchased all the issued and outstanding shares of PotGuide for an aggregate consideration of \$10,912 (US\$8,820), by paying \$5,472 (US\$4,320) in cash and issued 597,805 common shares of the Company based on the Company's 10-day volume weighted average price on the TSX as of the date of the agreement. For accounting purposes, the shares were fair valued at \$5,440 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of the transaction constituted a business combination as PotGuide meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating PotGuide into the group of Retail and Digital CGUs. Refer to note 13 for further details.

If the transaction had closed on January 31, 2021, the Company estimates proforma revenue and proforma loss from operations would have increased by approximately \$1,422 and \$361, respectively for the fiscal year ended January 29, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021

(In thousands of Canadian Dollars, unless otherwise noted)

Further, PotGuide mainly operates in the USA with its operating activities majorly being carried out in U.S. Dollars. In accordance with IAS 21, management has determined that the functional currency of PotGuide is U.S. Dollars.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid is detailed below:

Consideration paid	PotGuide	Wikileaf	TOTAL
	\$	\$	\$
Common shares issued ⁽¹⁾	5,440	7,296	12,736
Cash	5,472	-	5,472
Total consideration	10,912	7,296	18,208
Identifiable assets (liabilities) acquired			
	\$	\$	\$
Cash & cash equivalents	388	-	388
Receivables and other assets	177	-	177
Accounts payable and accrued liabilities	(160)	-	(160)
Intangible assets - trademarks, subscriber & dispensary relationships (note 13)	3,436	2,269	5,705
Intangible assets - software and platform related technology (note 13)	2,080	1,338	3,418
Deferred tax liability	(1,462)	-	(1,462)
Goodwill	6,453	3,689	10,142
Total identifiable net assets and goodwill	10,912	7,296	18,208
Common shares issued (#)	597,805	801,710	1,399,515

(1) In accordance with IFRS, the share consideration was fair valued based on close price on the TSX as of the acquisition date.

The estimated fair value of the material intangible assets was determined using the following methods:

- Dispensary relationships – Multiple period excess earnings method (“MEEM Method”),
- Subscriber relationships – Replacement Cost method, and
- Platform related technology - Replacement Cost method.

Wikileaf and PotGuide - Significant Judgments and Estimates

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected growth of the Cannabis market and e-commerce activities in Canada and the United States.
- Discount rate range of 12% - 25% across the valuation methods. The discount rates were based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated venture capital rate of return for an early-stage company (utilized in the Replacement Cost method).

The goodwill recognized under both acquisitions relate to expected synergies from combining operations, subscriber and customer relationships of Wikileaf, PotGuide and the Company’s Hifyre digital platform, as well as assembled workforce, which is not separately recognizable as an intangible asset under IFRS. In addition, the Company recognized deferred tax liabilities associated with the PotGuide’s intangible assets, which resulted in recognition of additional goodwill of \$1,462.

Acquisition costs of \$100 arose as a result of the transaction, which were recognized in the Consolidated statement of loss and comprehensive loss.

Due to the timing of the acquisitions for Wikileaf and PotGuide, the Company has not finalized the assessment of the fair value of the net assets acquired and, as a result, the deferred taxes and the fair value assessments for intangible assets may be subject to adjustments pending final valuations and post-closing adjustments. Differences between these preliminary amounts and the final accounting may occur. Adjustments, including purchase consideration finalization, will be finalized within twelve (12) months from the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

c) Asset Acquisition – Orangeville and Sarnia

On April 13 and June 11, 2021 respectively, the Company entered into two asset purchase agreements (each an “APA”) to acquire the assets related to the operations of cannabis retail stores located in Sarnia and Orangeville, Ontario for aggregate purchase consideration of \$1,600, subject to certain closing adjustments.

The Orangeville transaction closed effective October 29, 2021. Pursuant to the terms of the Orangeville APA, the Company paid total aggregate consideration of \$972 for the assets acquired comprising of (i) \$872 in cash and (ii) 8,838 common shares of the Company with a value of \$100. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included inventory, prepaids, and leasehold improvements of \$379. The intangible assets included retail operating licenses for \$593. Under IFRS 3, the substance of the acquisition does not constitute a business combination.

The Sarnia transaction closed effective November 9, 2021. Pursuant to the terms of the Sarnia APA, the Company paid total aggregate consideration of \$697 in cash for the assets acquired. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included leasehold improvements and other assets of \$231. The intangible assets included retail operating licenses for \$466. Under IFRS 3, the substance of the acquisition does not constitute a business combination.

d) Fire & Flower U.S. Holdings Inc. (formerly American Acres) Arrangement

On February 22, 2021, the Company announced that it has entered into agreements with a Canadian private company, operating as “American Acres Managers” (“American Acres”), which comprised agreements to license the Company’s brand, store operating system and digital retail and analytics platform for cannabis dispensaries across certain U.S. states (collectively, the “Strategic Agreements”). On August 10, 2021, the Company announced that American Acres had changed its operating name to Fire & Flower U.S. Holdings (“Fire & Flower US”) and opened its first Fire & Flower branded store in Palm Springs, California. On January 28, 2022, the Corporation amended certain terms of the Strategic Agreements with Fire & Flower US to provide for, among other things, the Corporation to pay the shareholders of Fire & Flower US an aggregate amount of US\$5 million (subject to certain conditions). The cash deposit, plus a premium of one percent (1%), calculated monthly, will be deducted from the fair-market value purchase price payable, if and when the Company exercises its option to acquire Fire & Flower US. Hifyre will now receive a one-time implementation fee and ongoing software and support fees for each Fire & Flower branded store operated by Fire & Flower US. In addition, the amendments to the Strategic Agreements provide for the Corporation, upon the payment of additional cash amounts, (i) to extend its option to acquire Fire & Flower US to February 2028 or such later date upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Corporation’s securities are listed for trading, (ii) expand the number of cannabis retail stores that Fire & Flower US may operate utilizing the Corporation’s licensed trademarks/intellectual property, and/or (iii) expand the territory within which Fire & Flower US may operate cannabis retailer stores utilizing the licensed trademarks/intellectual property.

Acquisitions Completed in Prior Fiscal Year

The Company completed a series of business combination and asset acquisitions in the prior fiscal year ended January 30, 2021, which are described below.

a) Business Acquisition of Friendly Stranger

On November 1, 2020, the Company entered into a share purchase agreement (the “FSHC SPA”) with Friendly Stranger Holdings Corp. (“Friendly Stranger”). The transaction closed effective December 1, 2020. Pursuant to the terms of the FSHC SPA, the Company purchased all of the issued and outstanding shares of Friendly Stranger for an aggregate consideration of \$25,276 in common shares, subject to certain closing adjustments. The Company issued an aggregate of 3,129,734 common shares. As at January 29, 2022, the acquisition was finalized and final post-closing adjustments were completed. The measurement period is now closed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Pursuant to the terms of the share purchase agreement by which the Company acquired Friendly Stranger Holdings Corp, 485,436 common shares were held in escrow, to be released upon finalization of the post-closing adjustments. During the fifty-two weeks ended January 29, 2022, upon finalization of post-acquisition adjustments, the Company released 431,758 common shares from escrow, with 53,678 common shares with a carrying value of \$53 being cancelled.

Concurrently with entering into the FSHC SPA on November 1, 2020, the Company also entered into a loan agreement with Friendly Stranger under which Friendly Stranger borrowed from the Company up to \$2,000 to support the purchase of certain licensed cannabis retail stores operating in the province of Ontario. The loan remained outstanding at the time of close of acquisition and therefore the balance was included as part of the overall purchase consideration.

Friendly Stranger (and its subsidiaries) hold numerous Alcohol and Gaming Commission of Ontario ("AGCO") retail operator licences ("ROL") and retail store authorizations ("RSA") throughout the province of Ontario under the "Friendly Stranger", "Hotbox" and "Happy Dayz" brands.

In accordance with IFRS 3, the substance of these acquisitions constituted a business combination as these individual companies met the definition of a business under the standard. Accordingly, the assets acquired, including the AGCO ROLs/RSAs, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid is detailed below:

Consideration paid	
	\$
Common shares issued ⁽¹⁾	25,223
Advances under loan arrangement	2,000
Total consideration	27,223
Identifiable assets (liabilities) acquired	
	\$
Cash & cash equivalents	330
Inventory	935
Prepaid expense and deposits	1,292
Receivables and other assets	609
Property, plant & equipment	5,152
Intangible assets - brands and trademarks	7,223
Intangible assets - retail operator licence and retail store authorizations	10,630
Accounts payable and accrued liabilities ⁽¹⁾	(3,360)
Loans payable	(3,345)
Earnout liability	(522)
Right-of-use assets	11,086
Lease liabilities	(10,962)
Deferred tax liability ⁽¹⁾	(1,476)
Goodwill ⁽¹⁾	9,631
Total identifiable net assets and goodwill	27,223

(1) During the fiscal year ended January 29, 2022, the Company recognized certain post-acquisition adjustments through goodwill relating to the Friendly Stranger. Refer to note 13 & 16 for further details.

The estimated fair value of the brands/trademarks was determined using the relief from royalty method, which was based on a market input (royalty rate) and revenue projections. The licences were valued using the excess earnings methodology, which utilized revenue projections, free cash-flows and contributory asset charge estimates.

Significant judgments and estimate areas in these valuations related to the following:

- Inputs in the financial projections related to revenue projections by store location and 2-4% growth rate in projection and terminal value. The growth rate also reflected the anticipated market conditions, including the inherent uncertainty due to the impact of the COVID-19 pandemic (note 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

- Discount rate range of 13% - 18% utilized in arriving at the present value of the projections and contributory assets expected return. The discount rates were determined based on risk and liquidity of the intangibles relative to the overall return on the assets acquired, estimates of the Company's weighted average cost of capital, and benchmarking to peers.
- Royalty rate range of 2% - 6% utilized in relief from royalty method. The rate was benchmarked using comparable market transactions for similar products, technology and industry.

The Company recognized deferred tax liabilities associated with the licences, brands and trademarks. The deferred tax liability resulted in an additional goodwill amount of \$1,476.

The earnout liability assumed by the Company relates to an arrangement between Friendly Stranger and owners of acquired stores prior to the Company's acquisition. The additional consideration is to be paid out to a maximum of \$1,200, depending on certain revenue and branded store operations targets being achieved by December 31, 2022. During the year ended January 29, 2022, one of the revenue targets was achieved resulting in \$200 earnout liability being realized. Weighted average probability of achievement of the remaining targets was estimated at 40% based on management's expectation of the targets being reached before expiration.

Acquisition costs of \$1,813 arose as a result of the transaction, which were recognized in the statement of loss and comprehensive loss.

b) Acquisitions of Additional Ontario Retail Businesses

Summarized below are the Company's other Ontario retail location acquisitions completed in the previous fiscal year ended January 30, 2021. As at January 29, 2022, these acquisitions were finalized and final post-closing adjustments were completed. The measurement period is now closed. These transactions comprised primarily single retail location store operations. In accordance with IFRS 3, the substance of these acquisitions constituted a business combination as these individual companies met the definition of a business under the standard. Accordingly, the assets acquired, including the AGCO ROLs/RSAs, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The total consideration paid, and the preliminary estimate of fair value of the assets and liabilities acquired at the date of acquisition are detailed below.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid are detailed below:

Consideration paid	Quad Nine	Busboy	2673 Ontario ⁽¹⁾	115 Canada	267 Ontario	272 Ontario	TOTAL
							\$
Common shares issued	100	1,700	250	-	411	631	3,092
Cash	1,034	800	893	1,245	-	1,110	5,082
Settlement of receivables	-	-	-	-	1,728	-	1,728
Total consideration	1,134	2,500	1,143	1,245	2,139	1,741	9,902
Identifiable assets (liabilities) acquired							
Cash & cash equivalents	2	39	26	207	745	-	1,019
Inventory	80	61	51	102	520	433	1,247
Other assets ⁽¹⁾	53	21	121	162	-	-	357
Property, plant & equipment	131	-	364	228	-	-	723
Intangible assets - retail operator licence and retail store authorizations	855	2,359	631	509	874	1,398	6,626
Accounts payable and accrued liabilities	-	-	-	-	-	(90)	(90)
Right-of-use assets	413	724	624	2,769	-	-	4,530
Lease liabilities	(400)	(704)	(613)	(2,732)	-	-	(4,449)
Deferred tax liability	(227)	(631)	(167)	(135)	(230)	(372)	(1,762)
Goodwill ⁽¹⁾	227	631	106	135	230	372	1,701
Total identifiable net assets and goodwill	1,134	2,500	1,143	1,245	2,139	1,741	9,902
Common shares issued (#)	12,408	219,865	24,841	-	75,343	80,000	412,457

(1) During the fiscal year ended January 29, 2022, the Company recognized certain post-acquisition adjustments through goodwill relating to 2673 Ontario. Refer to note 13 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

For the above acquisitions, the value to the licences was determined as a residual in the purchase price allocation, and was determined to be a reasonable approximation of the fair value of the licences based on recent market transactions, valuations done (see Friendly Stranger acquisition) and retail location value. The Company also recognized deferred tax liabilities associated with the licences acquired. The deferred tax liabilities resulted in the recognition of goodwill amounts for these acquisitions.

- *Acquisition of Quad Nine* - On December 6, 2020, the Company completed the acquisition of Quad Nine Investments Inc. ("Quad Nine"). Quad Nine holds an AGCO ROL and RSA in respect of a cannabis retail store located in Ontario.
- *Acquisition of Busboy* - On November 1, 2020, the Company completed the acquisition of Busboy Ventures Inc. ("Busboy"). Busboy Ventures Inc. holds an AGCO ROL and RSA in respect of one location in Toronto, Ontario, and at time of acquisition, had an application for an RSA for another location in Ontario, which was issued to the Company in December 2020.
- *Acquisition of 2673 Ontario* - On October 22, 2020, the Company completed the acquisition of a cannabis retail store (holding an ROL and RSA) located in Toronto, Ontario by way of its acquisition of all of the issued and outstanding shares of 2673801 Ontario Inc. ("2673 Ontario").
- *Acquisition of 115 Canada* - On September 1, 2020, the Company completed the acquisition of a cannabis retail store (holding an ROL and RSA) located in Toronto, Ontario by way of its acquisition of the issued and outstanding shares of 11522302 Canada Inc. ("115 Canada").
- *Acquisition of 2676053 Ontario* - On February 27, 2020, the Company completed the acquisition of the Kingston location by way of its acquisition of all of the issued and outstanding shares of 2676053 Ontario for a total purchase price of \$2,139 consisting of the settlement of receivables of \$1,728 and 753,431 common shares of the Company issued upon final closing adjustments on August 27, 2020. On February 27, 2020, the remaining promissory note balance outstanding of \$828 was settled as part of the purchase price adjustments for the acquisition of this location.
- *Acquisition of 2727765 Ontario* - On February 11, 2020, the Company completed the acquisition of the Ottawa location by way of its acquisition of all of the issued and outstanding shares of 2727765 Ontario for a total purchase price of \$1,741, consisting of \$1,110 in cash and 80,000 common shares of the Company.

c) Asset Acquisition - Flora and Tridelion

On June 4, 2019, the Company entered into asset purchase agreements with Flora (Bernard) Enterprises Inc., Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. pursuant to which the Company proposed to acquire an aggregate of five cannabis retail stores in Kelowna, Kamloops, Vernon, Prince George and Quesnel, British Columbia, subject to customary conditions including satisfaction of all licensing requirements.

During the fiscal year ended January 30, 2021, the asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. in respect of stores in Kamloops, Vernon, Prince George and Quesnel expired in accordance with their terms, and the Company and FFI entered into an amended and restated asset purchase agreement with Flora (Bernard) Enterprises Inc. in respect of a store in Kelowna (the "Kelowna Acquisition") which was completed on April 15, 2020. The purchase price was \$2,147, consisting of \$450 in cash including retention of deposits already paid, \$300 by way of a promissory note, and 240,871 common shares of the Company (issued on July 31, 2020). Under IFRS 3, the substance of the acquisition does not constitute a business combination. The purchase price was allocated fully to the acquired licence and recognized as an intangible asset. The promissory note was fully settled as at January 30, 2021.

d) Hifyre Inc.

During fiscal year ended January 29, 2022, in accordance with the share purchase agreement by which the Company acquired Hifyre Inc. dated July 20, 2018, the final installment of the purchase price consideration was settled with the issuance of 45,000 common shares with a carrying value of \$312.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

8. CASH AND CASH EQUIVALENTS

As at January 29, 2022 and January 30, 2021, the Company's cash and cash equivalents was comprised of the following:

	January 29, 2022	January 30, 2021
	\$	\$
Cash	19,847	30,412
Cash equivalents	-	201
Total Cash and Cash Equivalents	19,847	30,613

Cash equivalents were comprised of highly liquid money market mutual funds and GIC's held with large Canadian financial institutions.

9. TRADE AND OTHER RECEIVABLES

As at January 29, 2022 and January 30, 2021, the Company's trade and other receivables was comprised of the following:

As at	January 29, 2022	January 30, 2021
	\$	\$
Trade accounts receivable	12,386	4,283
Sales tax receivable	3,477	1,913
Other receivables	85	52
Total trade and other receivables	15,948	6,248

During the fiscal year ended January 29, 2022, the Company recognized \$410 as a provision for expected credit loss on its trade accounts receivable (January 30, 2021 - \$9).

10. MERCHANDISE INVENTORIES

As at January 29, 2022 and January 30, 2021, the Company's merchandise inventories were comprised of the following:

As at	January 29, 2022	January 30, 2021
	\$	\$
Cannabis	10,332	8,991
Accessories & apparel	2,126	847
Total merchandise inventories	12,458	9,838

The amount of inventories recognized as an expense in cost of goods sold for the fiscal year ended January 29, 2022 was \$112,180 (January 30, 2021 - \$81,606).

As at January 29, 2022, the Company recorded an inventory write-down of \$359 (January 30, 2021 - \$78) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of goods sold. There were no reversals of previously recorded write-down of inventories during the fiscal year January 29, 2022 and January 30, 2021.

FIRE & FLOWER HOLDINGS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, January 30, 2021	5,045	3,281	34,821	6,270	621	391	50,429
Acquisitions (note 7)	-	71	1,154	3	-	84	1,312
Additions	362	39	9,143	2,756	772	-	13,072
Impairment ⁽¹⁾	-	(45)	(4,874)	(89)	(36)	-	(5,044)
Balance, January 29, 2022	5,407	3,346	40,244	8,940	1,357	475	59,769
Accumulated Depreciation							
Balance, January 30, 2021	158	373	4,219	1,933	212	179	7,074
Depreciation	198	643	3,898	1,291	251	74	6,355
Impairment ⁽¹⁾	-	(12)	(1,287)	-	(11)	-	(1,310)
Transfers and Other	150	-	-	-	-	-	150
Balance, January 29, 2022	506	1,004	6,830	3,224	452	253	12,269
Net Book Value							
Balance, January 30, 2021	4,887	2,908	30,602	4,337	409	212	43,355
Balance, January 29, 2022	4,901	2,342	33,414	5,716	905	222	47,500

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, February 1, 2020	7,110	919	23,670	5,311	173	391	37,574
Acquisitions	-	1,736	4,201	114	95	-	6,146
Additions	259	819	7,195	913	355	-	9,541
Disposal	(2,232)	-	(21)	-	-	-	(2,253)
Impairment ⁽¹⁾	(92)	(193)	(224)	(68)	(2)	-	(579)
Balance, January 30, 2021	5,045	3,281	34,821	6,270	621	391	50,429
Accumulated Depreciation							
Balance, February 1, 2020	243	117	1,746	893	70	106	3,175
Depreciation	280	256	2,473	1,040	142	73	4,264
Disposals	(365)	-	-	-	-	-	(365)
Balance, January 30, 2021	158	373	4,219	1,933	212	179	7,074
Net Book Value							
Balance, February 1, 2020	6,867	802	21,924	4,418	103	285	34,399
Balance, January 30, 2021	4,887	2,908	30,602	4,337	409	212	43,355

(1) For further details on the impairments, refer to Note 19, Restructuring and Impairments

As at January 29, 2022, the amount of property, plant and equipment classified as under construction or development and therefore not being amortized was \$2,251 (January 30, 2021: \$15,759).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company entered into various lease agreements predominantly to execute its retail platform strategy.

The Company leases properties such as various retail stores and offices. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets	January 29, 2022	January 30, 2021
	\$	\$
Beginning balance	40,500	33,633
Additions	14,761	19,567
Terminated locations ⁽¹⁾	(5,722)	(8,620)
Depreciation expense for the year	(5,784)	(4,080)
Ending balance	43,755	40,500

⁽¹⁾ For further details on the ROU asset impairment, refer to Note 19, Restructuring and Impairments

The lease liabilities pursuant to these leases is summarized in the below table:

Lease liabilities	January 29, 2022	January 30, 2021
	\$	\$
Beginning balance, January 30, 2021	45,906	36,862
Additions	14,886	18,851
Cash outflows in the year	(9,036)	(5,132)
Terminated locations ⁽¹⁾	(4,223)	(7,822)
Accretion expense for the year ended	4,670	3,147
Ending balance	52,203	45,906

⁽¹⁾ For further details on the terminated lease liabilities, refer to Note 19, Restructuring and Impairments

Current	5,113	2,784
Non-current	47,090	43,122
Maturity analysis - contractual undiscounted cash flow	\$	\$
Less than one year	9,637	8,823
One year	9,042	8,607
Two years	8,084	7,866
Three years	7,140	6,258
Four years	6,851	5,758
Five years and beyond	21,803	20,591
	62,557	57,903

Other amounts recognized in the consolidated statement of loss and comprehensive loss	January 29, 2022	January 30, 2021
	\$	\$
Expenses relating to short-term leases	49	73
Expenses relating to variable lease payments not included in the measurement of lease liabilities	3,738	2,231
Income from subleasing right-of-use assets	160	321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

13. INTANGIBLE ASSETS AND GOODWILL

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	\$	\$	\$	\$
Balance, January 30, 2021	8,491	53,380	2,496	64,367
Acquisitions (note 7)	6,595	1,059	4,159	11,813
Additions	-	-	614	614
Impairment ⁽¹⁾	-	(19,170)	-	(19,170)
Balance, January 29, 2022	15,086	35,269	7,269	57,624
Accumulated Depreciation and impairments				
Balance, January 30, 2021	586	4,571	640	5,797
Depreciation	940	4,823	1,178	6,941
Impairment ⁽¹⁾	-	(227)	-	(227)
Balance, January 29, 2022	1,526	9,167	1,818	12,511
Net Book Value				
Balance, January 30, 2021	7,905	48,809	1,856	58,570
Balance, January 29, 2022	13,560	26,102	5,451	45,113

⁽¹⁾ For further details on the license impairments, refer to Note 19, Restructuring and Impairments

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	\$	\$	\$	\$
Balance, February 1, 2020	1,120	34,845	1,614	37,579
Acquisitions	7,223	19,403	-	26,626
Additions	148	-	882	1,030
Restructuring	-	(868)	-	(868)
Balance, January 30, 2021	8,491	53,380	2,496	64,367
Accumulated Depreciation and impairments				
Balance, February 1, 2020	270	1303	224	1797
Depreciation	316	3,268	416	4,000
Balance, January 30, 2021	586	4,571	640	5,797
Net Book Value				
Balance, February 1, 2020	850	33,542	1,390	35,782
Balance, January 30, 2021	7,905	48,809	1,856	58,570

During the fiscal year ended January 29, 2022, the Company generated \$611 (January 30, 2021: \$676) of internally developed software assets.

Goodwill

	January 29, 2022	January 30, 2021
Beginning balance	13,806	402
Business combinations (note 7)	18,685	13,404
Post-acquisition adjustments	(1,950)	-
	30,541	13,806

During the fiscal year ended January 29, 2022, the Company had goodwill arising from the acquisitions of PotGuide and Wikileaf of \$6,453 and \$3,689. Of the goodwill recognized, \$1,462 arose upon recognition of deferred liabilities for the acquisition during the fiscal year. The Company had goodwill arising from the acquisition of Pineapple Express Delivery of \$8,543. Of the goodwill recognized, \$382 arose upon recognition of deferred liabilities for the acquisition during the fiscal year. The purchase price allocations are further detailed under Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

The goodwill recognized from PotGuide, Wikileaf and Pineapple Express Delivery for \$18,685 relates to purchase allocations that are subject to final adjustments.

During the fiscal year ended January 29, 2022, the Company recognized a total of \$1,950 in post-acquisition adjustments relating to certain assets and liabilities from the acquisition of Friendly Stranger and 2673 Ontario from the preceding fiscal year ended January 30, 2021.

Impairment assessment

Allocation of goodwill to CGUs:

	January 29, 2022	January 30, 2021
	\$	\$
Retail	14,318	9,382
Digital	16,223	4,424
	30,541	13,806

The Company performed its annual impairment test on goodwill for the fiscal year ended January 29, 2022. Goodwill arising from business combinations has been allocated to the CGUs where it is expected that the CGUs will benefit from the synergies of the combination. The Company allocates goodwill to the Retail CGUs and Digital CGU. There are no other intangible assets with indefinite useful lives.

The Company's recoverable amount for its CGUs was determined using the Fair Value Less Costs to Sell method ("FVLCS") which is a market-based approach, which was based on the expected revenues multiplied by a revenue multiple of comparable companies in the industry. Key assumptions used in the FVLCS model that are most sensitive are revenue forecasts and the revenue multiple which are considered to be Level 3 in the fair value hierarchy. Management determined the values assigned to each key assumption based on approved budgets, historical data and external sources of information.

The Company used the following key assumptions in the FVLCS model which includes revenue multiple of 1.0 to 1.1 of revenues based on external capital market research information and revenue forecasts approved by the Board. The calculation of the FVLCS is not sensitive to any of the assumptions.

Based on the impairment test performed, the recoverable amount was determined to be higher than the carrying value of the CGUs. As a result, no impairment was recognized on goodwill during the year (January 30, 2021: \$Nil).

14. PROVISIONS

	January 29, 2022	January 30, 2021
	\$	\$
Beginning balance	2,672	265
Additions	777	2,649
Drawdowns	(1,707)	(242)
Ending balance	1,742	2,672

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the fiscal year January 29, 2022, the Company recorded a provision for estimated severance costs of \$777 as part of its analysis of the retail network and a corporate reorganization during the year which was offset by drawdowns for facility and other costs incurred at identified restructured locations in the prior year. The value of the provision is management's best estimate of the amount of expenditures expected to occur over the next 12 months. Lease obligation costs related to the restructuring locations are recorded in lease liabilities (note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

15. DEBENTURES AND LOANS, DERIVATIVE LIABILITY

Debentures and Loans balances outstanding:

	Contractual Maturity Date	Coupon Interest Rate	Principal Outstanding		Carrying Amount	
			January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021
			\$	\$	\$	\$
Convertible debenture liability						
April 2020 Debentures ⁽¹⁾	June 1, 2022	8.00%	-	29,407	-	16,364
Investor Debentures ⁽¹⁾	June 30, 2023	8.00%	2,407	25,990	1,754	14,931
			2,407	55,397	1,754	31,295
Term loans and credit facilities						
Term loan	April 30, 2030	3.95%	-	2,359	-	2,359
ACT loan	October 1, 2022	8.00%	20,070	-	20,070	-
Total debentures and loans			22,477	57,756	21,824	33,654
Current Portion			(20,070)	(219)	(20,119)	(637)
Long-term Portion			2,407	57,537	1,705	33,017

Derivative Liability balances outstanding:

	Contractual Maturity Date	Conversion Price/unit	Equivalent Units		Carrying Amount	
			January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021
		\$/unit	#	#	\$	\$
Conversion option derivative liabilities						
April 2020 Debentures	June 1, 2022	\$5.00	-	2,940,700	-	21,355
Investor Debentures ⁽¹⁾	June 30, 2023	variable ⁽¹⁾	240,741	2,598,998	1,074	17,457
					1,074	38,812
Warrants recognized as derivative liability						
Series B Warrants ^{(1) (2)}	September 30, 2022	variable	6,717,554	6,717,554	1,171	10,576
Series C Warrants ^{(1) (3)}	June 30, 2023	variable	13,339,078	13,339,078	224	16,929
Top-up Series B Warrants ⁽²⁾	September 30, 2022	variable	1,570,513	-	178	-
Top-up Series C Warrants ⁽³⁾	June 30, 2023	variable	4,457,206	-	73	-
					1,646	27,505
Total derivative liability					2,720	66,317
Current Portion					(1,349)	-
Long-term Portion					1,371	66,317

(1) Amended. See further details below.

(2) Exercisable after January 1, 2022 (see terms described below).

(3) Exercisable after October 31, 2022 (see terms described below).

Cash proceeds from convertible debentures issued totalled \$Nil (January 30, 2021: \$28,000).

Cash proceeds from term loan facilities totalled \$20,000 (January 30, 2021: \$2,538).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Convertible debenture related activity is summarized below:

	Principal Outstanding	Carrying Amount		
		Debenture component	Derivative liability - conversion option	Equity component - conversion option
	\$	\$	\$	\$
Balance at February 1, 2020	67,158	51,502	2,078	1,756
Conversion and settlement - LP Debentures	(14,000)	(13,132)	(1,112)	-
Repayment and settlement - June 2019 Debentures	(27,168)	(27,168)	-	-
Conversion option expiry - June 2019 Debentures	-	-	-	(1,756)
Issuances - April 2020 Debentures	28,000	11,762	15,309	-
Pre-amendment Investor Debentures- extinguishment	(25,990)	(20,728)	-	-
Amended Investor Debentures - new liability	25,990	13,601	21,966	-
Debenture modifications	-	(1,207)	-	-
Loss on revaluation of derivative liability	-	-	682	-
Accretion and interest expense	-	19,892	-	-
Coupon interest payment in cash	-	(1,057)	-	-
Coupon interest payment in common shares	-	(2,119)	-	-
Coupon interest capitalization to principal	1,507	-	-	-
Debenture conversions - Investor Debentures	(100)	(51)	(111)	-
Balance, January 30, 2021	55,397	31,295	38,812	-
Loss on revaluation of derivative liability	-	-	34,708	-
Accretion and interest expense	-	2,562	-	-
Coupon interest payment in cash	-	(9)	-	-
Coupon interest payment in common shares	-	(1,697)	-	-
Debenture conversions - Investor Debentures	(23,583)	(13,643)	(24,245)	-
Debenture conversions - April 2020 Debentures	(29,407)	(16,754)	(48,201)	-
Balance, January 29, 2022	2,407	1,754	1,074	-

Derivative liability activity related to warrants are summarized below:

	January 29, 2022	January 30, 2021
	\$	\$
Balance, beginning of fiscal year	27,505	-
Amended Series B Warrants	-	16,949
Amended Series C Warrants	-	29,876
Top-up Series B Warrants	194	-
Top-up Series C Warrants	110	-
Gain on revaluation	(26,163)	(19,320)
Balance, end of fiscal year	1,646	27,505

Measurement and sensitivity analysis as at January 29, 2022

As at January 29, 2022, the derivative liability for the April 2020 Debentures conversion option was revalued using the above described valuation technique and the following assumptions: stock price of \$4.46; risk-free interest rate of 1.09%; and expected volatility of 63% based on historical trading data of the Company and its peers.

As at January 29, 2022, the derivative liabilities related to the Investor Debentures conversion option, Series B Warrants and Series C Warrants were revalued using the Monte-Carlo and trinomial tree model simulation valuation technique and the following assumptions: stock price of \$4.46; risk-free interest rate range of 0.72% - 1.09%; and expected volatility range of 60% - 63% based on historical trading data of the Company and its peers.

These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimated fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Volatility assumptions are a significant unobservable input to the estimate, mainly due to the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in.

As at January 29, 2022, with all other variables held constant, a 5% decrease and 5% increase in volatility would have resulted in a change in the estimated fair values of the derivative liability instruments as follows:

Sensitivity Analysis	Valuation Technique	As at January 29, 2022	
		Volatility - 5%	Volatility +5%
Investor Debentures conversion option	Monte-Carlo/ Trinomial	\$ (33)	\$ 27
Series B Warrants	Monte-Carlo	(113)	110
Series C Warrants	Monte-Carlo	(122)	274
Top-up Series B Warrants	Monte-Carlo	(23)	18
Top-up Series C Warrants	Monte-Carlo	(40)	88
Total		(331)	517

a) Issuance of Top-up Warrants

Pursuant to the terms of the amended and restated investor rights agreement dated September 16, 2020 between the Company and ACT (the "IRA"), ACT is entitled to certain Top-up Rights (as defined in the IRA) when its fully diluted interest in the Company drops below 49.1%. As a result of certain dilutive issuances of common shares, ACT's Top-up Rights were triggered and on January 18, 2022, the Company issued an additional 1,570,513 Series B Warrants, and 4,457,206 Series C Warrants, for an aggregate issuance of 6,027,719 warrants ("**Top-up Warrants**"). ACT may receive additional ACT Warrants pursuant to the exercise of certain Top-up Rights.

Exercise price for Top-up Series B Warrants is the greater of (i) \$4.7732; and (ii) the lesser of (A) \$18.75; and (B) the 20-day volume weighted average trading price of the Shares on the Exchange on the last Business Day prior to the exercise of such top-up Series B Warrants.

Exercise price for Top-up Series C Warrants is the greater of (i) \$4.7732; and (ii) the lesser of (A) \$30.00; and (B) 125% of the 20-day volume weighted average trading price of the Shares on the Exchange on the last Business Day prior to the exercise of such top-up Series C Warrants.

The same fair value models for the existing Series B and Series C Warrants were applied to the Top-up Series B and Series C Warrants. Assumptions used in valuing the Top-up Warrants were:

- For Series B: stock price of \$4.46, risk-free interest rate of 0.72%, and expected volatility of 60% based on historical trading data of the Company and its peers.
- For Series C: stock price of \$4.46, risk-free interest rate of 1.09%, and expected volatility of 63% based on historical trading data of the Company and its peers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

b) ACT Secured Debt Facility

On December 13, 2021, the Company entered into a loan agreement (the "ACT Loan Agreement") with ACT pursuant to which ACT shall loan to the Company a maximum aggregate amount of \$30,000 which may be drawn down in three separate tranches of \$10,000 (the "Loan"). Subject to the terms of the ACT Loan Agreement, the Loan will accrue interest at a rate of 8.0% per annum, payable quarterly, and matures on October 1, 2022. The ACT Loan Agreement contemplates prepayment of amounts drawn from the net proceeds received by the Company upon the exercise of Series B Warrants held by ACT which become exercisable by ACT as of January 1, 2022 until September 30, 2022. The Loan is secured by the assets of the Company. As at January 29, 2022, a total of \$20,000 was withdrawn.

c) Settlement of Senior Secured Term Loan and Credit Facilities

On April 21, 2020, the Company entered into a commitment letter to obtain up to an aggregate amount of \$10,000 (with an option for an additional \$5,000), non-dilutive credit facilities with a financial institution. The new financing is comprised of two separate loan facilities on a two-year term: a revolving credit facility in the amount of \$5,000 that bears a variable interest rate of 1.75% plus prime rate, and a term loan in the amount of \$5,000 that bears a variable interest rate of 1.50% plus prime rate. An "accordion" option is also available to increase the revolving facility by an additional \$5,000, subject to the financial institution's consent and certain other customary conditions.

On October 25, 2021, the Company announced it had repaid in full its obligations under the credit facilities. The Company was permitted to repay amounts outstanding prior to maturity without penalty. The outstanding debt was repaid from cash held in a restricted collateral account.

d) Strategic Investment - Investor Debentures and Investor Warrants

On August 7, 2019, the Company issued: (i) \$25,990 principal amount of 8.0% unsecured convertible debentures (the "Investor Debentures"); (ii) 3,063,432 series A Common Share purchase warrants (the "Series A Warrants"); (iii) 5,612,689 series B Common Share purchase warrants (the "Series B Warrants"); and (iv) 11,070,392 series C Common Share purchase warrants (the "Series C Warrants" and with the Series A Warrants and the Series B Warrants, the "Investor Warrants") pursuant to the terms of a subscription agreement with 2707031 Ontario Inc., an indirect wholly-owned subsidiary of Alimentation Couche-Tard ("ACT") (the "Strategic Investment"). Pursuant to the terms of the Strategic Investment, ACT had the right, but not the obligation, to acquire that number of common shares that may result in ACT holding 50.1% of the issued and outstanding common shares if the principal amount of investor debentures and warrants are converted and exercised, respectively, in full.

On July 23, 2020, the Company announced a series of amendments to convertible debentures and investor warrants issued to ACT under the strategic investment agreement completed on August 7, 2019 (the "ACT Investment Amendments"). These amendments were approved at a special meeting of shareholders on September 15, 2020.

These amendments resulted in the following:

- Extending the maturity date of \$25,990 principal amount 8.0% convertible unsecured debentures to June 30, 2023 from June 30, 2021. ACT would have the right to accelerate the Investor Debentures maturity date once \$20,000 in principal of the April 2020 Debentures was converted.
- The Investor Debentures conversion price is now the lesser of: (A) the 20-day volume weighted average price ("VWAP") of the common shares of the Company on the last trading day prior to ACT delivering a notice of its intention to convert; and (B) \$9.00.
- The Company has the ability to repay the principal amount of the Investor Debentures and interest by issuing common shares of the Company at a price equal to \$7.50 per common share (subject to satisfaction of certain conditions precedent, including the common shares having a 20-day VWAP of at least \$10.00 on the date the Company gives its notice of intention to convert).
- 3,415,802 series A common share purchase warrants ("Series A Warrants"), previously with an exercise price of \$14.00, were amended as follows:
 - 1,314,646 of the Series A Warrants (the "A-1 Warrants") have an exercise price equal to \$7.80, which were subsequently exercised by ACT on September 18, 2020 for cash exercise proceeds of \$10,254;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

- 1,050,577 of the Series A Warrants (the "A-2 Warrants") has an exercise price equal to \$8.30, which were exercised during the fiscal year ended January 29, 2022 for cash exercise proceeds of \$8,720; and
- 1,050,577 of the Series A Warrants (the "A-3 Warrants") has an exercise price equal to \$9.30. The A-3 Warrants will expire on June 30, 2021 (the "Series A Expiry Date").
- 6,717,554 series B common share purchase warrants ("Series B Warrants"), previously with an exercise price of \$18.75, were amended such that the exercise price is the lesser of: (A) \$18.75; and (B) the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series B Warrants are exercised; is exercisable at any time after January 1, 2022; and the expiry date is September 30, 2022.
- 13,339,078 series C common share purchase warrants ("Series C Warrants"), previously with an exercise price range of \$20.00 - \$60.00, were amended such that the exercise price is the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised; is exercisable at any time after October 1, 2022; and the expiry date would be June 30, 2023.

Initial Recognition and Measurement in fiscal year ended February 1, 2020

The Investor Debentures' host debt component was classified as a financial liability measured at amortized cost, while the holder's conversion option component was classified as an equity instrument, and the accelerated maturity date prepayment option and the Company's conversion option components were classified as embedded derivatives.

The classification of Investor Warrants was determined based on the terms and conditions attached to each series. The Series C Warrants were classified as a derivative liability due to the variability in exercise price, while the Series A Warrants and Series B Warrants were classified as equity instruments and are not subject to revaluation in accordance with IFRS.

Gross proceeds were \$25,990 and net proceeds were \$24,092, net of cash transaction costs of \$1,898. The gross proceeds were allocated on a relative fair value basis to the Series C warrants for \$15,546, the host debt component for \$10,473, and the embedded derivatives for \$29,015. Of the cash transaction costs, \$765 was allocated and netted against the host debt component, and \$1,133 was recognized as finance costs expense at inception. In accordance with IFRS, any residual value remaining would be allocated to the identified equity instruments. At initial recognition, no residual value remained for allocation, and the Series A Warrants, Series B Warrants and the holder's conversion option was assigned a \$nil value. At initial recognition, these equity instruments had an aggregate estimated fair value of \$60,581.

The host debt component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal \$25,990, using an effective interest rate of 80%.

The estimated fair value at initial recognition for the Investor Debentures host debt component and the Investor Warrants differed from the transaction price. For the Series C Warrants derivative liability, which are to be recognized at fair value, IFRS permits the deferral of the recognition of the difference of \$11,503, between the estimated fair value at initial recognition of \$27,049 and the allocated relative fair value amount. This Company's policy is to defer such differences and recognize the deferred amounts once estimated fair values can be determined based solely on market observable inputs.

The estimated fair value of the Investor Debentures host debt component at initial recognition was determined using probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific operational events, and a company specific discount rate assumption range of 33% - 46%.

The Series C Warrants were valued using the Monte-Carlo simulation valuation technique to project the Company's share price to the expected maturity date, and the following assumptions: stock price of \$13.90; \$nil dividends; risk-free interest rate of 1.33%; and expected volatility of 70% based on historical trading data.

As at February 1, 2020 and prior to amendment, the Series C Warrants were revalued to \$nil (net of the deferred initial difference), using the above described valuation technique. These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimated fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Accounting for the amendments to Investor Debentures and Investor Warrants in fiscal year ended January 30, 2021

The amendment to the terms of the Investor Debentures and Investor Warrants resulted in the derecognition of the existing debenture and warrants carrying values at the date of amendment (September 15, 2020), which were in aggregate \$20,728 and \$808, respectively, and recognition of the debentures and warrants under the amended terms. The aggregate fair value of the amended debentures and warrants totalled \$87,066, and were allocated as follows:

- Recognition of \$13,601 as a debenture liability for the host debt component and \$21,966 as a derivative liability in relation to the conversion option. The conversion option was accounted for as a derivative liability as the amended terms did not meet the fixed-for-fixed criteria under IFRS (pre-amendment, accounted for as an equity instrument with \$Nil carrying value).
- Recognition of \$4,674 for Series A Warrants, which were accounted for as an equity instrument (pre-amendment, \$Nil carrying value).
- Recognition of \$16,949 for Series B Warrants, which were accounted for as a derivative liability (pre-amendment, accounted for as an equity instrument with \$Nil carrying value).
- Recognition of \$29,876 for Series C Warrants, which were accounted for as a derivative liability (pre-amendment, \$Nil carrying value and \$13,860 in unrecognized deferred losses).

The recognition of the Investor Debentures and Investor Warrants under the amended terms resulted in an extinguishment loss of \$54,359 in the fiscal year ended January 30, 2021, which was recognized in net loss, and an amount of \$11,174 recognized in contributed surplus in relation to the equity instrument components that were extinguished.

The amendment date fair value estimates for the Investor Debentures conversion option and Investor Warrants were estimated using Black-Scholes, Monte-Carlo and trinomial tree model simulation valuation techniques, and the following assumptions: stock price of \$8.80; risk-free interest rate range of 0.19% - 0.27%; and expected volatility range of 60%-94% based on historical trading data of the Company and its peers and variability of the life of the conversion option and warrants.

The estimated fair value of the host debt component of the Investor Debentures was determined based on a discount rate assumption of 40%, and was measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal using an effective interest rate of 33%.

Amendment date measurement and sensitivity analysis in fiscal year ended January 30, 2021

As there was no associated consideration or transaction price for the amendment, the aggregate fair value was recognized without calibration to proceeds or other consideration, and no relative fair value allocation of proceeds to the instruments. As such, the following assumptions were determined significant to the fair value recognized as at September 15, 2020:

- *Discount rate utilized for the host debt component* – A discount rate range of 34% to 46% would result in an initial host debt liability range of \$12,300 - \$15,200. Discount rate is based on both market and company specific premium assumption that considers the Company's borrowing profile relation to the comparable group. Changes in the discount rate would result in a change in the non-cash accretion expense recognized to accrete up to the principal at expected maturity date. The Company estimated the maturity date consistent with the contractual maturity date of June 30, 2023.
- *Volatility* – As described further above, volatility is a significant assumption in the valuations utilized to estimate fair value of the Company's derivative liabilities. The following table summarizes the sensitivity of the amendment date estimate fair values:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Sensitivity Analysis - Investor Debentures and Derivative Liabilities	Valuation Technique	As at September 15, 2020	
		Volatility - 5%	Volatility +5%
Investor Debentures conversion option	Monte-Carlo/ Trinomial	\$ (364)	\$ 229
Series B Warrants	Monte-Carlo	(1,847)	1,871
Series C Warrants	Monte-Carlo	(4,939)	1,368
Total		(7,150)	3,468

Conversion and Settlement of Investor Debentures in fiscal year ended January 29, 2022

On March 10, 2021, the Company's \$25,990 principal amount of Investor Debentures were converted. The debentures were held by 2707031 Ontario Inc., an indirect wholly-owned subsidiary of ACT. \$23,583 in principal of the Investor Debentures was early converted by the Company at the forced conversion price of \$7.50. Accrued and unpaid interest of \$366 was also settled at the time of conversion. A total of 3,193,254 common shares were issued upon principal conversion of the principal and settlement of the interest. The common shares issued had a value upon conversion of \$37,888, which was comprised of the carrying values, as at the date of conversion, of the debenture liability (\$13,643) and the corresponding conversion option derivative liability (\$24,245).

The conversion option derivative liability was valued by taking the difference between the intrinsic value and the fair value of the debt portion. The intrinsic value and discounted cash flow approach utilized for the valuation of the debt portion had the following key inputs and assumptions: stock price of \$12.50, and discount rate 31% - 35%.

As at January 29, 2022, \$2,407 in principal of the Investor Debentures remained outstanding.

e) Issuance of April 2020 Debentures

During the fiscal year ended January 30, 2021, the Company completed two private placements for aggregate gross proceeds of \$28,000, which were comprised of:

- a non-brokered private placement of 8% secured convertible debentures for aggregate gross proceeds of \$19,800 (the "April 2020 Initial Debentures"), which closed on April 28, 2020, and
- a non-brokered private placement of subscription receipts for aggregate gross proceeds of \$8,200, subject to shareholder approval (the "April 2020 Subscription Receipts"). The April 2020 Subscription Receipts were automatically converted into convertible debentures upon shareholder approval on June 17, 2020. These convertible debentures have the same terms as the April 2020 Initial Debentures.

The principal amount of the April 2020 Initial Debentures and the April 2020 Subscription Receipts, upon conversion to convertible debentures (collectively the "April 2020 Debentures"), will be convertible at the holder's option into common shares of the Company (the "Conversion Shares") at any time prior to the maturity date (described below) at a conversion price of \$5.00 per Conversion Share. The Company's obligations under the April 2020 Debentures is secured by the assets of the Company.

On July 23, 2020, in conjunction with entering into the ACT Investment Amendments, the Company also entered into a supplemental debenture indenture (the "Supplemental Indenture") to the debenture indenture dated April 28, 2020 (the "Indenture") which governs the April 2020 Debentures. The Supplemental Indenture amendments included:

- modification of the April 2020 Debenture maturity date to June 1, 2021, or June 1, 2022, in the event that, on or before April 1, 2021, ACT's A-1 Warrants and A-2 Warrants have been exercised. As at January 30, 2021, ACT's A-1 Warrants and A-2 Warrants were fully converted and the maturity date was extended to June 1, 2022;
- the Company's election to force the conversion of the principal amount of April 2020 Debentures shall no longer be contingent on the conversion or retirement of the Investor Debentures; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

- the Company may elect to add any interest accrued and payable on the December 31, 2021 payment date to the principal amount of April 2020 Debentures (as is already contemplated for the interest payments owing on December 31, 2020 and June 30, 2021) (the "Interest Amendment"). The Interest Amendment was approved by the shareholders of the Company on September 15, 2020.

The Supplemental Indenture amendments' impact on the carrying value of the debt was assessed by the Company once the ACT Investment Amendments were effective upon shareholder and regulatory approvals received on September 15, 2020.

April 2020 Debentures - initial recognition in fiscal year ended January 30, 2021

Of the \$28,000 in gross proceeds, \$19,800 was received during the first quarter of 2020, and \$8,200 related to the April 2020 Subscription Receipts was received in the second quarter of 2020. The gross proceeds were allocated on a relative fair value basis to the conversion option derivative and embedded derivatives and the host debt component.

The April 2020 Debentures' host debt component was classified as a financial liability measured at amortized cost, while the holder's conversion option along with the embedded derivatives were classified as a derivative liability given the variability in settlement options of the conversion. Transaction costs totalled \$2,058, with cash transaction costs of \$1,250 and non-cash costs of \$808 related to the Additional Investor Warrants (described and defined further below). Transaction costs totalling \$685 was deferred and recognized in other assets as deferred charges as at May 2, 2020, and then allocated once the April 2020 Subscription Receipts were converted into debenture units during the second quarter of 2020.

See table below for a summary of the allocation of proceeds and initial recognition values at inception:

Initial Recognition	Gross proceeds	Debentures		Derivative liability	
		Carrying value	Transaction Costs ⁽¹⁾ ⁽²⁾	Carrying value	Transaction Costs ⁽¹⁾
	\$	\$	\$	\$	\$
April 2020 Initial Debentures	19,800	9,234	640	10,566	733
April 2020 Subscription Receipts	8,200	3,457	289	4,743	396
Total	28,000	12,691	929	15,309	1,129

(1) Transaction cost amounts were allocated on a proportional basis. Transaction costs allocated to the debentures was netted against the host debt component, and costs allocated to the derivative liability were treated as finance costs expense (note 20).

(2) Includes fair value of additional Investor Warrants issued in connection with the issuance of these debentures. See details below.

The estimated fair value of the April 2020 Debentures host debt component at initial recognition was determined using a probability weighted present value approach accounting for the variable maturity date, which depends on the occurrence or non-occurrence of certain Company-specific events, and a company specific discount rate assumption range of 33% - 46%. The host debt component for the April 2020 Debentures was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal the principal using an effective interest rate of 52%.

The derivative liability inception fair value was estimated using the Monte-Carlo and trinomial tree model simulation valuation techniques to project the Company's share price and expected maturity date, and the following assumptions:

- April 2020 Initial Debentures – stock price of \$6.30; risk-free interest rate of 0.31%; and expected volatility of 70% based on historical trading data of the Company and its peers.
- April 2020 Subscription Receipts – stock price of \$7.40; risk-free interest rate of 0.26%; and expected volatility of 92% based on historical trading data of the Company and its peers.

As the estimated fair value at initial recognition of the overall instrument differed from the transaction price, for the derivative liabilities (which are to be recognized at fair value under IFRS), \$7,442 in fair value was deferred at inception. The deferred amount was the difference between the estimated fair value at initial recognition for the derivative liabilities and allocated relative fair value amount of \$18,439. As per the Company's accounting policy and as permitted under IFRS, the deferred amount will be recognized once estimated fair values can be determined based solely on market observable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Discount rate and volatility are significant assumptions in the valuation models utilized to estimate fair value of the host debt and derivatives, respectively. Changes in either the discount rate or volatility assumptions at inception would have resulted in a change in the relative fair value allocation between the host debt component and the conversion option derivative at inception, and would not have a material effect on the statement of loss and comprehensive loss.

Issuance of additional Investor Warrants in fiscal year ended January 30, 2021

ACT also participated in the April 2020 Debentures, and consequently exercised its participation rights under the terms of the August 7, 2019 investor rights agreement. As a result, on April 28, 2020, the Company issued an additional 352,370 Series A Warrants, 1,104,865 Series B Warrants, and 2,268,686 Series C Warrants, for an aggregate issuance of 3,725,921 warrants ("Additional Investor Warrants"). The Additional Investor Warrants were accounted for as transaction costs of the April 2020 Debentures, and followed the same accounting treatment as the initial tranche of warrants issued on August 7, 2019:

- Series A Warrants and Series B Warrants were accounted for as equity instruments and the initial fair value of \$808 was recognized in warrants reserves. These instruments were not subject to revaluation in accordance with IFRS.
- The Series C Warrants were accounted for as derivative liabilities and were recognized at \$Nil consistent with the fair value recognized for the existing series C warrants. The same fair value model was applied to these Series C Warrants as was applied to the initial Series C Warrants.

Assumptions used in valuing the Additional Investor Warrants were stock price of \$6.30, risk-free interest rate of 0.31%, and expected volatility of 77% based on historical trading data of the Company and its peers.

On September 15, 2020, the Additional Investor Warrants were de-recognized as a result of the ACT Investment Amendments, and then re-recognized under the amended terms (note 15(d)).

April 2020 Debentures – modification gains in fiscal year ended January 30, 2021

The amendments to the host debt component were not considered to be substantial modification of the original terms, and therefore did not result in de-recognition. The Company recognized a modification gain of \$497 in net loss.

The Company elected to defer the coupon interest payment on December 31, 2020, and a deferred amount of \$1,507 was capitalized and added as principal to the April 2020 Debentures, with repayment expected upon settlement of the debentures. This resulted in a change in the estimated timing of cash outflows of the host debt component and a modification gain of \$710.

Conversion and Settlement of April 2020 Debentures in fiscal year ended January 29, 2022

During the fiscal year ended January 29, 2022, April 2020 Debentures with \$29,407 in principal amount outstanding were early converted and settled at the conversion price of \$5.00. Coupon interest of \$1,139 was also settled in common shares at the conversion price of \$5.00. A total of 6,109,131 common shares were issued for the principal conversions and interest settlement. The common shares issued had a value upon conversion of \$64,955, which was comprised of the carrying values, as at the date of conversion, of the debenture liability (\$16,754) and the corresponding conversion option derivative liability (\$48,201). The conversion option derivative liability was valued by taking the difference between the intrinsic value and the fair value of the debt portion. The intrinsic value and discounted cash flow approach utilized for the valuation of the debt portion had the following key inputs and assumptions: stock price of \$13.60, and discount rate 26%-32%.

f) June 2019 Debentures

On June 26, 2019, the Company closed a bought deal private placement of 2,718 convertible debenture units at a price of \$10,000 per unit for total gross proceeds of \$27,188. Each unit comprised of one \$10 principal amount unsecured convertible debenture ("June 2019 Debentures") and 27 common share purchase warrants. The convertible debentures had a maturity date of June 26, 2020, at 8% interest per annum and a conversion price of \$12.00 per share.

Each common share purchase warrant entitles the holder to purchase one common share of the Company for a period of 24 months following the close of the offering at an exercise price of \$14.50. In connection with the private placement, the Company paid the underwriters aggregate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

cash consideration of \$1,476 and 135,535 broker warrants. Each broker warrant is exercisable for one common share of the Company at a price of \$12.00 per share until June 26, 2021.

Gross proceeds were \$27,188 and net proceeds were \$24,768, net of cash transaction costs of \$1,738 and broker warrants valued at \$682. Net proceeds were allocated on a relative fair value basis to the common share purchase warrants for \$1,533, to the June 2019 Debentures debt component for \$21,479, and the residual value to the debenture conversion option for \$1,756.

The June 2019 Debentures were classified as a debenture with the conversion option component classified as an equity instrument. The debenture component was recognized and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$27,188, using an effective interest rate of 32%.

The 755,826 common share purchase warrants issued were valued on a relative fair value basis using the following assumptions: stock price of \$10.30; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

The 135,535 broker warrants issued were valued at \$161,718, which is recorded in warrant reserve, based on a pro-rata basis of its fair value using the following assumptions: stock price of \$10.30; expected life of 2 years; \$nil dividends; 99.5% volatility; and risk-free interest rate of 1.51%.

During the fiscal year ended January 30, 2021, \$27,168 in principal outstanding of the June 2019 Debentures was settled in cash at maturity. The conversion option carrying value of \$1,756 recorded within debenture equity reserves expired and was reclassified to contributed surplus.

g) 2018 Debentures and LP Debentures

On July 26, 2018 and August 1, 2018, the Company issued \$27,317 in unsecured convertible debentures, bearing coupon rate of 8% per annum with a maturity date of July 31, 2019 (the "2018 Debentures"). The 2018 Debentures were classified as a debenture with a fair value derivative liability component. As at February 2, 2019, the debenture portion and the derivative liability had a carrying value of \$25,683 and \$11,253, respectively.

During the fiscal year ended February 1, 2020, the 2018 Debentures with principal \$7,317 were converted upon completion of the RTO Transaction into 638,071 common shares of the Company at the carrying value of the convertible debenture and derivative liability at the time of conversion, which totalled \$9,958.

The remaining \$20,000 in principal was amended upon close of the RTO Transaction (the "LP Debentures"). As a result of the amendment and the recognition of the new LP Debentures resulted in a net loss on extinguishment and revaluation of \$5,119 during the fiscal year ended February 1, 2020.

The LP Debentures were classified as a debt liability with a fair value derivative liability component with respect to the conversion option. The debt component was recognized at \$16,388 and measured at amortized cost and accreted such that the carrying amount at maturity will equal \$20,000 using an effective interest rate of 23.5%. The conversion option was initially recognized at \$15,660 and measured using the Black-Scholes model and the following assumptions: stock price of \$15.00; expected life of 1.5 years; \$nil dividends; expected volatility of 95% based on comparable companies; exercise price of \$11.50; and risk-free interest rate of 1.81%.

During the fiscal year ended February 1, 2020, \$6,000 in principal was early converted resulting in 521,739 shares being issued, with a carrying value of \$6,771, of which \$1,179 related to the settlement value of the corresponding conversion option derivative liability.

During the fiscal year ended January 30, 2021, the remaining outstanding \$14,000 in principal was early converted by the Company. This resulted in 1,217,391 common shares being issued, with a carrying value of \$14,244, of which \$1,112 related to the settlement value of the corresponding conversion option derivative liability. The provisions of the LP debentures were amended to provide for the forced early conversion of the principal amount by the Company at its sole discretion upon certain share price conditions being met. An additional 4,972 common shares were issued to settle accrued and unpaid interest thereon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

16. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share Capital

The Company is authorized to issue an unlimited number of common shares.

As at January 29, 2022, the Company had 37,015,708 common shares outstanding (January 30, 2021: 23,211,418).

As at January 29, 2022, 839,436 Common Shares were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery. During the fiscal year 2021, pursuant to the share purchase agreement by which the Company acquired Friendly Stranger, the Company released 431,758 common shares from escrow, with 53,678 common shares with a carrying value of \$53 being cancelled (refer note 7).

Common Share Consolidation

In connection with the Nasdaq listing application, on June 9, 2021, the Company's shareholders passed a special resolution approving one or more future consolidations of the Company's issued and outstanding common shares on the basis of a consolidation ratio to be selected by the Board of Directors of the Company (the "Board") of up to ten (10) pre-consolidation common shares for one (1) post-consolidation common share.

On November 29, 2021, the Company announced that it had filed articles of amendment implementing a consolidation of its common shares on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares (the "Share Consolidation"), with common shares trading on a post-consolidation basis commencing on December 2, 2021. The Share Consolidation has been applied retrospectively and as a result, all common shares, options, warrants, restricted share units, and per share amounts are stated on an adjusted post-consolidation basis for all periods presented.

At-the-Market Offering

On December 3, 2020, the Company announced it has established an At-the-Market equity program (the "ATM Program"), under which the Company was permitted to issue and sell up to \$15,000 of common shares from treasury to the public. All common shares sold under the ATM Program are sold through the TSX or another marketplace where the common shares are listed, quoted or otherwise traded, at the prevailing market price at the time of sale. As at January 30, 2021, the Company issued 839,750 common shares for proceeds, net of transaction costs, of \$7,071.

During the fiscal year ended January 29, 2022, the Company completed its ATM Program and issued 817,090 common shares for proceeds, net of transaction costs of \$7,618. The Company issued a total of 1,656,840 common shares for proceeds, net of transaction costs, of \$14,689 under the ATM Program.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

b) Warrants

The following is a summary of the movement in warrants outstanding:

	January 29, 2022		January 30, 2021	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	22,008,570	24.90	23,253,177	17.20
Issued - Investor Warrants A (note 15)	-	-	352,370	14.00
Issued - Investor Warrants B (note 15)	-	-	1,104,865	18.75
Issued - Investor Warrants C (note 15) ⁽¹⁾	-	-	2,268,686	variable
Cancelled - Investor Warrants A (note 15)	-	-	(3,415,802)	14.00
Cancelled - Investor Warrants B (note 15)	-	-	(6,717,554)	18.75
Cancelled - Investor Warrants C (note 15)	-	-	(13,339,078)	variable
Issued - amended Series A-1 Warrants (note15)	-	-	1,314,646	7.80
Issued - amended Series A-2 Warrants (note15)	-	-	1,050,577	8.30
Issued - amended Series A-3 Warrants (note15)	-	-	1,050,577	9.30
Issued - amended Series B Warrants (note15) ⁽²⁾	-	-	6,717,554	variable
Issued - amended Series C Warrants (note15) ⁽¹⁾	-	-	13,339,078	variable
Warrants issued -Top-up Series B Warrants (note15) ⁽²⁾	1,570,513	variable	-	
Warrants issued -Top-up Series C Warrants (note15) ⁽²⁾	4,457,206	variable	-	
Exercised - Investor Warrants	(1,050,577)	9.30	(2,365,224)	7.80
Expired	(901,361)	14.10	(2,605,302)	10.56
Balance, end of fiscal year	26,084,351	26.43	22,008,570	24.93
Warrants recognized under derivative liability, end of fiscal year (note 15)	26,084,351	variable	20,056,632	variable

(1) For purposes of weighted average calculations, the exercise price is assumed to be \$20.00 for pre-amendment Series C Warrants, and \$30.00 for amended Series C Warrants. Exercise price conditions are described under Note 15.

(2) For purposes of weighted average calculations, the exercise price is assumed to be \$18.75 for the amended Series B Warrants. Exercise price conditions are described under Note 15. Pre-amended Series B Warrants had a fixed exercise price of \$18.75.

The following table reflects the warrants issued and outstanding as at January 29, 2022:

Expiry dates	Number of warrants outstanding	Exercise price (\$)	Grant date fair value per warrant (\$)	Remaining contractual Life (years)
September 30, 2022 ⁽¹⁾	6,717,554	variable	2.5231	0.67
June 30, 2023 ⁽¹⁾	13,339,078	variable	2.2397	1.42
September 30, 2022 ⁽²⁾	1,570,513	variable	0.1230	0.67
June 30, 2023 ⁽²⁾	4,457,206	variable	0.0250	1.42
Total warrants	26,084,351			

(1) Amended Series B Warrants and Amended Series C Warrants are exercisable after January 1, 2022 and October 1, 2022, respectively (note 15).

(2) Top-up Series B Warrants and Top-up Series C Warrants are exercisable after January 1, 2022 and October 1, 2022, respectively (note 15).

As at January 29, 2022, 26,084,351 warrant units were held by ACT (January 30, 2021: 21,107,210 units). The terms of these warrants were amended during the fiscal year January 30, 2021 and are detailed in Note 15.

Excluding the Investor Warrants, the weighted average life for warrants outstanding as at January 29, 2022 was Nil years (January 30, 2021: 0.40 years). See Note 15 for further details on the expiry of the Investor Warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

c) Stock Options

The following is a summary of the movement in stock options outstanding:

	January 29, 2022		January 30, 2021	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	1,459,519	8.75	1,232,948	9.70
Issued	461,251	9.94	443,750	6.50
Exercised	(41,769)	4.59	(30,000)	0.70
Forfeited	(301,178)	10.54	(187,179)	10.17
Balance, end of fiscal year	1,577,823	8.87	1,459,519	8.75
Exercisable balance, January 29, 2022	1,006,669	8.30	626,369	8.30

During the fiscal year ended January 29, 2022, the Company recorded an expense of \$3,174 (January 30, 2021: \$2,512) related to stock options in share-based payments expense and contributed surplus. Stock option related compensation expense is recognized over the vesting period of the underlying options, which typically range from three to four years with the first tranche vesting on the annual anniversary date from grant date, and remaining options vesting in monthly tranches evenly over the remaining vesting period.

The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Options issued (#)	461,251	443,750
Expected option lives range in years	6	4
Volatility range, based on comparable companies	70%-105%	85%-105%
Risk-free interest rate range	0.32%-2.13%	0.32% - 0.38%
Share price range	\$5.10 - \$12.30	\$6.40 - \$8.60
Exercise Price range	\$5.10 - \$12.30	\$5.80 - \$8.60
Dividend yield	nil	nil

The following table reflects the options issued and outstanding as at as at January 29, 2022:

Exercise price per share	Outstanding		Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Remaining Contractual Life
	#	(years)	#	(years)
\$0.20 - \$5.55	254,628	1.83	224,628	1.00
\$5.56 - \$7.80	257,650	2.55	181,335	2.00
\$7.81 - \$10.10	291,750	1.81	225,114	2.00
\$10.11 - \$10.55	400,545	4.49	82,764	2.00
\$10.56 - \$15.00	373,250	2.21	292,828	2.00
Total	1,577,823	2.71	1,006,669	1.78

d) Treasury-settled Restricted Share Units ("RSU")

Under the Company's Treasury Performance and Restricted Share Unit Plan, 85,178 RSUs were issued to the employees and executives of the Company during the fiscal year ended January 29, 2022 (January 30, 2021: Nil). An RSU represents the right to receive a common share of the Company at settlement less applicable tax-related withholdings, or with the consent of the Company, to receive the cash equivalent of a common share at the time of settlement. The share-based compensation expense is recognized using the graded vesting method, where the estimated fair value of RSUs is amortized, by tranche, on a straight-line basis over the vesting period, and accumulates in contributed surplus until settlement/redemption of the RSU by the holder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Of the RSUs issued, 33,530 units vested immediately as settlement of bonus liability accrued in the prior fiscal year, while the remaining 51,648 units vest over 3 years at the annual anniversary date from the issuance. The estimated fair value was \$907, with \$577 recognized in contributed surplus, of which \$342 related to RSUs issued to settle bonus liability, and \$235 recognized as share-based compensation expense.

As at January 29, 2022, 60,700 RSUs were issued and outstanding (January 30, 2021: Nil), with 51,648 units remaining unvested.

e) Deferred Share Units ("DSU")

Under the Company's Deferred Share Unit Plan, certain Directors elect to receive compensation in the form of DSUs. The plan contemplates DSUs being granted at the Market Price based on the 30-day VWAP as at the Award Date, which is predetermined and not subject to any further election once a Director has elected for the year. The DSUs are cash-settled upon a Director ceasing to hold office based on the market price at that time or paid quarterly in arrears.

During the fiscal year ended January 29, 2022, the Company issued a total of 14,945 DSUs at a weighted average price of \$7.69 per unit (January 30, 2021: \$Nil). Of the DSUs issued during the year, all 14,945 units were outstanding (January 30, 2021: \$Nil), with an estimated fair value of \$65.

17. LOSS PER COMMON SHARE

On December 1, 2021, the Company completed a ten-to-one Share Consolidation, which was applied retrospectively. As a result, the common share amounts and per share amounts are stated on an adjusted post-consolidation basis for all periods presented below (note 16).

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
Loss attributable to common shares (\$)	(63,592)	(78,959)
Adjusted net loss attributable to common shares	(63,592)	(78,959)
Weighted average number of shares outstanding - basic (#)	33,650,960	17,409,674
Weighted average number of shares outstanding - diluted (#)	33,650,960	17,409,674
Loss per common share, basic (\$)	(1.89)	(4.54)
Loss per common share, diluted (\$)	(1.89)	(4.54)

Basic loss per share and diluted loss per share were the same for the fifty-two weeks ended January 29, 2022 and the fiscal year ended January 30, 2021, as the exercise of any potentially dilutive instruments would be anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

18. EXPENSES BY NATURE

Below are the expenses by nature included in selling, general and administrative expenses:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Selling, general and administrative expenses		
Salaries and benefits	33,585	23,542
Facility expenses	7,500	5,411
Professional and consulting fees	5,722	3,841
Marketing and promotion	2,629	1,709
Administrative	7,538	5,762
Share-based compensation (note 16)	3,174	2,512
Acquisition and strategic initiative professional fees	3,094	3,000
Total selling, general and administrative expenses	63,242	45,777

19. RESTRUCTURING AND IMPAIRMENT COSTS, NET

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Impairment of intangible assets (note 13)	18,943	869
Impairment of property, plant and equipment assets (note 11)	3,734	579
Impairment of ROU assets, net of lease liability remeasurement (notes 12)	1,668	1,863
Restructuring charges	777	1,548
Total restructuring & impairment costs	25,122	4,859

Impairments

During the fiscal year ended January 29, 2022, the Company recognized impairment on intangible and fixed assets totalling \$18,943 and \$3,734 in relation to certain retail operation licences and retail store location assets (January 30, 2021: \$869 and \$579) and \$1,668 related to the ROU assets net of lease liability remeasurement (January 30, 2021: \$1,863).

Impairment of intangible assets

During the fiscal year ended January 29, 2022, management performed an assessment over its retail portfolio which resulted in an impairment charge of \$1,869 in acquired licences for certain retail locations in Ontario and Alberta where the assets were not recoverable, and were ultimately closed subsequent to the year end.

The Company also identified impairment indicators for the Retail CGUs due to recent cannabis licence and permit regulation changes and changes to the competitive landscape which are expected to negatively impact expected future store performance. The recoverable amount of the CGU, which is at the retail store level for retail operations, was estimated based on a FVLCS, using a market-based approach. Key assumptions used in determining FVLCS included expected retail store revenues and a revenue multiple. Revenue multiples were determined by comparison to comparable companies in the Canadian cannabis industry.

The carrying amount of the certain Retail CGUs located in Ontario, Alberta, Saskatchewan and British Columbia exceeded the recoverable amount, and a total of \$17,074 in impairment charge was recognized and allocated to licenses associated with those Retail CGUs.

The calculation of FVLCS is most sensitive to the revenue multiple. The sensitivity of the key assumption was calculated independently of any changes in the other key assumptions. A decrease in revenue multiple by 0.2 would result in additional impairment of \$2,800 in the Retail CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Impairment of other long-term assets

Under management's plan to optimize the Company's retail portfolio and strategy, the Company identified certain Ontario and Alberta locations where it no longer intends to open cannabis retail stores. The associated property and equipment were impaired, resulting in a \$2,979 impairment charge, and \$1,630 of impairment on ROU assets net of associated lease liability payment obligation reduction.

During the fifty-two weeks ended January 29, 2022, the Company also recognized additional impairment on property and equipment of \$755 and on ROU assets net of associated lease liability payment obligation reduction remeasurement of \$38 for a terminated retail location where the location no longer met the provincial retail operations cannabis licence regulations (January 30, 2021: total of \$869 and \$1,863 impairment, respectively).

Restructuring

During the fiscal year ended January 29, 2022, additional severance costs of \$777, has been included under restructuring charges as part of the Company's ongoing formal plan to improve operational efficiency and performance (January 30, 2021: \$1,548).

Impairment and Restructuring Costs Recognized in the Prior Year

Prior year impairment of intangible assets

During the prior fiscal year ended January 30, 2021, the Company recognized \$868 of impairment charges related to the write-off of a licence for a location that was restructured and closed, and in which the carrying value exceeded the recoverable amount. The recoverable amount was estimated based on a VIU approach.

Prior year impairment of other long-term assets

During the prior fiscal year ended January 30, 2021, the Company recognized \$580 of net impairment charges. The net impairment charges include i) \$1,489 related to impairment reversals of locations that were restructured from preceding year, and subsequently achieved improved operating performance, ii) \$1,040 related to locations that were terminated during the year, iii) \$483 related to additional adjustments for restructured locations, and iv) \$546 related to the write down of capital assets under the expired asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc.

During the prior fiscal year ended January 30, 2021, the Company recognized a net impairment charge of \$1,863 on \$9,729 of right-of-use assets, net of associated lease liability payment obligation reductions of \$7,822, and \$44 related to other restructuring provision drawdown. The impairments related to locations that were terminated, and certain leases under the expired asset purchase agreements with Flora (Dawson) Enterprises Inc. and Tridelion Enterprises Inc. (note 7).

20. FINANCE COSTS, NET

Finance costs are comprised of the following:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Interest expense on lease liabilities (note 12)	4,670	3,147
Interest expense on debentures and loans (note 15)	2,734	19,999
Transaction costs - issuance of debentures and loans (note 15)	-	1,686
Other finance (income) costs	(159)	52
Total Finance costs, net	7,245	24,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

21. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest Risk

The Company is exposed to interest rate risk to the extent that cash and investments maintained at financial institutions may fluctuate with the prevailing market rate. The Company invests surplus cash in GIC's which accumulate interest at the prevailing rate. As at January 29, 2022, the Company had cash and cash equivalents of \$19,847 (January 30, 2021: \$30,613), restricted cash of \$Nil (January 30, 2021: \$4,254), and outstanding debentures and loans of \$21,824 (January 30, 2021: \$33,654). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, restricted cash, and trade and other receivables. The Company's cash and cash equivalents include petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of \$12,386, which primarily arise from the Company's Wholesale Distribution and Digital operating segments (January 30, 2021: \$4,283). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment or short net credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash and cash equivalents, restricted cash, short term investments and trade and other receivables represent the maximum exposure to credit risk and at January 29, 2022, this amounted to \$35,795 (January 30, 2021: \$41,115), and provision for expected credit loss allowances related to trade account receivables was \$410 as at January 29, 2022 (January 30, 2021: \$9).

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's ability to satisfy its liquidity needs and meet future growth targets is dependent on increasing revenues, improving profitability and cash flows from operations, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity risk by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's normal operations, including lease payments for locations secured for future store operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

As at January 29, 2022	Carrying amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	21,697	21,697	21,697	-	-	-
Debentures and loans (note 15)	21,824	22,477	20,070	2,407	-	-
Derivative liability (note 15)	2,720	2,720	1,349	1,371	-	-
Undiscounted lease obligations (note 12)	52,203	62,557	9,637	24,266	13,751	14,903
Total	98,444	109,451	52,753	28,044	13,751	14,903

As at January 30, 2021	Carrying amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	20,049	20,049	20,049	-	-	-
Debentures and loans	33,654	57,756	29,407	25,990	-	2,359
Derivative liability	66,317	66,317	-	66,317	-	-
Undiscounted lease obligations	45,906	57,903	8,823	22,731	11,335	15,014
Total	165,926	202,025	58,279	115,038	11,335	17,373

As January 29, 2022, the Company had \$19,847 (January 30, 2021: \$30,613) of cash and cash equivalents.

The Company's non-current financial liabilities are comprised of convertible debentures and derivative liabilities including warrants, which have varying contractual maturity/expiry dates, and are described under note 15 and note 16. All other financial liabilities of the Company are current.

During the fiscal year ended January 29, 2022, the Company completed its ATM Program and issued 817,090 common shares for proceeds, net of transaction costs of \$7,618 (January 30, 2021: \$7,071). The Company issued a total of 1,656,840 common shares for proceeds, net of transaction costs, of \$14,689 under the ATM Program. Refer to note 16.

The Company's primary sources of liquidity are cash, warrants proceeds, equity financing and cash flows from operations primarily from the Digital Platform and Wholesale operating segments. The Company's warrants are held by a wholly-owned subsidiary of ACT, exercisable after January 1, 2022, and totalled 20,056,632 units as at January 29, 2022, of which 6,717,554 are exercisable after January 1, 2022, and 13,339,078 are exercisable after October 1, 2022, with maximum exercise price range \$18.75 - \$30.00 (notes 15 and 16). The ACT Loan Agreement contemplates prepayment of amounts drawn from the net proceeds received by the Company upon the exercise of Series B Warrants held by ACT. On April 19, 2022, the Company received notice from ACT of its commitment to exercise 8,288,067 Series B Warrants prior to the completion of the quarter ending April 30, 2022. The proceeds will be calculated based on a 20-day VWAP share price, and proceeds are estimated to be between \$38,540 and \$42,734. As discussed in Note 15 the proceeds will first be used to settle the short-term debt of \$20,000 and related accrued interests outstanding with ACT with the remaining amounts being added to cash on hand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company incurs certain revenues and expense transactions and has assets and liabilities in U.S. dollars and is therefore subject to gains or losses due to fluctuations in the U.S. dollar relative to the Canadian dollar. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed to foreign currency risk through the following asset and liabilities denominated in U.S. dollars:

	January 29, 2022	January 30, 2021
	\$	\$
Cash and cash equivalents	301	-
Trade and other receivables	598	4
Accounts payable and accrued liabilities	(211)	(32)
	688	(28)

Assuming all variables remain constant, a change in foreign exchange rates of 10% between the U.S and Canadian dollar would impact the Company's net assets by \$69 (January 30, 2021: \$3).

e) Fair Value of Financial Instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Carrying value approximates the fair value for cash and cash equivalents, restricted cash, trade and other receivables, other current assets and accounts payable and accrued liabilities.

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at January 29, 2022 and January 30, 2021:

As at January 29, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Debentures and loans (note 15)	21,824	21,824	-	20,070	1,754
Derivative liability (note 15)	2,720	2,720	-	-	2,720
As at January 30, 2021	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Debentures and loans (note 15)	33,654	33,654	-	2,359	31,295
Derivative liability (note 15)	66,317	66,317	-	-	66,317

There were no transfers between Level 1, Level 2 or Level 3 during the fiscal years ended January 29, 2022 and January 30, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021

(In thousands of Canadian Dollars, unless otherwise noted)

22. RELATED PARTY TRANSACTIONS

As a result of transactions described in note 15, ACT is a related party. During the fiscal year ended January 29, 2022, the following transactions occurred with ACT:

- \$23,583 in convertible debenture conversions (January 30, 2021: \$Nil) (note 15), \$463 of coupon interest settlement (January 30, 2021: \$1,057)
- \$29,407 of the April 2020 Debentures were converted (January 30, 2021: \$100) (note 15), \$1,139 of coupon interest settlement (January 30, 2021: \$Nil)
- Exercised 1,050,577 warrants and the Company received gross proceeds of \$9,769, respectively (January 30, 2021: \$20,818)
- Sub-lease rental and management fee charges of \$322, respectively, were incurred for certain retail locations where the Company has sub-lease arrangements with ACT (January 30, 2021: \$176)
- \$20,000 ACT Secured Debt Facility (note 15) and \$70 interest expense
- The Company issued an additional 1,570,513 Series B Warrants, and 4,457,206 Series C Warrants, for an aggregate issuance of 6,027,719 warrants described further under Note 15
- As at January 29, 2022, \$429 of capital expenditure charges remain payable to ACT, and was recognized under Other Liabilities (January 30, 2021: \$429)

Store Co-location Program with ACT

During the fiscal year ended January 29, 2022, the Company entered into certain master franchise agreements with a subsidiary of ACT (the "Franchisee"), where the Franchisee has the right to develop and operate (and sub-franchise and sub-license such rights to others) cannabis retail outlets utilizing the Company's brand trademarks, intellectual property, and operating plans and system of design. The agreements cover the operation of such franchises in the Canadian provinces of Alberta, Manitoba and Saskatchewan, and will advance the Company's strategic initiative to continue to open new Fire & Flower™ branded cannabis retail stores adjacent to ACT operated Circle K stores located in new markets across Canada.

Fire & Flower U.S. Holdings Inc. Investment

As at January 29, 2022, the Chief Executive Officer, directly or indirectly, held control or direction over approximately 5% of the common shares of Fire & Flower US, which has entered into a licensing agreement and purchase option agreement with the Company as described in Note 7.

Key Management Compensation

Compensation for key management personnel, including the Company's officers and Board of Directors and private companies controlled by Officers and Directors, was as follows:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Salaries and consulting fees ⁽²⁾	3,394	1,614
Share-based payments ⁽¹⁾	838	1,031
Directors' board fees	665	475
Total	4,897	3,120

(1) Includes base salary and management fees elected to be paid in common shares of the Company. See further details below.

(2) Excludes bonuses earned and yet to be paid out, which totalled \$660 as at January 29, 2022 (January 30, 2021: \$600). As at January 29, 2022, the non-current portion of bonus payable recognized under Other Liabilities totalled Nil (January 30, 2021: \$250).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

During the fiscal year ended January 29, 2022, a total of 166,206 stock options were issued to the Company's officers and directors (January 30, 2021: 105,000), with an exercise price range of \$10.20 - \$12.30 (January 30, 2021: \$5.80 - \$6.00), and maturity date range of March 23, 2025 to April 26, 2027 (January 30, 2021: April 29, 2024).

During the fiscal year ended January 30, 2022, as part of the final installment of share consideration, a total of 45,000 common shares (January 30, 2021: 65,000 common shares) were issued in relation to Hifyre Inc. acquisition (note 7) to the vendor who is now a designated officer of the Company.

Under the Company's amended and restated management services agreement with JNZS (the "JNZS Agreement"), JNZS received from the Company a fee of \$300 for each of the calendar years 2020 and 2021 (collectively, the "JNZS Fee"). Pursuant to the terms of the original agreement entered into on January 1, 2018 as amended by a supplemental management services agreement entered into on August 17, 2018, JNZS elected to receive half of the JNZS Fee for the 2019 calendar year by the issuance of 133,333 common shares. The former Chairman of the Board, Harvey Shapiro, as the service provider, is also eligible to participate in the Company's bonus plans and stock option plans. During the fiscal year ended January 29, 2022, \$200 in management service fees was incurred (January 30, 2021: \$275), of which \$Nil was charged as share-based payment expense (January 30, 2021: \$Nil). During the fiscal year, the JNZS Agreement expired in accordance its terms and is no longer in effect.

23. SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Changes in non-cash working capital - operating activities		
Merchandise inventories	(2,620)	(1,780)
Trade and other receivables	(8,738)	(1,170)
Deposits held in trust	1,621	(1,259)
Prepaid expenses and other current assets	(1,369)	1,987
Deferred revenue	377	(169)
Accounts payable, accrued liabilities and other	(1,737)	4,671
Total	(12,466)	2,280
Non-cash investing and financing activities		
Acquisition of property, plant and equipment and intangible assets - working capital	(1,279)	(6,151)
Acquisition of retail stores and licences	(100)	(31,493)

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of ROU assets – Note 12
- Conversion and settlements of debentures and coupon interest via issue of common shares – Note 15

24. CAPITAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The Company currently has not paid any dividends to its shareholders.

As at January 29, 2022, total capital was comprised of shareholders' equity of \$115,692.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern while maintaining adequate flexibility to invest in opportunities which will provide attractive returns to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital by:

- i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- ii) minimizing discretionary disbursements; and
- iii) reducing or eliminating expansion expenditures which are of limited strategic value.

In light of the above, the Company will continue to assess retail locations and seek to acquire an interest in additional locations if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the fiscal year ended January 29, 2022 and January 30, 2021. As at January 29, 2022, the Company was not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

25. COMMITMENTS AND CONTINGENCIES

a) Supply agreement commitments

In April 2018, the Company entered into two three-year supply agreements for the purchase of cannabis, with the option to renew for two additional years at the Company's discretion, with annual renewal dates set at April 16 and September 30, respectively. Under the terms of each agreement the annual purchase amount is based on the ability of the Company to purchase cannabis products from the supplier under applicable laws and regulations, with a maximum annual commitment of \$5,000, subject to set off against amounts owing by the counterpart to the Company and adjustment based on the proportion of cannabis retail licences held by the Company in jurisdictions permitting such agreements as of the annual renewal date and at prices determined by an applicable provincial regime or, where a provincial regime is silent as to price, negotiated in good faith.

Upon closing of the Mera Acquisition on October 17, 2019, the Company entered into a supply agreement with Mera (the "Supply Agreement") pursuant to which the Company will be the exclusive distributor of Mera's adult-use cannabis products in the province of Saskatchewan and the Company will purchase Mera's adult-use cannabis products for re-sale at its retail locations, in provinces where this is permitted.

b) Contingencies

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Certain outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

On April 28, 2021, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia by Flora (Dawson Creek) Enterprises Inc., Flora (Prince George) Enterprises Inc. and Tridelion Enterprises Inc., as plaintiffs, with respect to four asset purchase agreements for cannabis retail store locations in Kamloops, Vernon, Prince George and Quesnel, British Columbia which the parties agreed to terminate on April 6, 2020. The claim alleges breach by the Company of the asset purchase agreements and seeks an undefined amount of damages, a portion of which includes claims for the remainder of the purchase price under the terminated asset purchase agreements related to such cannabis retail stores, totaling approximately \$8 million.

The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. No legal provisions have been recognized in respect to the claims above as at January 29, 2022 (January 30, 2021: \$Nil). As at January 29, 2022, based on information available, the Company has not identified any outcomes that will have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

26. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™; (2) The Wholesale Distribution segment which distributes cannabis products and accessories; and (3) The Digital Platform segment which sells products and services provided by the Hifyre™ digital and analytics platform, PotGuide content platform and Pineapple Express Delivery.

The Chief Operating Decision Maker ("CODM") assesses segment performance based on segment operating income or loss. During the fiscal year ended January 29, 2022, certain departmental costs previously presented under the Retail segment and their allocation to the other business lines and corporate segments were updated to better reflect how the Company services its customers and markets. Comparative period selling, general and administrative expense within the segments have been reclassified to conform to the current period's presentation.

With the acquisition of PotGuide (note 7), and the Company's strategic license agreement with BDS Analytics Inc. ("BDSA") during the fiscal year ended January 29, 2022, the Digital Platform segment expanded its presence into the USA. All other segments operate within Canada. Information on the Company's reporting segments are detailed below.

Information about reportable segments	Retail	Wholesale distribution	Digital platform	Corporate	Consolidated
Fiscal Year Ended January 29, 2022					
	\$	\$	\$	\$	\$
Revenues	130,823	30,336	14,340	-	175,499
Intercompany revenues ⁽¹⁾	-	14,192	4,719	-	18,911
Eliminations and adjustments	-	(14,192)	(4,719)	-	(18,911)
Total revenues	130,823	30,336	14,340	-	175,499
Cost of sales	(93,277)	(23,924)	(109)	-	(117,310)
Intercompany cost of sales	-	(10,512)	-	-	(10,512)
Eliminations and adjustments	3,905	10,512	-	-	14,417
Gross profit	41,451	6,412	14,231	-	62,094
Selling, general and administrative expenses	(44,947)	(1,687)	(6,523)	(14,804)	(67,961)
Eliminations and adjustments	4,719	-	-	-	4,719
Depreciation and amortization	-	-	-	(19,080)	(19,080)
Restructuring and impairment costs, net	-	-	-	(25,122)	(25,122)
Loss on revaluation of derivative liability	-	-	-	(8,545)	(8,545)
Finance costs, net	-	-	-	(7,245)	(7,245)
Income (loss) before tax	1,223	4,725	7,708	(74,796)	(61,140)

¹ Sales between segments are made at prices that approximate market prices.

As at January 29, 2022					
Total non-current assets	137,199	1,992	30,298	725	170,214
Total assets	157,748	14,579	39,996	10,557	222,880
Total non-current liabilities	46,192	258	3,770	2,710	52,930
Total liabilities	62,190	7,847	9,388	27,763	107,188

FIRE & FLOWER HOLDINGS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021

(In thousands of Canadian Dollars, unless otherwise noted)

Information about reportable segments	Retail	Wholesale distribution	Digital platform	Corporate	Consolidated
Fiscal Year Ended January 30, 2021					
	\$	\$	\$	\$	\$
Revenues	101,497	20,300	6,256	-	128,053
Intercompany revenues ¹	-	12,278	4,604	-	16,882
Eliminations and adjustments		(12,278)	(4,604)	-	(16,882)
Total revenues	101,497	20,300	6,256	-	128,053
Cost of sales	(68,412)	(16,234)	-	-	(84,646)
Intercompany cost of sales	-	(10,239)	-	-	(10,239)
Eliminations and adjustments	2,012	10,239	-	-	12,251
Gross profit	35,097	4,066	6,256	-	45,419
Selling, general and administrative expenses	(32,162)	(1,161)	(4,489)	(12,569)	(50,381)
Eliminations and adjustments	4,604	-	-	-	4,604
Depreciation and amortization	-	-	-	(12,345)	(12,345)
Restructuring and impairment costs, net	-	-	-	(4,859)	(4,859)
Gain on revaluation of derivative liability	-	-	-	18,638	18,638
Loss on extinguishment and revaluation of debentures	-	-	-	(53,152)	(53,152)
Finance costs, net	-	-	-	(24,884)	(24,884)
Income (loss) before tax	7,539	2,905	1,767	(89,171)	(76,960)

¹ Sales between segments are made at prices that approximate market prices.

As at January 30, 2021

Total non-current assets	158,037	1,993	32	-	160,062
Total assets	200,499	8,785	3,444	654	213,382
Total non-current liabilities	50,208	5	54	99,149	149,416
Total liabilities	67,637	5,522	2,703	101,845	177,707

Fiscal Year Ended January 29, 2022	Canada	Canada	USA	USA	Total	Total
	January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021
Total revenues	174,912	128,053	587	-	175,499	128,053
Gross profit	61,507	45,419	587	-	62,094	45,419
Income (loss) from operations	(45,424)	(17,562)	74	-	(45,350)	(17,562)

As at January 29, 2022

Total non-current assets	158,244	108,925	11,970	-	170,214	108,925
Total assets	210,510	153,594	12,370	-	222,880	153,594
Total non-current liabilities	51,468	96,408	1,462	-	52,930	96,408
Total liabilities	105,730	150,931	1,458	-	107,188	150,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

27. INCOME TAXES

a) Provision for income taxes

Income tax expense differs from the amount that would result from applying the income tax rates from the applicable tax jurisdictions to income or loss before income taxes. These differences result from the following:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Combined statutory income tax rate	26.50%	26.50%
Loss before income tax	(61,140)	(76,960)
Expected tax recovery based on statutory rate	(16,202)	(20,394)
Adjustments to expected income tax benefit:		
Share-based payments	841	667
Non taxable loss (gain) related to derivative revaluations	2,265	9,146
Non-deductible expenses	1,467	6,076
Change in unrecorded deferred tax asset	14,081	6,504
Total income tax provision	2,452	1,999

The Company's income tax provision is allocated as follows:

Current tax expense	5,313	2,049
Deferred tax recovery	(2,861)	(50)
	2,452	1,999

b) Deferred income tax

The following table summarizes the components of deferred tax:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Deferred tax assets		
Non-capital loss carry-forwards	34,748	18,864
Property, Plant and Equipment	-	925
Right of Use assets	2,734	830
Accretion, provision and accrued reserves	-	2,074
Finance costs	1,134	1,633
Other	158	158
Total	38,774	24,484
	\$	\$
Deferred tax liabilities		
Property, Plant and Equipment	(4,961)	(375)
Intangible assets - retail operator licence and retail store authorizations	(2,681)	(6,502)
Right of Use assets	-	(46)
Tax benefits not recognized	(32,881)	(23,012)
Total	(40,523)	(29,935)
Net deferred tax liabilities	(1,749)	(5,451)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year ended January 29, 2022 and January 30, 2021
(In thousands of Canadian Dollars, unless otherwise noted)

Movement in net deferred tax liability balances is as follows:

	Fiscal Year Ended	
	January 29, 2022	January 30, 2021
	\$	\$
Balance, beginning of fiscal year	5,451	-
Acquisitions - purchase accounting (note 7)	(841)	5,501
Recognized as deferred tax recovery	(2,861)	(50)
Balance, end of fiscal year	1,749	5,451

c) Loss Carry-Forwards

As at January 29, 2022, the Company's non-capital income tax losses expire as follows:

Fiscal Year	\$
2038	18,826
2039	6,649
2040	33,951
2041	23,655
2042	46,296
	129,377

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

28. SUBSEQUENT EVENTS

Warrants Exercise

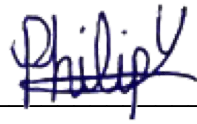
On April 19, 2022, the Company received notice from ACT of its intention to exercise 8,288,067 Series B Warrants. Following the exercise of such Series B Warrants, ACT will hold approximately 35.3% of the issued and outstanding Common Shares. Refer to note 21.

EXHIBIT "G"

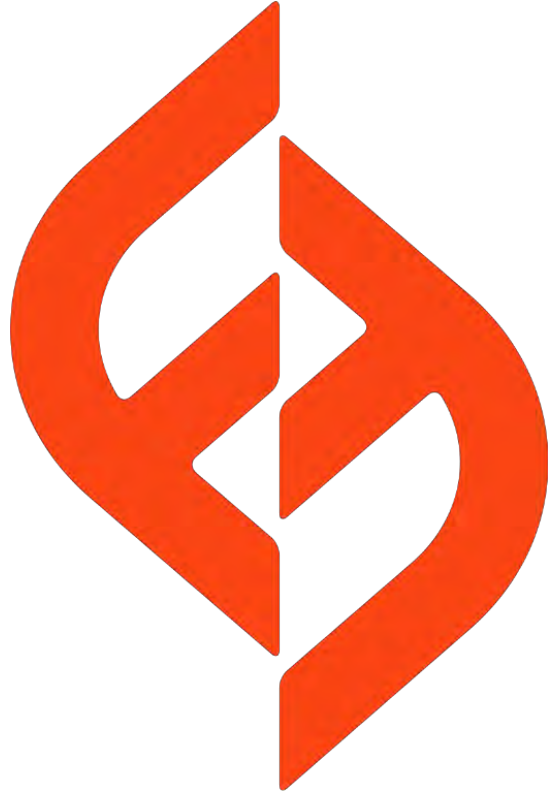
referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits



CONSOLIDATED FINANCIAL STATEMENTS OF

Fire & Flower Holdings Corp.

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2022 AND JANUARY 29, 2022

MANAGEMENT'S REPORT

Management is responsible for preparing the consolidated financial statements and the notes hereto. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using the best estimates and judgments of management, where appropriate.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for approving the consolidated financial statements, primarily through its Audit Committee. This committee, which holds periodic meetings with members of management as well as with the independent external auditors, reviewed the consolidated financial statements and recommended their approval to the Board of Directors.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audits and related findings as to the integrity of the financial reporting process.

/s/ "Stéphane Trudel"
Stéphane Trudel,
Chief Executive Officer

/s/ "John Chou"
John Chou,
Chief Financial Officer

March 27, 2023



Independent auditor's report

To the Audit Committee of Fire & Flower Holdings Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fire & Flower Holdings Corp. and its subsidiaries (together, the Company) as at December 31, 2022 and January 29, 2022, and its financial performance and its cash flows for the 48 weeks ended December 31, 2022 and the 52 weeks ended January 29, 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and January 29, 2022;
- the consolidated statements of loss and comprehensive loss for the 48 weeks ended December 31, 2022 and the 52 weeks ended January 29, 2022;
- the consolidated statements of changes in shareholders' equity for the 48 weeks ended December 31, 2022 and the 52 weeks ended January 29, 2022;
- the consolidated statements of cash flows for the 48 weeks ended December 31, 2022 and the 52 weeks ended January 29, 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Independence

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

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499



Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 48 weeks ended December 31, 2022 and the 52 weeks ended January 29, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill and non-current assets for the Retail and Digital CGUs</p> <p><i>Refer to note 4 – Summary of significant accounting policies, note 7 – Critical accounting estimates and judgments, note 14 – Intangible assets and goodwill, note 20 – Restructuring and impairment costs, net and note 27 – Segmented information to the consolidated financial statements.</i></p> <p>The Company has goodwill of \$6.0 million and non-current assets, including property, plant and equipment, right-of-use assets and intangible assets, of \$117.7 million as at December 31, 2022. Of these amounts, \$1.1 million and \$93.4 million and \$0.5 million and \$16.5 million relate to the Retail and Digital CGUs respectively. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that it may be impaired. Non-current assets are evaluated for indicators of impairment at the end of each reporting period. When any indication of impairment exists, or at the date of the annual impairment test for goodwill, management estimates the recoverable amount of the cash-generating unit (CGU) to which the asset relates to determine the extent of any impairment charge.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management determined the recoverable amounts of the Retail and Digital CGUs, which included the following:<ul style="list-style-type: none">– Tested the appropriateness of the models and approach used.– Tested the underlying data used in the recoverable amount calculations.• For the Digital CGU, with the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the recoverable amount of the CGU using a historical revenue multiple based on comparable market data and compared the recoverable amount from our independent point estimate to management's recoverable amount to evaluate the reasonability of management's estimate.• For the Retail group of CGUs to which goodwill is allocated and the store level Retail CGUs for non-current assets, tested management's process to estimate the recoverable amounts, which included the following:



Key audit matter

A CGU is the lowest level of a group of assets for which there are separately identifiable cash flows.

For the Retail CGUs, goodwill is allocated to the group of store level Retail CGUs and non-current assets are tested at the store level Retail CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell (FVLCS) and value in use (VIU). When the recoverable amount of the CGU is lower than the carrying amount, the carrying amount is reduced to the recoverable amount.

During the thirteen weeks ended October 29, 2022, management identified that there were indications of impairment associated with the Company's Digital CGU as a result of the evaluation of observable external and internal factors, and proceeded to test the Digital CGU for impairment as at October 29, 2022 and then subsequently as at December 31, 2022, the date of its annual impairment test. As at October 29, 2022, the Company recognized an impairment of goodwill of \$11.5 million. As at December 31, 2022, the recoverable amount was determined to be higher than the carrying amount and as such, no further impairment charge was recognized. For the Digital CGU, management applied the VIU model. Key assumptions used in the VIU model included annual revenue growth over the next 5 years, the terminal growth rate beyond the 5-year cash flow projection and the post-tax discount rate.

For the goodwill allocated to the Retail group of CGUs as at December 31, 2022 management applied the FVLCS model using a market-based approach. Based on the impairment test performed, the carrying amount of the Retail CGU was determined to be higher than the recoverable amount and as a result, \$13.4 million of impairment was recognized. In addition, impairment indicators were identified for the Retail

How our audit addressed the key audit matter

- Evaluated the reasonableness of the revenue forecasts used by management by comparing them to the revenue forecasts approved by the Board of Directors and by considering past performance of the CGUs (at the individual store level and for the group of CGUs to which goodwill is allocated).
- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the revenue multiple based on comparative market data.
- Evaluated the reasonableness of the consolidated value of the recoverable amounts of the CGUs by comparing to the Company's market capitalization.
- Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the key assumptions used by management.



Key audit matter

How our audit addressed the key audit matter

CGUs for non-current assets as a result of changes in the competitive landscape, which are expected to negatively impact expected future store performance. The recoverable amounts of these CGUs, which is at the retail store level for retail operations, was estimated based on the FVLCS model using a market-based approach. As a result of the test performed, the carrying amount of certain Retail CGUs exceeded the recoverable amount, and a total of \$5.4 million in impairment charges was recognized on store licenses and \$0.2 million in impairment charges was recognized on leasehold improvements associated with those Retail CGUs. For both the goodwill and non-current asset impairment tests, key assumptions used by management in the FVLCS model include the revenue multiple and revenue forecasts.

We considered this a key audit matter due to the judgment by management in determining the recoverable amounts of the CGUs, including the determination of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

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.

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.



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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 27, 2023

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Canadian Dollars)

	As at December 31, 2022	As at January 29, 2022
	\$	\$
Assets		
Current assets		
Cash	12,425	19,847
Trade and other receivables (note 8)	15,289	15,948
Merchandise inventories (note 9)	12,271	12,458
Prepaid expenses, deposits, and other current assets	2,358	4,413
Lease receivables (note 12)	242	-
Total current assets	42,585	52,666
Non-current assets		
Deposits	3,165	3,305
Refundable deposit to acquire (note 10)	7,112	-
Property and equipment, net (note 11)	36,845	47,500
Lease receivables (note 12)	1,414	-
Right-of-use assets, net (note 13)	31,971	43,755
Intangible assets, net (note 14)	31,156	45,113
Goodwill (note 14)	6,029	30,541
Total assets	160,277	222,880
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	21,675	21,697
Income tax payable	6,001	3,749
Debentures and loans (note 16, 23)	13,515	20,119
Derivative liability (note 16)	494	1,349
Deferred revenue	249	489
Provisions (note 15)	3,895	1,742
Lease liabilities (note 13)	5,730	5,113
Other current liabilities	809	-
Total current liabilities	52,368	54,258
Non-current liabilities		
Debentures and loans (note 16, 23)	-	1,705
Derivative liability (note 16)	-	1,371
Provisions (note 15)	770	-
Lease liabilities (note 13)	39,070	47,090
Deferred tax liability (note 28)	108	1,749
Other non-current liabilities	-	1,015
Total liabilities	92,316	107,188
Shareholders' equity		
Share capital (note 17)	359,140	320,487
Common shares held in escrow (note 17)	3,524	3,761
Contributed surplus	9,516	6,179
Accumulated deficit	(304,232)	(214,739)
Accumulated other comprehensive income	13	4
Total shareholders' equity	67,961	115,692
Total liabilities and shareholders' equity	160,277	222,880

Nature of operations and going concern (note 1)

Change in fiscal year end (note 2)

Commitments and contingencies (note 26)

Subsequent events (note 29)

/s/ "Stéphane Trudel", Director

Stéphane Trudel

/s/ "Sharon Ranson", Director

Sharon Ranson

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(In thousands of Canadian Dollars, except per share information)

	48 weeks ended December 31, 2022 ⁽¹⁾	52 weeks ended January 29, 2022
	\$	\$
Revenue (note 27)	156,022	175,499
Costs of sales (notes 9, 27)	114,910	113,405
Gross profit	41,112	62,094
Expenses (income)		
Selling, general and administrative (note 19)	59,347	63,242
Depreciation & amortization (notes 11, 13, 14)	19,759	19,080
Restructuring, impairment, net of reversals (note 20)	45,742	25,122
Foreign exchange (gain)	(357)	-
(Gain) loss on revaluation of derivative liability, net (note 16)	(882)	8,545
Finance costs, net (note 21)	5,340	7,245
Total expenses	128,949	123,234
Loss before tax	(87,837)	(61,140)
Current tax expense (note 28)	(3,297)	(5,313)
Deferred tax recovery (note 28)	1,641	2,861
Net loss	(89,493)	(63,592)
Net loss per share (note 18)		
Basic	(\$2.07)	(\$1.89)
Diluted	(\$2.07)	(\$1.89)
Comprehensive loss		
Net loss	(89,493)	(63,592)
Items that may be reclassified to profit or loss		
Foreign currency translation, net of income tax effect	9	4
Other comprehensive income, net of income tax effect	9	4
Total comprehensive loss	(89,484)	(63,588)

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

(1) Refer to note 2 for description of the change to fiscal year end to December 31.

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian Dollars, except common shares information)

	Common Shares	Share Capital	Common shares held in escrow	Warrant Reserve	Contributed Surplus	Accumulated other comprehensive income	Accumulate d Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance, January 29, 2022	37,015,708	320,487	3,761	-	6,179	4	(214,739)	115,692
Warrants exercised (note 16, 17)	8,288,067	37,794	-	-	1,344	-	-	39,138
Share-based compensation - options and restricted share units (note 17)	-	-	-	-	2,074	-	-	2,074
Redemption of restricted share units	4,595	33	-	-	(67)	-	-	(34)
Options exercised (note 17)	25,000	65	-	-	(14)	-	-	51
Common shares issued - debenture interest (note 16)	35,238	97	-	-	-	-	-	97
Common shares issued - Pineapple Express Delivery shares in escrow (note 5)	-	237	(237)	-	-	-	-	-
Common shares issued - Pineapple Express Delivery Working Capital Adjustment Shares (note 5)	150,281	427	-	-	-	-	-	427
Currency translation adjustment on foreign subsidiary	-	-	-	-	-	9	-	9
Net loss and comprehensive loss	-	-	-	-	-	-	(89,493)	(89,493)
Balance, December 31, 2022	45,518,889	359,140	3,524	-	9,516	13	(304,232)	67,961
Balance, January 30, 2021	23,211,418	180,780	112	4,874	1,056	-	(151,147)	35,675
Common shares cancelled - acquisition post-closing adjustment	(53,678)	(53)	-	-	-	-	-	(53)
Common shares issued - At-the-Market offering	817,090	7,618	-	-	-	-	-	7,618
Common shares issued - store asset acquisition	8,838	100	-	-	-	-	-	100
Common shares issued - PotGuide	597,805	5,440	-	-	-	-	-	5,440
Common shares issued - Wikileaf	801,710	7,296	-	-	-	-	-	7,296
Common shares issued - Pineapple Express Delivery	1,153,144	1,405	3,761	-	-	-	-	5,166
Conversion of debentures	9,025,661	102,843	-	-	-	-	-	102,843
Common shares issued - debenture interest	304,495	1,698	-	-	-	-	-	1,698
Acquisition of Hifyre Inc.	45,000	312	(112)	-	-	-	-	200
Warrants exercised	1,050,577	12,599	-	(2,830)	-	-	-	9,769
Warrants expired	-	-	-	(2,044)	2,044	-	-	-
Currency translation adjustment on foreign subsidiary	-	-	-	-	-	4	-	4
Redemption of restricted share units	11,879	121	-	-	(250)	-	-	(129)
Share-based compensation - options and restricted share units	-	-	-	-	3,465	-	-	3,465
Options exercised	41,769	328	-	-	(136)	-	-	192
Net loss and comprehensive loss	-	-	-	-	-	-	(63,592)	(63,592)
Balance, January 29, 2022	37,015,708	320,487	3,761	-	6,179	4	(214,739)	115,692

(1) On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares, which was applied retrospectively. As a result, the common share amounts are stated on an adjusted post-consolidation basis (note 17). The common shares began trading on the TSX on a post-consolidation basis on December 2, 2021.

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

Fire & Flower Holdings Corp.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Canadian Dollars)

	48 weeks ended December 31, 2022 ⁽¹⁾	52 weeks ended January 29, 2022
	\$	\$
Operating activities		
Net loss	(89,493)	(63,592)
Items not affecting cash		
Depreciation and amortization (note 11, 13 & 14)	19,759	19,080
Impairment of intangible assets and goodwill (note 14 & 20)	33,376	18,943
Impairment of property and equipment (note 11 & 20)	6,432	3,734
Impairment of ROU assets, net lease liability remeasurement (note 13 & 20)	1,735	1,499
Share-based compensation (note 17 & 19)	2,074	3,174
Interest expense on debentures, loans and other finance costs (note 21)	1,463	2,734
(Gain) loss on revaluation of derivative liability (note 16)	(882)	8,545
Transaction costs on issuance of debentures and loans	-	304
Interest expense on lease liabilities (note 13 & 21)	4,338	4,670
Interest income on lease receivables (note 12 & 21)	(66)	-
Other finance income	(337)	-
Foreign exchange gain	(354)	-
Changes in restructuring provisions (note 15)	2,923	(930)
Cash used in operating activities before changes in non-cash working capital items	(19,032)	(1,839)
Net change in non-cash working capital items (note 24)	2,230	(10,759)
Cash used in operating activities	(16,802)	(12,598)
Investing activities		
Acquisition of property and equipment and intangible assets (note 11 & 14)	(3,589)	(16,580)
Proceeds from disposal of property and equipment	146	-
Refundable deposit to acquire (note 10)	(6,418)	-
Business combination, net of cash acquired (note 5)	-	(10,011)
Asset acquisitions (note 5)	-	(1,569)
Deposits related to leases	22	33
Lease payments received (note 12)	33	-
Cash used in investing activities	(9,806)	(28,127)
Financing activities		
2022 & 2021 Investor Loan (note 16)	11,000	20,000
Warrants exercise, net of 2021 Investor Loan and interest repayment (note 16)	17,334	-
Issuance of common shares and other equity securities	-	7,777
Cash collateral for loans, credit facilities and letters of credit	-	3,948
Transaction costs on issuance of shares	-	(159)
Redemption of restricted share units	(34)	(65)
Principal repayment on debentures and loans	-	(2,359)
Interest paid on debentures and loans	-	(111)
Exercise of warrants and options	51	9,960
Lease liability payments (note 13)	(9,173)	(9,036)
Cash provided by financing activities	19,178	29,955
Effect of foreign exchange on cash and cash equivalents	8	4
Decrease in cash and cash equivalents	(7,422)	(10,766)
Cash, beginning of period	19,847	30,613
Cash, end of period	12,425	19,847

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

(1) Refer to note 2 for description of the change to fiscal year end to December 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND GOING CONCERN

Fire & Flower Holdings Corp. (the "**Company**") is a publicly traded company listed on the Toronto Stock Exchange (the "**TSX**") under the symbol 'FAF'. The Company is a technology-powered, independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfilment business operations in Saskatchewan, Canada ("**Open Fields Distribution**"). The Company operates a proprietary digital retail and analytics platform (the "**Hifyre Digital Platform**") supporting e-commerce retail activities, rapid delivery services and providing a compliant data platform for cannabis licensed producers and other industry stakeholders. The Company's head office and registered office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1, Canada.

On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares and began trading on the TSX on a post-consolidation basis on December 2, 2021 (the "**Share Consolidation**"). The Share Consolidation has been applied retrospectively and as a result, the per share and common share amounts are stated on an adjusted post-consolidation basis. Refer to note 17 for further details.

Going Concern and Liquidity

The Company's consolidated financial statements for the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022 ("**Consolidated Financial Statements**", refer to note 2 for description of the change in fiscal year end) have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business as they come due. The ability of the Company to continue operations as a going concern is ultimately dependent upon increasing revenues, improving profitability and cash flows and the availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to finance the Company's ongoing operations.

As at December 31, 2022, the Company had cash of \$12,425 (January 29, 2022: \$19,847). The Company's financial liabilities are comprised of accounts payable and accrued liabilities, debentures and loans and convertible debentures, which have varying contractual maturity/expiry dates, and are described under notes 16 and 17.

The Company incurred net loss of \$89,493 for the year ended December 31, 2022 (January 29, 2022: \$63,592) and negative cashflow from operating activities of \$16,802 (January 29, 2022: \$12,598). As at December 31, 2022, accumulated deficit was \$304,232 (January 29, 2022: \$214,739).

The Company's primary sources of liquidity are cash from sales of goods and services to its customers, debt financing, warrants proceeds and equity financing. The Company's outstanding warrants are held by 2707031 Ontario Inc. (the "**Investor**"), a wholly-owned subsidiary of Alimentation Couche-Tard Inc. ("**ACT**"). As at December 31, 2022, 17,796,284 Series C Warrant units were held by the Investor exercisable at any time after October 1, 2022 until June 30, 2023; 13,339,078 of such Series C Warrants having an exercise price of the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised (the "**Initial Exercise Price**") and 4,457,206 of such Series C Warrants having an exercise price of the greater of (A) \$4.7732; and (B) the Initial Exercise Price (January 29, 2022: 26,084,351). As of December 31, 2022, ACT held 35.3% of the issued and outstanding common shares of the Company. During the year ended December 31, 2022, the Investor exercised 8,288,067 Series B Warrants and the Company received net proceeds of \$17,334.

The Company's ability to continue as a going concern is dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. The Company is actively pursuing additional financing options to raise additional capital in order to fund its operations and meet its future growth targets, including ongoing negotiations in respect of both non-dilutive debt financing and equity financing at preferred rates. There is no assurance that these initiatives will be successful, timely or sufficient. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

2. BASIS OF PRESENTATION

Statement of Compliance

The Company's Consolidated Financial Statements for the fiscal years ended December 31, 2022 and January 29, 2022, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements were authorized for issuance by the Company's board of directors (the "Board") on March 27, 2023.

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis using the historical cost basis except for certain financial instruments that are measured at fair value. The policies applied in these consolidated financial statements are based on IFRS standards, which have been applied consistently to all periods presented, unless otherwise stated.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company's subsidiaries in Canada and the United States is the Canadian dollar and U.S. dollar, respectively.

Change of year end

The fiscal year end of the Company was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar 12-month period ending December 31 to enhance comparability of its periodic financial statements with those of its peers. Accordingly, the current financial statements are prepared for the 48-week period from January 30, 2022 to December 31, 2022, whereas the comparative figures stated in consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity, consolidated statement of cash flow and the related notes are for the 52-week period from January 31, 2021 to January 29, 2022.

3. PRINCIPLES OF CONSOLIDATION

Basis of Consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

The consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Entity Legal Name	Principal Activity	Place of Incorporation	Ownership Interest as at	
			December 31,	January 29, 2022
Fire & Flower Holdings Corp.	Parent & Holding Company	Canada	Parent Company	Parent Company
Significant subsidiaries:				
Fire & Flower Inc.	Retail Operations	Canada	100%	100%
10926671 Canada Ltd. (o/a Open Fields Distribution)	Wholesale Distribution and Fulfillment	Canada	100%	100%
Hifyre Inc.	Digital Platform	Ontario	100%	100%
11180703 Canada Inc.	Holding Company	Canada	100%	100%
Friendly Stranger Holdings Corp.	Retail Operations	Ontario	100%	100%
Hifyre US, Inc.	Holding Company	Delaware	100%	100%
13318184 Canada Inc.	Holding Company	Canada	100%	100%
PGED Corp.	Digital Platform	Delaware	100%	100%
Pineapple Express Delivery	Delivery Operations	Canada	100%	100%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other short-term deposits that are readily convertible into cash. Short-term deposits with maturity dates greater than 90 days and less than 365 days are classified as short-term investments.

Interest income is earned on the Company's cash deposits, short-term investments in High Interest Savings Accounts and Guaranteed Investment Certificates.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

Cost is determined using the average cost method. Costs are comprised of all variable costs, and certain fixed costs, incurred in bringing inventories to the location and condition necessary for sale to customers. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

Net realizable value is determined as the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that can be directly attributed to the acquisition or construction of the asset as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations.

Depreciation is calculated on a straight-line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. Depreciation is accounted for using the following terms and methods:

Property and Equipment	Method	Depreciation Periods
Land	Non-Depreciable	Non-Depreciable
Buildings	Straight-Line	20 years
Leasehold Improvements	Straight-Line	Shorter of initial lease term and 10 years
Computer, Hardware and Software, and Equipment	Straight-Line	5 years
Signage and Displays	Straight-Line	3-5 years
Vehicles	Straight-Line	5 years
Furniture and Fixtures	Straight-Line	5 years

Depreciation commences once the acquired asset is available for use or, in the case of leasehold improvements, at the later of that date and commencement of the lease of the property to which the leasehold improvement relates to.

An asset's residual value, useful life and depreciation method are reviewed at the end of each financial reporting period and adjusted where appropriate.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the fixed asset and are recognized in the Consolidated statement of loss and comprehensive loss.

d) Leases

At lease possession date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line over the estimated lease term. The lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or in the Consolidated statement of loss and comprehensive loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income/loss.

The Company has elected to account for short-term leases that have a lease term of 12 months or less and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the Consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Lease receivables

Where the Company acts as an intermediate lessor, it classifies the sublease as a finance lease by reference to the right of use asset arising from the head lease. If the applicable criteria of transferring majority of the risks and rewards to the sublessee is met, the Company derecognizes the right of use asset relating to the head lease of the subleased location, recognizes a corresponding lease receivable, and the lease liability relating to the head lease is retained. For leases where the majority of the risks and rewards are not transferred, the company retains the right of use asset and recognizes revenue as rental income. The lease receivable is periodically reduced by impairment losses, if any, and adjusted for certain lease renewals or modifications.

e) Intangible Assets and Goodwill

Intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. The estimated useful life and depreciation method are reviewed at the end of each financial reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives are as follows:

Intangible Assets	Method	Depreciation Periods
Licenses	Straight-Line	Over estimated lease term of associated location. ⁽¹⁾
Trademarks, Subscriber & Customer Relationships		
Trademarks, Tradenames and Patents	Straight-Line	15 years
Acquired Customer Lists	Straight-Line	5 years
Subscriber Relationships	Straight-Line	5 years
Software and Platform Related Technology		
Capitalized Software Development	Straight-Line	5 years
Platform Related Technology	Straight-Line	5 years

⁽¹⁾ Shorter of initial lease term and 10 years.

Costs associated with maintaining Software and Platform Related Technology are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, including directly attributable employee costs, are recognized as intangible assets.

Amortization commences once the acquired asset is available for use or, in the case of patents or trademarks, on the date the license is acquired.

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Other indefinite life intangible assets are measured at cost less any accumulated impairment losses.

f) Impairment of Non-Financial Assets

Non-financial assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed for impairment if events or changes in circumstances indicate that they might be impaired. Management evaluates for indicators of impairment at the end of each financial reporting period. If any such indications exist, the asset's recoverable amount is estimated and compared to its carrying amount.

The Company assesses whether there is an indication that intangible assets are impaired at every reporting period. This assessment includes a review of the Company's current and expected performance, market conditions and trends, changes in regulatory environment, among other factors. If any indication of impairment exists, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to determine the extent of any impairment loss. A CGU is the lowest level of a group of assets for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset or CGUs fair value less costs of sale ("FVLCS") and its value in use ("VIU") to the Company. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment charge is recognized immediately in the statements of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Goodwill and 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.

The recoverable amount of an asset or cash-generating-unit is the higher of an asset's FVLCS and VIU. VIU is estimated as the present value of the future cash flows that the Company expects to derive from the asset or CGU. The Company determines FVLCS using market-based information. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets, defined as a CGU.

Corporate assets, which include head office facilities do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. When the carrying amount of the asset exceeds the recoverable amount, the excess amount is recognized as an impairment charge in the Consolidated statement of loss and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, with the exception of goodwill and indefinite lived intangible assets, if there has been a change in estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

g) Provisions

Provisions, including those for onerous contracts, legal claims, and restructuring events are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Company performs evaluations to identify onerous contracts and legal claims and, where applicable, records provisions for such items. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received from the contract.

Actual costs and timing of future cash flows are dependent on future events; thus, any variance between estimates and the actual future liability will be accounted for in the period when such determination is made. Recoveries from third parties and other contingent gains are recognized when realized.

Restructuring provisions are recognized only when a detailed formal plan for the restructuring exists and either the plan has commenced, or the plan's been announced internally and with the Board. A formal plan usually includes the identification of principal locations affected, details regarding the employees affected and timing of the planned restructuring, and the expenditures that will have to be undertaken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

h) Foreign Currency Translation

The functional currency of the Company's subsidiaries in Canada and the United States is the Canadian dollar and U.S. dollar, respectively. The Company's reporting currency is in Canadian dollars. Transactions undertaken in foreign currencies are translated into the Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains or losses are recognized in the consolidated statement of loss and other comprehensive loss in the period in which they arise.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company are translated into Canadian dollars using the period-end exchange rates in effect at the consolidated balance sheet date. Income, expenses and cash flows of foreign operations are translated into Canadian dollars using average exchange rates of the period that approximate the rates in effect at the dates which such items are transacted. The resulting exchange differences from the translation of foreign operations into Canadian dollars are recognized in accumulated other comprehensive loss.

i) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition.

Identifiable assets acquired, and liabilities assumed are measured at their fair values at the acquisition date.

The Company expenses acquisition-related expenses as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized either in the Consolidated statement of loss and comprehensive loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the Consolidated statement of loss and comprehensive loss.

j) Revenue Recognition

For its three major revenue segments, retail, wholesale and logistics, and digital platform, the Company recognizes revenue when control of goods or services is transferred to a customer.

Revenue is measured at the fair value of the consideration received or receivable from customers for the sale of goods and services provided by the Company, net of promotional discounts, estimated returns and sales taxes.

Retail sales

Revenue consists of sales through the Company's network of retail stores and includes sales through the Company's e-commerce platform. Merchandise sales through retail stores are recognized at the time of delivery to the customer which is generally at the point of sale. Merchandise sales through the Company's e-commerce operations are recognized on the date of receipt by the customer.

Wholesale and logistics sales

Revenue from sales to customers through the Company's wholesale and logistics segment are recognized when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is generally recognized on the date the goods are shipped from the Company's warehouse (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer's carrier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Delivery revenue

The Company recognizes revenues from delivery services when the performance obligation is fulfilled which corresponds to when the goods are delivered to the customer destination (FOB destination).

Digital platform revenue

Revenue from the Hifyre™ Digital Platform are earned primarily through subscription services, listing services and some custom software development services. Revenue from subscription services and listing services are recognized over the term of the contract. Revenue from custom software development is recognized as the services are performed. As it relates to the transaction price, customers can enter into fixed, variable or a combination thereof of fee contracts. For variable fee contracts, as the revenue is recognized over time, which reflects the period over which services are performed based on the number of labor hours incurred, there is no requirement to estimate variable consideration at the inception of the contract. Fixed contract fees are recognized over the term of a contract, under a monthly billing cycle. The performance obligation is fulfilled when the data and services agreed upon with the customer are transferred to the customer at the end of each month. From time to time, the Company will advance bill the customer prior to the completion of the performance obligation which would result in deferred revenue being recognized on the Consolidated statement of financial position.

Software licensing

The Company recognizes revenues from software licensing services when the customers' orders are successfully dispatched through the Company's software platform. For software deployment revenue, the performance obligation may include the software license, implementation, or ongoing support services. Revenue related to software deployment is recognized when the performance obligation is satisfied, which occurs when the software is deployed, and the right to access has been provided to the customer.

k) Cost of Goods Sold

Cost of goods sold expenses for the Company's retail and wholesale and logistic operations include cost of inventory, packaging costs, driver wages, vehicle related expenses and shipping costs.

Cost of goods sold expenses for the Company's digital operations includes all costs attributable to the generation of digital platform revenues.

l) Research and Development

Expenditures related to research activities are expensed as incurred. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use or sell the technology, are met; otherwise, they are expensed as incurred.

m) Income Taxes

The Company is subject to income, value added, withholding and other taxes, and their determination of liabilities requires interpretation of the respective jurisdictions' laws and regulations.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax are recognized in the Consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. This includes tax credits taken on both our income tax returns and our value-add tax filings. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

n) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a reduction to equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value of the shares on the date of issue.

o) Share-based Payments

Equity settled share-based payments are measured at their fair value on the date of grant using the Black-Scholes model. Stock options are recognized as compensation expense on a graded vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

The impact of the revision of the original estimates, if any, is recognized in the Consolidated statement of loss and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When stock options or warrants expire after vesting, the recorded value remains in contributed surplus.

For stock options and warrants granted to non-employees, the compensation expense is measured at the fair value of goods or services received. If the fair value cannot be reasonably estimated, compensation expense is measured at the fair value of the equity instruments granted and measured at the date the Company obtains goods or services rendered.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the Consolidated statement of loss and comprehensive loss over the remaining vesting period.

Consideration paid by employees or non-employees on the exercise of stock options and warrants are recorded as share capital and the related share-based payment expense is transferred from contributed surplus or warrant reserve, respectively, to share capital.

p) Earnings or Loss per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of warrants, and the exercise of the conversion option of convertible debentures. The number of additional shares for inclusion in the diluted earnings (loss) per share calculation is determined using the treasury stock method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

q) Financial instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade account receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures & loans	Amortized cost
Refundable deposit to acquire	Amortized cost
Derivative liability	Fair value through profit or loss

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets measured at amortized cost are measured at cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Cash, short-term deposits, restricted cash, short-term investments and accounts receivable has been classified as amortized cost.

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

The impact of amendments to terms of financial instruments such as debentures and loans are assessed to determine if the change is a modification or an extinguishment. The Company reviews both quantitative and qualitative factors in determining whether the changes in terms are substantial and extinguishment accounting is required. Qualitative factors involve assessing whether the amendments represent a significant change in the terms and conditions of the instruments, including changes in conversion price, settlement options or introducing variability in such terms such that the accounting treatment of the instrument changes. A gain or a loss is recorded in the Consolidated statement of loss and comprehensive loss related to the modification or extinguishment. Under extinguishment accounting, the old instrument is derecognized and the amended instruments are recognized at the estimated fair value of the date the amendment was substantially effective.

r) Impairment of financial assets carried at amortized cost - expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss (“ECL”) model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date (“12-month ECL”), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument (“lifetime ECLs”).

For trade account receivables, the Company applies the simplified approach and has calculated ECLs based on lifetime ECLs. Where information exists, the Company establishes a loss rate based on historical normalized credit loss experience. The loss rate is based on the payment profiles and aging of trade receivables and is adjusted to reflect current and forward-looking information on macroeconomic factors.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

5. ACQUISITIONS

Acquisitions Completed in the Prior Fiscal Year

a) Business Acquisition of Pineapple Express Delivery Inc.

On December 9, 2021, the Company entered into a definitive agreement (the “PED Agreement”) to acquire Pineapple Express Delivery Inc. (“Pineapple Express Delivery”). The transaction closed effective January 21, 2022. Pursuant to the PED Agreement, the total purchase for the acquisition of Pineapple Express Delivery paid by the Company was comprised of: (i) assumption and repayment of \$5,049 in debt (ii) issuance of 313,708 common shares with an aggregate value of \$1,405, based on the share price at the date of acquisition; and (iii) contingent consideration of \$3,761 consisting of 839,436 common shares held in escrow, subject to certain adjustments in accordance with the terms of the PED Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. As the release of the 839,436 common shares held in escrow are not dependent on continued employment by the seller, the amount is included as part of the consideration paid for the business combination. For accounting purposes, the common shares issued as contingent consideration were fair valued at \$3,761 based on the close price on the TSX on the date of acquisition and also factored in the probability of the contingent consideration becoming payable.

During fiscal year ended December 31, 2022, the Company finalized the assessment of the fair value of net assets acquired. The measurement period for the Pineapple Express Delivery acquisition is now closed.

Pineapple Express Delivery Inc. Shares held in escrow

On August 12, 2022, in accordance with the PED Agreement, the Company issued an additional 150,281 common shares with a carrying value of \$427, reflecting an upwards adjustment to the aggregate purchase price to acquire Pineapple Express Delivery, and released 52,800 common shares with a carrying value of \$237 from escrow, all of the foregoing as settlement of certain working capital adjustments. As at December 31, 2022, 786,636 common shares were held in escrow with a carrying value of \$3,524, subject to the achievement of certain performance-based milestones in the fiscal 2022 year. Effective March 3, 2023, a further 333,704 Common Shares were released from escrow and 452,932 Common Shares were cancelled and returned to treasury, all in accordance with the PED Agreement and as a result of Pineapple Express Delivery achieving certain performance-based milestones during the fiscal 2022 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Pineapple Express Delivery is licensed to deliver cannabis and other regulated products including transportation and delivery of medical and recreational cannabis products in Ontario, Manitoba, Saskatchewan and British Columbia.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, January 21, 2022.

The estimated fair value of the identifiable assets and liabilities acquired, and the consideration paid is detailed below:

Consideration paid	
	\$
Common shares issued ⁽¹⁾	2,069
Contingent consideration	3,524
Assumption of debt	5,049
Total consideration	10,642
Identifiable assets (liabilities) acquired	
	\$
Cash & cash equivalents	122
Prepays	261
Property and equipment	797
Receivables and other assets	962
Accounts payable and accrued liabilities	(1,627)
Intangible assets - customer relationships	890
Intangible assets - software and platform related technology	741
Right-of-use assets	961
Lease liabilities	(1,053)
Deferred tax liability	(382)
Goodwill	8,970
Total identifiable net assets and goodwill	10,642

The estimated fair value of the material intangible assets was determined using the following methods:

- Customer relationships – Multiple period excess earnings method (“MEEM Method”); and
- Software and platform related technology – Replacement Cost method.

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected expansion of delivery services into new provinces and the growth in the medical delivery program.
- Discount rate of 17% across the valuation methods. The discount rate was based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated rate of return for companies of comparable size and other risk factors (utilized in the Corroborative Income approach).

The Company recognized deferred tax liabilities associated with the customer relationships and software and platform related technology. The deferred tax liability resulted in an additional goodwill of \$382.

The goodwill arising from the acquisition of Pineapple Express Delivery represents expected synergies associated with integrating its operations and technologies with the Company’s retail network and Wholesale and Logistics segment. During the fiscal year ended December 31, 2022, the Company identified certain indicators of impairment and recognized impairment on the goodwill. Refer to note 20 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

b) Business Acquisitions of PotGuide and Wikileaf

Wikileaf Business Acquisition

On August 3, 2021, the Company entered into an asset purchase agreement (the “**Wikileaf APA**”) with Wikileaf Technologies Inc. and certain of its subsidiaries (“**Wikileaf**”). The transaction closed effective September 15, 2021. Pursuant to the Wikileaf APA, the Company acquired certain digital assets, including the website domain wikileaf.com, and intellectual property rights from Wikileaf for a total purchase consideration of \$7,500, paid by issuing 801,710 common shares of the Company which was based on the Company’s 10-day volume weighted average price on the TSX as of the date of agreement. For accounting purposes, the shares were fair valued at \$7,296 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, September 15, 2021. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating Wikileaf into the Retail cash generating unit (“**CGU**”) and the Digital CGU.

PotGuide Business Acquisition

On August 25, 2021, the Company entered into a definitive share purchase agreement (the “**PGED SPA**”) with PGED Corp. (“**PotGuide**”), the Denver Colorado based operator of PotGuide.com. The transaction closed effective September 15, 2021. Pursuant to the terms of the PGED SPA, the Company purchased all the issued and outstanding shares of PotGuide for an aggregate consideration of \$10,912 (US\$8,820), by paying \$5,472 (US\$4,320) in cash and issued 597,805 common shares of the Company based on the Company’s 10-day volume weighted average price on the TSX as of the date of the agreement. For accounting purposes, the shares were fair valued at \$5,440 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of the transaction constituted a business combination as PotGuide meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating PotGuide into the Retail and Digital CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Further, PotGuide mainly operates in the USA with its operating activities majorly being carried out in U.S. Dollars. In accordance with IAS 21, management has determined that the functional currency of PotGuide is U.S. Dollars.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid is detailed below:

Consideration paid	PotGuide	Wikileaf	TOTAL
	\$	\$	\$
Common shares issued ⁽¹⁾	5,440	7,296	12,736
Cash	5,472	-	5,472
Total consideration	10,912	7,296	18,208
Identifiable assets (liabilities) acquired			
	\$	\$	\$
Cash & cash equivalents	388	-	388
Receivables and other assets	177	-	177
Accounts payable and accrued liabilities	(160)	-	(160)
Intangible assets - trademarks, subscriber & dispensary relationships	3,436	2,269	5,705
Intangible assets - software and platform related technology	2,080	1,338	3,418
Deferred tax liability	(1,462)	-	(1,462)
Goodwill	6,453	3,689	10,142
Total identifiable net assets and goodwill	10,912	7,296	18,208
Common shares issued (#)	597,805	801,710	1,399,515

(1) In accordance with IFRS, the share consideration was fair valued based on close price on the TSX as of the acquisition date.

The estimated fair value of the material intangible assets was determined using the following methods:

- Dispensary relationships – MEEM Method
- Subscriber relationships – Replacement Cost method, and
- Platform related technology - Replacement Cost method.

Wikileaf and PotGuide - Significant Judgments and Estimates

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected growth of the Cannabis market and e-commerce activities in Canada and the United States.
- Discount rate range of 12% - 25% across the valuation methods. The discount rates were based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated venture capital rate of return for an early-stage company (utilized in the Replacement Cost method).

The goodwill recognized under both acquisitions relate to expected synergies from combining operations, subscriber and customer relationships of Wikileaf, PotGuide and the Company's Hifyre digital platform, as well as assembled workforce, which is not separately recognizable as an intangible asset under IFRS. In addition, the Company recognized deferred tax liabilities associated with the PotGuide's intangible assets, which resulted in recognition of additional goodwill of \$1,462. The measurement period for PotGuide and Wikileaf acquisitions are closed. During the fiscal year ended December 31, 2022, the Company identified certain indicators of impairment associated with the Company's Digital CGU and recognized impairment on the goodwill. Refer to note 20 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Asset Acquisition – Orangeville and Sarnia

On April 13 and June 11, 2021 respectively, the Company entered into two asset purchase agreements (each an “**APA**”) to acquire the assets related to the operations of cannabis retail stores located in Sarnia and Orangeville, Ontario for aggregate purchase consideration of \$1,600, subject to certain closing adjustments.

The Orangeville transaction closed effective October 29, 2021. Pursuant to the terms of the Orangeville APA, the Company paid total aggregate consideration of \$972 for the assets acquired comprising of (i) \$872 in cash and (ii) 8,838 common shares of the Company with a value of \$100. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included inventory, prepaids, and leasehold improvements of \$379. The intangible assets included retail operating licenses for \$593. Under IFRS 3, the substance of the acquisition does not constitute a business combination. The measurement period for the Orangeville transaction is closed.

The Sarnia transaction closed effective November 9, 2021. Pursuant to the terms of the Sarnia APA, the Company paid total aggregate consideration of \$697 in cash for the assets acquired. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included leasehold improvements and other assets of \$231. The intangible assets included retail operating licenses for \$466. Under IFRS 3, the substance of the acquisition does not constitute a business combination. During the year ended December 31, 2022, the cannabis retail store located in Sarnia was closed as part of management’s plan to optimize the Company’s retail portfolio and strategy described in note 20. The measurement period for the Sarnia transaction is closed.

d) Business Acquisition of Friendly Stranger

The earnout liability assumed by the Company relates to an arrangement between Friendly Stranger and owners of acquired stores prior to the Company’s acquisition of Friendly Stranger. The additional consideration is to be paid out to a maximum of \$1,200, depending on certain revenue and branded store operations targets being achieved by December 31, 2022. During the year ended January 29, 2022, \$200 earnout liability was realized as a result of one of the revenue targets being achieved.

6. NEW STANDARDS AND INTERPRETATIONS

New Standards Adopted

Amendments to IAS 37 Onerous Contracts and the Cost of Fulfilling a Contract (“IAS 37”)

The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company applied the standard prospectively from January 31, 2021. The amendments did not have an impact on the consolidated financial statements.

Standards, amendments and interpretations issued as of December 31, 2022 that are not yet effective

A number of new and amendments to accounting standards are effective for the Company for annual periods beginning on or after January 1, 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following are relevant new and amended standards. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The amendments do not have a material impact on the consolidated financial statements.

In October 2022, the IASB issued another amendment to IAS 1, which affects the classification of Liabilities as Current or Non-current, clarifying requirements for the classification of liabilities as non-current which is effective for annual periods beginning on or after January 1, 2024.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8 in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments do not have a material impact on the consolidated financial statements.

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

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

Amendments to IFRS 16, Lease liability in a Sale and Leaseback

The amendment specifies the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains that is effective for annual periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

a) Business acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill.

The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to the fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. The Company's business acquisitions, including fair value estimates and judgments, are described under Note 5.

b) Provisions

The recognition of provisions requires management to make certain judgements regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company. Due to the judgmental nature of these items, settlement of provisions may differ from amounts recognized.

c) Deferred taxes

The calculation of deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Judgement is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings to tax authorities.

d) Recoverable amounts and impairment

Management assesses impairment of non-financial assets such as intangible assets, goodwill, property, plant and equipment, and ROU assets on a periodic basis. When impairment indicators are noted, management estimates the recoverable amount of each asset or CGU based on a VIU model, using expected future cash flows, or a FVLCS model, using recent sales data or appraisal reports and revenue multiple based on external capital market research. Under a VIU model, when measuring expected future cash flows, management makes assumptions about future growth of profits of CGU locations which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Impairment losses on the consolidated financial statements are further described in Note 20.

e) Convertible debentures

Management applies judgment in identifying the components and determining their inception fair value for the purpose of allocating the proceeds to the component(s) of its convertible debentures. Management applies assumptions and estimates when using the Black-Scholes, Monte-Carlo, and Trinomial simulation valuation models used to estimate fair value for such derivatives. These assumptions and estimates require a high degree of judgment and a change in these estimates may result in a material effect to the consolidated financial results. The judgments and estimates are described under Note 16.

f) Lease term

Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and ROU assets (which use lease term as the basis for determining useful life).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

g) Incremental borrowing rate

The incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, and risks specific to the underlying assets. The carrying balance of the ROU, lease liabilities, and the resulting amortization and finance expenses, may differ due to changes in the Company's own credit risk, market conditions and lease term. Refer to note 4 for estimates with respect to incremental borrowing rate applied in lease liability calculations.

h) Share-based payments and warrants fair values

The Company applies the Black-Scholes valuation technique for fair valuing stock options and share purchase warrants that are classified as equity instruments. The key estimate in these models relates to future volatility assumptions, which uses both Company and peer company share price data. Volatility assumptions and estimates require judgment given limited history of Company and industry share price and operating performance data. Changes in these assumptions may affect the fair value estimates of stock options and share purchase warrants. Refer to note 17 for details of valuation model inputs applied for these instruments.

The Company has also issued warrants as part of a strategic investment transaction with a key investor, that were classified as a derivative liability due to a variable exercise price range and is fair valued using Monte-Carlo simulation valuation technique. Key estimates and sensitivity of unobservable inputs (volatility) are described under Note 16.

8. TRADE AND OTHER RECEIVABLES

As at December 31, 2022 and January 29, 2022, the Company's trade and other receivables was comprised of the following:

As at	December 31, 2022	January 29, 2022
	\$	\$
Trade accounts receivable	12,923	12,386
Sales tax receivable	2,324	3,477
Other receivables	42	85
Total trade and other receivables	15,289	15,948

During the fiscal year ended December 31, 2022, the Company recognized \$624 as a provision for expected credit loss on its trade accounts receivable (January 29, 2022 - \$410).

9. MERCHANDISE INVENTORIES

As at December 31, 2022 and January 29, 2022, the Company's merchandise inventories were comprised of the following:

As at	December 31, 2022	January 29, 2022
	\$	\$
Cannabis	11,145	10,332
Accessories & apparel	1,126	2,126
Total merchandise inventories	12,271	12,458

The amount of inventories recognized as an expense in cost of goods sold for the fiscal year ended December 31, 2022 was \$104,123 (January 29, 2022 - \$112,180).

As at December 31, 2022, the Company recorded an inventory write-down of \$434 (January 29, 2022 - \$359) to reduce the value of inventories to their net realizable value. The write-down was included as an expense in cost of goods sold. There were no reversals of previously recorded write-down of inventories during the fiscal year December 31, 2022 and January 29, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

10. REFUNDABLE DEPOSIT TO ACQUIRE

Fire & Flower U.S. Holdings Inc. (formerly American Acres) Arrangement

On February 22, 2021, the Company announced that it has entered into agreements with a Canadian private company, operating as “American Acres Managers” (“**American Acres**”), which comprised agreements to license the Company’s brand, store operating system and Hifyre digital retail and analytics platform for cannabis dispensaries across certain U.S. states and an option to acquire American Acres upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Company’s securities are listed for trading (collectively, the “**Strategic Agreements**”). On August 10, 2021, the Company announced that American Acres had changed its operating name to Fire & Flower U.S. Holdings Inc. (“**Fire & Flower US**”) and opened its first Fire & Flower branded store in Palm Springs, California. On January 28, 2022, the Company amended certain terms of the Strategic Agreements with Fire & Flower US to provide for, among other things, the Company to pay the shareholders of Fire & Flower US an aggregate amount of US\$5 million (the “**Refundable Deposit**”), subject to certain conditions. The Refundable Deposit, plus a premium of one percent (1%), calculated monthly, will be deducted from the fair-market value purchase price payable, if and when the Company exercises its option to acquire Fire & Flower US. Hifyre will receive a one-time implementation fee and ongoing software and support fees for each Fire & Flower branded store operated by Fire & Flower US. In addition, the amendments to the Strategic Agreements provide for the Company, upon the payment of additional cash amounts, (i) to extend its option to acquire Fire & Flower US to February 2028 or such later date upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Company’s securities are listed for trading, (ii) expand the number of cannabis retail stores that Fire & Flower US may operate utilizing the Company’s licensed trademarks/intellectual property, and/or (iii) expand the territory within which Fire & Flower US may operate cannabis retailer stores utilizing the licensed trademarks/intellectual property.

On August 2, 2022, the Company entered into further amending agreements (the “**August 2022 Amendments**”) in respect to the Strategic Agreements with Fire & Flower US. The August 2022 Amendments revised the conditions for payment of the Refundable Deposit to the shareholders of Fire & Flower US, which was released from escrow to the shareholders of Fire & Flower US concurrent with entering into the August 2022 Amendments. The August 2022 Amendments also revised the ongoing software and support fees payable to the Company until such time as Fire & Flower US has obtained a license to deliver cannabis in Denver, Colorado, and extended the territories in which Fire & Flower US may utilize the Company’s intellectual property to include New Mexico and Ohio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, January 29, 2022	5,407	3,346	40,244	8,940	1,357	475	59,769
Additions	-	357	2,675	217	247	-	3,496
Disposal	-	-	-	(45)	-	(250)	(295)
Impairment ⁽¹⁾	(817)	(13)	(7,839)	-	(26)	-	(8,695)
Transfers and Other Adjustments	-	(11)	(384)	233	(1)	80	(83)
Balance, December 31, 2022	4,590	3,679	34,696	9,345	1,577	305	54,192
Accumulated Depreciation							
Balance, January 29, 2022	506	1,004	6,830	3,224	452	253	12,269
Depreciation	178	755	4,343	1,639	274	94	7,283
Disposal	-	-	-	(18)	-	(167)	(185)
Impairment ⁽¹⁾	(104)	(3)	(2,154)	-	(2)	-	(2,263)
Transfers and Other Adjustments	69	-	107	14	-	53	243
Balance, December 31, 2022	649	1,756	9,126	4,859	724	233	17,347
Net Book Value							
Balance, January 29, 2022	4,901	2,342	33,414	5,716	905	222	47,500
Balance, December 31, 2022	3,941	1,923	25,570	4,486	853	72	36,845

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, January 30, 2021	5,045	3,281	34,821	6,270	621	391	50,429
Acquisitions	-	71	1,154	3	-	84	1,312
Additions	362	39	9,143	2,756	772	-	13,072
Impairment ⁽¹⁾	-	(45)	(4,874)	(89)	(36)	-	(5,044)
Balance, January 29, 2022	5,407	3,346	40,244	8,940	1,357	475	59,769
Accumulated Depreciation							
Balance, January 30, 2021	158	373	4,219	1,933	212	179	7,074
Depreciation	198	643	3,898	1,291	251	74	6,355
Impairment	-	(12)	(1,287)	-	(11)	-	(1,310)
Transfers and Other	150	-	-	-	-	-	150
Balance, January 29, 2022	506	1,004	6,830	3,224	452	253	12,269
Net Book Value							
Balance, January 30, 2021	4,887	2,908	30,602	4,337	409	212	43,355
Balance, January 29, 2022	4,901	2,342	33,414	5,716	905	222	47,500

(1) For further details on the impairments, refer to Note 20, Restructuring and Impairments

As at December 31, 2022, the amount of property, plant and equipment classified as under construction or development and therefore not being amortized was \$712 (January 29, 2022: \$2,251).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

12. LEASE RECEIVABLES

Lease receivables	December 31, 2022
	\$
Beginning balance	-
Additions	1,674
Lease payments received	(33)
Interest income from lease receivables	66
Impairment of lease receivable	(51)
Ending balance	1,656
Current	242
Non-current	1,414
Maturity analysis - contractual undiscounted cash flow	\$
One year	437
Two years	478
Three years	320
Four years	212
Five years	216
Beyond five years	914
Total contractual undiscounted cash flow	2,576
Less: unearned finance income	(920)
Ending balance, December 31, 2022	1,656

Lease receivables are reviewed for impairment based on expected credit losses at each balance sheet date in accordance with IFRS 9 – Financial Instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivable. An expected credit loss of \$51 was recorded for the fiscal year ended December 31, 2022 (January 29, 2022: \$nil).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has entered into various lease agreements predominantly to execute its retail platform strategy.

The Company leases properties such as various retail stores and offices. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Right-of-use assets	December 31, 2022	January 29, 2022
	\$	\$
Beginning balance	43,755	40,500
Additions	2,146	14,761
Lease modifications ⁽¹⁾	(3,490)	-
Terminated locations ⁽²⁾	(4,656)	(5,722)
Depreciation expense for the period	(5,784)	(5,784)
Ending balance	31,971	43,755

⁽¹⁾ Lease modifications includes a reversal of impairment of ROU asset, net of lease liability of \$224

⁽²⁾ For further details on the ROU asset impairment, refer to Note 20, Restructuring and Impairments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

The lease liabilities pursuant to these leases is summarized in the below table:

Lease liabilities	December 31, 2022	January 29, 2022
	\$	\$
Beginning balance	52,203	45,906
Additions	2,168	14,886
Lease modifications	(1,803)	-
Payments in the period	(9,173)	(9,036)
Terminated locations ⁽¹⁾	(2,933)	(4,223)
Accretion expense for the period	4,338	4,670
Ending balance	44,800	52,203

⁽¹⁾ For further details on the terminated lease liabilities, refer to Note 20, Restructuring and Impairments

Current	5,730	5,113
Non-current	39,070	47,090
Maturity analysis - contractual undiscounted cash flow	\$	\$
One year	9,649	9,637
Two years	8,242	9,042
Three years	6,997	8,084
Four years	6,406	7,140
Five years	6,238	6,851
Beyond five years	15,395	21,803
	52,927	62,557

Other amounts recognized in the consolidated statement of loss and comprehensive loss	December 31, 2022	January 29, 2022
	\$	\$
Expenses relating to short-term leases	71	49
Expenses relating to lease payments not included in the measurement of lease liabilities	3,726	3,738
Income from subleasing right-of-use assets	390	160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

14. INTANGIBLE ASSETS AND GOODWILL

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	\$	\$	\$	\$
Balance, January 29, 2022	15,086	35,269	7,269	57,624
Additions	-	-	917	917
Impairment ⁽¹⁾	(753)	(10,191)	-	(10,944)
Transfers and Other Adjustments	8	(3,823)	233	(3,582)
Balance, December 31, 2022	14,341	21,255	8,419	44,015
Accumulated Amortization and Impairments				
Balance, January 29, 2022	1,526	9,167	1,818	12,511
Amortization	1,724	3,206	1,761	6,691
Impairment ⁽¹⁾	(124)	(2,383)	-	(2,507)
Transfers and Other Adjustments	-	(3,836)	-	(3,836)
Balance, December 31, 2022	3,126	6,154	3,579	12,859
Net Book Value				
Balance, January 29, 2022	13,560	26,102	5,451	45,113
Balance, December 31, 2022	11,215	15,101	4,840	31,156

⁽¹⁾ For further details on the license impairments, refer to Note 20, Restructuring and Impairments

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	\$	\$	\$	\$
Balance, January 30, 2021	8,491	53,380	2,496	64,367
Acquisitions	6,595	1,059	4,159	11,813
Additions	-	-	614	614
Impairment	-	(19,170)	-	(19,170)
Balance, January 29, 2022	15,086	35,269	7,269	57,624
Accumulated Depreciation and Impairments				
Balance, January 30, 2021	586	4,571	640	5,797
Depreciation	940	4,823	1,178	6,941
Impairment	-	(227)	-	(227)
Balance, January 29, 2022	1,526	9,167	1,818	12,511
Net Book Value				
Balance, January 30, 2021	7,905	48,809	1,856	58,570
Balance, January 29, 2022	13,560	26,102	5,451	45,113

During the fiscal year ended December 31, 2022, the Company capitalized \$745 (January 29, 2022: \$611) of internally developed software assets.

Goodwill

	December 31, 2022	January 29, 2022
Beginning balance	30,541	13,806
Business combinations (note 5)	-	18,685
Post-acquisition adjustments (note 5)	427	(1,950)
Impairment loss (note 20)	(24,939)	-
	6,029	30,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

On August 12, 2022, in accordance with the PED Agreement, the Company issued an additional 150,281 common shares in the amount of \$427, reflecting an upwards adjustment to the aggregate purchase price.

During the fiscal year ended January 29, 2022, the Company had goodwill arising from the acquisitions of PotGuide and Wikileaf of \$6,453 and \$3,689. Of the goodwill recognized, \$1,462 arose upon recognition of deferred liabilities for the acquisition during the fiscal year. The Company had goodwill arising from the acquisition of Pineapple Express Delivery of \$8,543. Of the goodwill recognized, \$382 arose upon recognition of deferred liabilities for the acquisition during the fiscal year. The purchase price allocations are further detailed under Note 5.

During the fiscal year ended January 29, 2022, the Company recognized a total of \$1,950 in post-acquisition adjustments relating to certain assets and liabilities from the Friendly Stranger and other Ontario retail stores from the fiscal year ended January 30, 2021.

Allocation of goodwill to CGUs:

	December 31, 2022	January 29, 2022
	\$	\$
Retail	1,096	14,318
Wholesale and Logistics	4,485	4,271
Digital	448	11,952
	6,029	30,541

The assessment and recognition of impairment of goodwill and intangible assets are described in detail in Note 20.

15. PROVISIONS

	December 31, 2022	January 29, 2022
	\$	\$
Beginning balance	1,742	2,672
Additions (note 20)	4,328	777
Drawdowns	(1,405)	(1,707)
Total Provisions	4,665	1,742
Current	(3,895)	(1,742)
Non-Current	770	-

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the fiscal year ended December 31, 2022, the Company recorded an expense of \$4,342 comprised of \$1,839 of severance and other benefits and \$2,503 relating to the cost of closing certain retail locations including the expected cost to settle and exit the respective leases (note 20). The value of the provision is management's best estimate of the expenditures. Lease obligation costs related to the restructured locations are recorded in lease liabilities (note 13). If the effect of time value is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

16. DEBENTURES AND LOANS, DERIVATIVE LIABILITY

Debentures and Loans balances outstanding:

	Contractual Maturity Date	Coupon Interest Rate	Principal Outstanding		Carrying Amount	
			December 31, 2022	January 29, 2022	December 31, 2022	January 29, 2022
			\$	\$	\$	\$
Convertible debenture liability						
Investor Debentures ⁽¹⁾	June 30, 2023	8.00%	2,407	2,407	2,271	1,754
Term loans and credit facilities						
2021 Investor Loan	October 1, 2022	8.00%	-	20,070	-	20,070
2022 Investor Loan	December 31, 2023	11.00%	11,244	-	11,244	-
Total debentures and loans			13,651	22,477	13,515	21,824
Current			(13,651)	(20,070)	(13,515)	(20,119)
Non-current			-	2,407	-	1,705

Derivative Liability balances outstanding:

	Contractual Maturity Date	Conversion Price/unit	Equivalent Units		Carrying Amount	
			December 31, 2022	January 29, 2022	December 31, 2022	January 29, 2022
		\$/unit	#	#	\$	\$
Conversion option derivative liabilities						
Investor Debentures ⁽¹⁾	June 30, 2023	variable ⁽¹⁾	240,741	240,741	404	1,074
Warrants recognized as derivative liability						
Series B Warrants ^{(1) (2)}	September 30, 2022	variable	-	6,717,554	-	1,171
Series C Warrants ^{(1) (3)}	June 30, 2023	variable	13,339,078	13,339,078	85	224
Top-up Series B Warrants ⁽²⁾	September 30, 2022	variable	-	1,570,513	-	178
Top-up Series C Warrants ⁽³⁾	June 30, 2023	variable	4,457,206	4,457,206	5	73
					90	1,646
Total derivative liability					494	2,720
Current					(494)	(1,349)
Non-current					-	1,371

(1) Amended. See further details below.

(2) Exercisable after January 1, 2022 (see terms described below).

(3) Exercisable after October 1, 2022 (see terms described below).

Cash proceeds from term loan facilities totaled \$11,000 for the fiscal year ended December 31, 2022 (January 29, 2022: \$20,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Convertible debenture related activity is summarized below:

	Carrying Amount		
	Principal Outstanding	Debenture component	Derivative liability - conversion option
	\$	\$	\$
Balance, January 29, 2022	2,407	1,754	1,074
Gain on revaluation of derivative liability	-	-	(670)
Accretion and interest expense	-	614	-
Coupon interest paid in common shares	-	(97)	-
Balance, December 31, 2022	2,407	2,271	404

Derivative liability activity related to warrants are summarized below:

	December 31, 2022
	\$
Balance, beginning of fiscal year	1,646
Gain on revaluation of derivative liabilities	(212)
Conversion and settlement	(1,344)
Balance, end of fiscal year	90

Measurement and sensitivity analysis as at December 31, 2022

As at December 31, 2022, the derivative liabilities related to the Investor Debentures conversion option, Series C Warrants were revalued using the Monte-Carlo and trinomial tree model simulation valuation technique and the following assumptions: stock price of \$1.18; risk-free interest rate range of 4.47%; and expected volatility range of 98% based on historical trading data of the Company and its peers.

These fair values were determined based on Company-specific inputs and valuation techniques that utilized both observable and unobservable market inputs. Such estimated fair values for the financial liabilities were thus categorized as Level 3 measurement inputs.

Volatility assumptions are a significant unobservable input to the estimate, mainly due to the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in.

As at December 31, 2022, with all other variables held constant, a 5% decrease and 5% increase in volatility would have resulted in a change in the estimated fair values of the derivative liability instruments as follows:

Sensitivity Analysis	Valuation Technique	As at December 31, 2022	
		Volatility - 5%	Volatility +5%
Investor Debentures conversion option	Monte-Carlo/ Trinomial	\$ 44	\$ 51
Series C Warrants	Monte-Carlo	(14)	24
Top-up Series C Warrants	Monte-Carlo	(2)	1
Total		28	76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

2022 Investor Loan

On October 18, 2022, the Company entered into a loan agreement (the “**2022 Loan Agreement**”) with the Investor. Pursuant to the terms of the 2022 Loan Agreement, the Investor loaned \$11,000 principal amount to the Company (“**2022 Investor Loan**”) with an interest rate of 11% per annum and payable quarterly, provided that for the first six months of the term of the 2022 Investor Loan, the Company may elect to increase the principal amount of the 2022 Investor Loan by the amount of accrued interest during such period in lieu of paying such accrued interest to the Investor. The 2022 Investor Loan matures on December 31, 2023 and the Investor has first priority security on all of the assets of the Company and its subsidiaries including all intellectual property subject only to permitted liens. Pursuant to the 2022 Loan Agreement, the Company may prepay all or any portion of the 2022 Investor Loan without bonus or penalty upon five business days’ notice. As at December 31, 2022, the Company has \$11,244 in principal and accrued interest outstanding which includes interest that was elected to be capitalized as permitted pursuant to the 2022 Loan Agreement.

Proposed Amendments to Series C Warrants

On October 18, 2022, the Company announced that it had entered into an amendment agreement (the “**Amendment Agreement**”) with the Investor with respect to the Series C Warrants held by the Investor. Pursuant to the terms of the Amendment Agreement, the Company and the Investor proposed to, among other things, amend the terms of the Series C Warrants to revise the exercise price and expiry date of the Series C Warrants. In connection with the 2022 Amending Agreement, the Company and the Investor entered into a subscription agreement (the “**Subscription Agreement**”) to purchase Common Shares for aggregate proceeds of approximately \$5 million.

The terms of the Amendment Agreement and the Subscription Agreement were subject to customary conditions precedent and applicable regulatory approvals, including the receipt of the requisite approvals by the holders of Common Shares as required by applicable securities laws and the policies of the TSX. The Amendment Agreement and the Subscription Agreement have both been terminated in accordance with their terms, as certain conditions to closing were ultimately not achieved.

2021 Investor Loan

On December 13, 2021, the Company entered into a loan agreement (the “**2021 Loan Agreement**”) with ACT pursuant to which ACT shall loan to the Company a maximum aggregate amount of \$30,000 which may be drawn down in three separate tranches of \$10,000 (the “**2021 Investor Loan**”). The 2021 Investor Loan accrued interest at a rate of 8.0% per annum, payable quarterly, and matures on October 1, 2022. The 2021 Loan Agreement contemplated prepayment of amounts drawn from the 2021 Investor Loan from the net proceeds received by the Company upon exercise of the Series B Warrants held by the Investor, which were exercisable by the Investor as of January 1, 2022 until September 30, 2022. As at January 29, 2022, a total of \$20.0 million was withdrawn under the 2021 Investor Loan and as at December 31, 2022, no amounts are outstanding on the 2021 Investor Loan (refer below for repayment of the 2021 Investor Loan).

Warrants Exercise and Repayment of 2021 Investor Loan during the fiscal year ended December 31, 2022

During the fiscal year ended December 31, 2022, the Company received net proceeds of \$17,334 (the “**Proceeds**”) from the exercise of the Series B Warrants, comprising (a) 6,717,554 Series B Warrants exercised at a price of \$4.5103, representing the 20-day volume-weighted average price of the common shares of the Company and (b) 1,570,513 Top-up Series B Warrants exercised at a price of \$4.7732. Pursuant to the terms of the 2021 Loan Agreement (as defined in note 24), a portion of the warrant amount of \$37,794 was used to repay the principal of \$20,000 and interest of \$460 (January 29, 2022: \$70) to the Investor as prescribed within the 2021 Loan Agreement.

	December 31, 2022
	\$
Series B Warrants	37,794
2021 Investor Loan	(20,000)
2021 Investor interest	(460)
Net proceeds	17,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Issuance of Top-up Warrants

Pursuant to the terms of the amended and restated investor rights agreement dated September 16, 2020 between the Company and ACT (the "IRA"), ACT is entitled to certain Top-up Rights (as defined in the IRA) when its fully diluted interest in the Company drops below 49.1%. As a result of certain dilutive issuances of common shares, ACT's Top-up Rights were triggered and on January 18, 2022, the Company issued an additional 1,570,513 Series B Warrants, and 4,457,206 Series C Warrants, for an aggregate issuance of 6,027,719 warrants ("**Top-up Warrants**"). ACT may receive additional ACT Warrants pursuant to the exercise of certain Top-up Rights.

Exercise price for Top-up Series B Warrants is the greater of (i) \$4.7732; and (ii) the lesser of (A) \$18.75; and (B) the 20-day volume weighted average trading price of the Shares on the Exchange on the last Business Day prior to the exercise of such top-up Series B Warrants.

Exercise price for Top-up Series C Warrants is the greater of (i) \$4.7732; and (ii) the lesser of (A) \$30.00; and (B) 125% of the 20-day volume weighted average trading price of the Shares on the Exchange on the last Business Day prior to the exercise of such top-up Series C Warrants.

The same fair value models for the existing Series B and Series C Warrants were applied to the Top-up Series B and Series C Warrants. Assumptions used in valuing the Top-up Warrants were:

- For Series B: stock price of \$4.46, risk-free interest rate of 0.72%, and expected volatility of 60% based on historical trading data of the Company and its peers.
- For Series C: stock price of \$4.46, risk-free interest rate of 1.09%, and expected volatility of 63% based on historical trading data of the Company and its peers.

Investor Debentures and Investor Warrants

On August 7, 2019, the Company issued: (i) \$25,990 principal amount of 8.0% unsecured convertible debentures (the "**Investor Debentures**"); (ii) 3,063,432 series A Common Share purchase warrants (the "**Series A Warrants**"); (iii) 5,612,689 series B Common Share purchase warrants (the "**Series B Warrants**"); and (iv) 11,070,392 series C Common Share purchase warrants (the "**Series C Warrants**" and with the Series A Warrants and the Series B Warrants, the "**Investor Warrants**") pursuant to the terms of a subscription agreement with the Investor, an indirect wholly-owned subsidiary of ACT (the "**Strategic Investment**"). Pursuant to the terms of the Strategic Investment, the Investor has the right, but not the obligation, to acquire that number of common shares that may result in the Investor holding 50.1% of the issued and outstanding common shares if the principal amount of Investor Debentures and Investor Warrants are converted and exercised, respectively, in full.

On July 23, 2020, the Company announced a series of amendments to the Investor Debenture and Investor Warrants issued to the Investor under the strategic investment agreement completed on August 7, 2019 (the "**ACT Investment Amendments**"). These amendments were approved at a special meeting of shareholders on September 15, 2020.

These amendments resulted in the following:

- Extending the maturity date of \$25,990 principal amount 8.0% convertible unsecured debentures to June 30, 2023 from June 30, 2021. The Investor would have the right to accelerate the Investor Debentures maturity date once \$20,000 in principal of the April 2020 Debentures (defined below) was converted.
- The Investor Debentures conversion price is now the lesser of: (A) the 20-day volume weighted average price ("VWAP") of the common shares of the Company on the last trading day prior to the Investor delivering a notice of its intention to convert; and (B) \$0.90.
- The Company has the ability to repay the principal amount of the Investor Debentures and interest by issuing common shares of the Company at a price equal to \$7.50 per common share (subject to satisfaction of certain conditions precedent, including the common shares having a 20-day VWAP of at least \$10.00 on the date the Company gives its notice of intention to convert).
- 3,415,802 Series A Warrants, previously with an exercise price of \$14.00, were amended as follows:
 - 1,314,646 of the Series A Warrants (the "A-1 Warrants") have an exercise price equal to \$7.80, which were subsequently exercised by the Investor on September 18, 2020 for cash exercise proceeds of \$10,254;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

- 1,050,577 of the Series A Warrants (the “A-2 Warrants”) have an exercise price equal to \$8.30, which were exercised on December 21, 2020 for cash exercise proceeds of \$8,720; and
- 1,050,577 of the Series A Warrants (the “A-3 Warrants”) have an exercise price equal to \$9.30, which were exercised on June 30, 2021 for cash exercise proceeds of \$9,770.
- 6,717,554 Series B Warrants, previously with an exercise price of \$18.75, were amended such that the exercise price is the lesser of: (A) \$18.75; and (B) the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series B Warrants are exercised. The Series B Warrants were exercised on April 28, 2022 for cash exercise proceeds of \$37,794.
- 13,339,078 Series C Warrants, previously with an exercise price range of \$20.00 - \$60.00, were amended such that the exercise price is the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised. The Series C Warrants are exercisable at any time after October 1, 2022; and expire on June 30, 2023.

Sensitivity Analysis - Investor Debentures and Derivative Liabilities		As at September 15, 2020	
	Valuation Technique	Volatility - 5%	Volatility +5%
Investor Debentures conversion option	Monte-Carlo/ Trinomial	\$ (364)	\$ 229
Series B Warrants	Monte-Carlo	(1,847)	1,871
Series C Warrants	Monte-Carlo	(4,939)	1,368
Total		(7,150)	3,468

Conversion and Settlement of Investor Debentures in fiscal year ended January 29, 2022

On March 10, 2021, \$23,583 in principal amount of the Investor Debentures were early converted by the Company at the forced conversion price of \$7.50. Accrued and unpaid interest of \$366 was also settled at the time of conversion. A total of 3,193,254 common shares were issued upon principal conversion of the principal and settlement of the interest. The common shares issued had a value upon conversion of \$37,888, which was comprised of the carrying values, as at the date of conversion, of the debenture liability (\$13,643) and the corresponding conversion option derivative liability (\$24,245).

The conversion option derivative liability was valued by taking the difference between the intrinsic value and the fair value of the debt portion. The intrinsic value and discounted cash flow approach utilized for the valuation of the debt portion had the following key inputs and assumptions: stock price of \$12.50, and discount rate 31% - 35%.

As at December 31, 2022, \$2,407 in principal of the Investor Debentures remained outstanding. (January 29, 2022: \$2,407)

April 2020 Debentures

During the fiscal year ended January 30, 2021, the Company completed two private placements for aggregate gross proceeds of \$28,000, which were comprised of:

- a non-brokered private placement of 8% secured convertible debentures for aggregate gross proceeds of \$19,800 (the “**April 2020 Initial Debentures**”), which closed on April 28, 2020, and
- a non-brokered private placement of subscription receipts for aggregate gross proceeds of \$8,200, subject to shareholder approval (the “**April 2020 Subscription Receipts**”). The April 2020 Subscription Receipts were automatically converted into convertible debentures upon shareholder approval on June 17, 2020. These convertible debentures have the same terms as the April 2020 Initial Debentures.

The principal amount of the April 2020 Initial Debentures and the April 2020 Subscription Receipts, upon conversion to convertible debentures (collectively the “**April 2020 Debentures**”), were convertible at the holder’s option into common shares of the Company (the “**Conversion**”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Shares) at any time prior to the maturity date (described below) at a conversion price of \$5.00 per Conversion Share. The Company's obligations under the April 2020 Debentures were secured by the assets of the Company.

On July 23, 2020, in conjunction with entering into the ACT Investment Amendments, the Company also entered into a supplemental debenture indenture (the "**Supplemental Indenture**") to the debenture indenture dated April 28, 2020 (the "**Indenture**") which governs the April 2020 Debentures. The Supplemental Indenture amendments included:

- modification of the April 2020 Debenture maturity date to June 1, 2021, or June 1, 2022, in the event that, on or before April 1, 2021, ACT's A-1 Warrants and A-2 Warrants have been exercised. As at January 30, 2021, ACT's A-1 Warrants and A-2 Warrants were fully converted and the maturity date was extended to June 1, 2022;
- the Company's election to force the conversion of the principal amount of April 2020 Debentures shall no longer be contingent on the conversion or retirement of the Investor Debentures; and
- the Company may elect to add any interest accrued and payable on the December 31, 2021 payment date to the principal amount of April 2020 Debentures (as is already contemplated for the interest payments owing on December 31, 2020 and June 30, 2021) (the "**Interest Amendment**"). The Interest Amendment was approved by the shareholders of the Company on September 15, 2020.

The Supplemental Indenture amendments' impact on the carrying value of the debt was assessed by the Company once the ACT Investment Amendments were effective upon shareholder and regulatory approvals received on September 15, 2020.

Conversion of April 2020 Debentures in fiscal year ended January 29, 2022

During the fiscal year ended January 29, 2022, April 2020 Debentures with \$29,407 in principal amount outstanding were early converted and settled at the conversion price of \$5.00. Coupon interest of \$1,139 was also settled in common shares at the conversion price of \$5.00. A total of 6,109,131 common shares were issued for the principal conversions and interest settlement. The common shares issued had a value upon conversion of \$64,955, which was comprised of the carrying values, as at the date of conversion, of the debenture liability (\$16,754) and the corresponding conversion option derivative liability (\$48,201). The conversion option derivative liability was valued by taking the difference between the intrinsic value and the fair value of the debt portion. The intrinsic value and discounted cash flow approach utilized for the valuation of the debt portion had the following key inputs and assumptions: stock price of \$13.60, and discount rate 26%-32%.

Repayment of Senior Secured Term Loan and Credit Facilities

On April 21, 2020, the Company entered into a commitment letter to obtain up to an aggregate amount of \$10,000 (with an option for an additional \$5,000), non-dilutive credit facilities with a financial institution. The new financing is comprised of two separate loan facilities on a two-year term: a revolving credit facility in the amount of \$5,000 that bears a variable interest rate of 1.75% plus prime rate, and a term loan in the amount of \$5,000 that bears a variable interest rate of 1.50% plus prime rate. An "accordion" option is also available to increase the revolving facility by an additional \$5,000, subject to the financial institution's consent and certain other customary conditions.

On October 25, 2021, the Company announced it had repaid in full its obligations under the credit facilities. The Company was permitted to repay amounts outstanding prior to maturity without penalty. The outstanding debt was repaid from cash held in a restricted collateral account.

17. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share Capital

The Company is authorized to issue an unlimited number of common shares.

As at December 31, 2022, the Company had 45,518,889 common shares outstanding (January 29, 2022: 37,015,708).

Common Share Consolidation

On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares (the "**Share Consolidation**"), with common shares trading on a post-consolidation basis commencing on December 2, 2021. The Share Consolidation has

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

been applied retrospectively and as a result, all common shares, options, warrants, restricted share units, and per share amounts are stated on an adjusted post-consolidation basis for all periods presented.

Common Shares held in escrow

As at December 31, 2022, 786,636 common shares valued at \$3,524 were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery, subject to certain adjustments in accordance with the terms of the PED Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. As the release of the 786,636 common shares held in escrow are not dependent on continued employment by the seller, the amount is included as part of the consideration paid for the business combination. For accounting purposes, the common shares issued as contingent consideration were fair valued at \$3,761 based on the close price on the TSX on the date of acquisition and also factored in the probability of the contingent consideration becoming payable.

b) Warrants

The following is a summary of the movement in warrants outstanding:

	December 31, 2022		January 29, 2022	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	26,084,351	26.43	22,008,570	24.90
Exercised - Series B Warrants	(6,717,554)	4.51	-	-
Exercised - Top-up Series B Warrants	(1,570,513)	4.77	-	-
Warrants issued -Top-up Series B Warrants (note16) ⁽²⁾	-	-	1,570,513	variable
Warrants issued -Top-up Series C Warrants (note16) ⁽²⁾	-	-	4,457,206	variable
Exercised - Investor Warrants	-	-	(1,050,577)	9.30
Expired	-	-	(901,361)	14.10
Balance, end of fiscal year	17,796,284	17.39	26,084,351	26.43
Warrants recognized under derivative liability, end of fiscal year (note 16)	17,796,284	variable	26,084,351	variable

(1) For purposes of weighted average calculations, the exercise price is assumed to be \$20.00 for pre-amendment Series C Warrants, and \$30.00 for amended Series C Warrants. Exercise price conditions are described under Note 16.

(2) For purposes of weighted average calculations, the exercise price is assumed to be \$18.75 for the amended Series B Warrants. Exercise price conditions are described under Note 16. Pre-amended Series B Warrants had a fixed exercise price of \$18.75.

The following table reflects the warrants issued and outstanding as at December 31, 2022:

Expiry dates	Number of warrants outstanding	Exercise price (\$)	Grant date fair value per warrant (\$)	Remaining contractual Life (years)
June 30, 2023 ⁽¹⁾	4,457,206	variable	0.0250	0.50
June 30, 2023 ⁽¹⁾	13,339,078	variable	2.2397	0.50
Total warrants	17,796,284			

(1) Amended Series C Warrants are exercisable after October 1, 2022. (note 16).

(2) Top-up Series C Warrants are exercisable after October 1, 2022. (note 16).

As at December 31, 2022, 17,796,284 warrants were held by the Investor (January 29, 2022: 26,084,351 warrants). Refer to Note 16 for terms of the outstanding warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Stock Options

The following is a summary of the movement in stock options outstanding:

	December 31, 2022		January 29, 2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	1,577,823	8.87	1,459,519	8.75
Issued	1,307,412	3.56	461,251	9.94
Exercised	(25,000)	2.06	(41,769)	4.59
Forfeited	(529,842)	7.44	(301,178)	10.54
Balance, end of fiscal year	2,330,393	6.29	1,577,823	8.87
Exercisable balance, December 31, 2022	1,098,109	8.65	1,006,669	8.30

During the fiscal year ended December 31, 2022, the Company recorded an expense of \$2,074 (January 29, 2022: \$3,465) related to stock options in share-based payments expense and contributed surplus. Share-based expense related to stock options is recognized over the vesting period of the underlying options, which typically range from three to four years with the first tranche vesting on the annual anniversary date from grant date, and remaining options vesting in monthly tranches evenly over the remaining vesting period.

The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
Options issued (#)	1,307,412	461,251
Expected option lives range in years	5	4
Volatility range, based on comparable companies	73.0 - 74.9%	70%-105%
Risk-free interest rate range	1.64 - 3.28%	0.32% - 2.13%
Share price range	\$2.13 - \$4.70	\$5.10 - \$12.30
Exercise Price range	\$2.06	\$5.10 - \$12.30
Dividend yield	nil	nil

The following table reflects the options issued and outstanding as at December 31, 2022:

Exercise price per share	Outstanding		Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Remaining Contractual Life
	#	(years)	#	(years)
\$0.20 - \$3.66	512,809	3.14	159,628	0.20
\$3.67 - \$4.24	727,789	4.33	-	-
\$4.25 - \$8.20	429,725	1.33	372,822	0.89
\$8.21 - \$10.30	347,270	3.16	238,890	2.82
\$10.31 - \$15.00	312,800	1.65	295,285	1.51
Total	2,330,393	2.98	1,066,625	1.78

The Company's stock option plan (the "2021 Option Plan"), as ratified by the Company's shareholders in June 2021, authorizes the Board to grant options to any bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant (as such terms are defined in the 2021 Option Plan). The aggregate number of common shares from treasury that may be granted under the 2021 Option Plan and under all other Share Compensation Arrangement (as defined in the 2021 Option Plan) shall not exceed 10% of the issued and outstanding common shares as at the date of such grant. The exercise price of options granted may not be less than the Market Price (as defined in the 2021 Option Plan) at the time such option is granted. The term of any common share option grant cannot exceed ten (10) years and is subject to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

vesting conditions as determined at the discretion of the Board, with the default standard vesting schedule set at 1/3 on the date that is one year from the effective date of the option grant, and 1/36 each month thereafter. Certain outstanding stock options were issued under the Company's previous stock option plan (the "2019 Option Plan"). The 2021 Option Plan includes an update to the definition of "Change of Control" from the 2019 Option Plan, which increases the proportion of voting shares required for a "Change of Control" event to occur from more than 20% to more than 50%, and updates vesting provisions to require a double trigger for acceleration of vesting following a Change of Control.

d) Treasury-settled Restricted Share Units ("RSU")

Under the Company's Treasury Performance and Restricted Share Unit Plan, 165,602 RSUs were issued to employees of the Company during the fiscal year ended December 31, 2022 (January 29, 2022: 85,178 RSUs). An RSU represents the right to receive a common share of the Company at settlement less applicable tax-related withholdings, or with the consent of the Company, to receive the cash equivalent of a common share at the time of settlement, less applicable tax-related withholdings. The share-based compensation expense is recognized using the graded vesting method, where the estimated fair value of RSUs is amortized, by tranche, on a straight-line basis over the vesting period, and accumulates in contributed surplus until settlement/redemption of the RSU by the holder.

All of the 165,602 RSUs issued during the fiscal year ended December 31, 2022 vest over 3 years at the annual anniversary date from the issuance. The estimated fair value of \$67 (January 29, 2022:\$250) was recognized in contributed surplus during the fiscal year ended December 31, 2022.

As at December 31, 2022, 179,545 RSUs were issued and outstanding (January 29, 2022: 60,700).

e) Deferred Share Units ("DSU")

Under the Company's Deferred Share Unit Plan, certain Directors elect to receive compensation in the form of DSUs. The plan contemplates DSUs being granted at the Market Price based on the 30-day VWAP as at the Award Date, which is predetermined and not subject to any further election once a Director has elected for the year. The DSUs are cash-settled upon a Director ceasing to hold office based on the market price at that time or paid quarterly in arrears.

During the fiscal year ended December 31, 2022, the Company issued Nil DSUs (January 29, 2022: 14,945 units). As at December 31, 2022, 14,945 DSUs were outstanding (January 29, 2022: 14,945), with an estimated fair value of \$17 (January 29, 2022: \$65).

18. LOSS PER COMMON SHARE

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
Loss attributable to common shares (\$)	(89,493)	(63,592)
Adjusted net loss attributable to common shares	(89,493)	(63,592)
Weighted average number of shares outstanding - basic and diluted (#)	43,229,517	33,650,960
Loss per common share, basic (\$)	(2.07)	(1.89)
Loss per common share, diluted (\$)	(2.07)	(1.89)

Basic loss per share and diluted loss per share were the same for the fiscal year ended December 31, 2022 and January 29, 2022, as the exercise of any potentially dilutive instruments would be anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

19. EXPENSES BY NATURE

Below are the expenses by nature included in selling, general and administrative expenses:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Selling, general and administrative expenses		
Salaries and benefits	32,206	33,585
Facility expenses	8,262	7,500
Professional and consulting fees	4,073	5,722
Marketing and promotion	1,711	2,629
Administrative ⁽¹⁾	9,828	7,538
Share-based compensation (note 17)	2,074	3,174
Acquisition and strategic initiatives expenses	1,193	3,094
Total selling, general and administrative expenses	59,347	63,242

⁽¹⁾ Administrative expense includes \$64 gain on disposal of property and equipment

20. RESTRUCTURING AND IMPAIRMENT COSTS, NET

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Impairment of goodwill (note 14)	24,939	-
Impairment of intangible assets (note 14)	8,437	18,943
Impairment of property and equipment assets (note 11)	6,432	3,734
Impairment of ROU assets, net of lease liability remeasurement (note 13)	1,592	1,668
Restructuring charges (note 15)	4,342	777
Total restructuring, impairment, net of reversals	45,742	25,122

Impairments

Impairment of goodwill

October 29, 2022 impairment test

During the thirteen weeks ended October 29, 2022, management identified that there were indications of impairment associated with the Company's Digital CGU as a result of the evaluation of observable external and internal factors and proceeded to test the Digital CGU for impairment. Based on the testing performed, it was determined that the carrying value of the Digital CGU exceeded the VIU and therefore, the Company recognized an impairment of \$11,504 to goodwill for the Digital CGU.

The recoverable amount of the Digital CGU was determined based on its VIU which was prepared using the following key assumptions:

- Annual revenue growth over the next 5 years;
- Terminal growth rate of 2% beyond the 5 years cash flow projection; and
- Post-tax discount rate of 25%.

An increase of 1.0% in post-tax discount rate, decrease of 1.0% in revenue and a decrease of 1.0% in terminal growth rate would have resulted in a further impairment of the goodwill of the Digital CGU by \$371, \$357 and \$162, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

December 31, 2022 annual impairment test

The Company performed its annual impairment test on goodwill for the fiscal year ended December 31, 2022. Goodwill arising from business combinations are tested within the CGUs they were allocated to which is where there will be benefit from the synergies of the combination. There are no other intangible assets with indefinite useful lives.

In assessing the CGU for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of FVLCS and the VIU. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount.

The Company's recoverable amounts for its Retail and Wholesale and Logistics CGUs as at December 31, 2022 were determined using the FVLCS model using a market-based approach, which was based on the expected revenues multiplied by a revenue multiple of comparable companies in the industry. For the Retail CGU, goodwill is allocated to the group of store level retail CGUs as this is the lowest level within the entity at which management monitors goodwill for internal purposes. Key assumptions used in the FVLCS model that are most sensitive are revenue forecasts and the revenue multiple which are considered to be Level 3 in the fair value hierarchy. Management determined the values assigned to each key assumption based on approved budgets and external sources of information. The Company used the following key assumptions in the FVLCS model which includes revenue multiple of 0.6 based on external capital market research information and revenue forecasts approved by the Board.

Based on the impairment test performed, the carrying amount was determined to be higher than the recoverable amount for the Retail group of CGUs. As a result, \$13,435 (January 29, 2022: \$Nil) was recognized as impairment.

The calculation of FVLCS is most sensitive to forecasted revenue and the revenue multiple. The sensitivity of the key assumption was calculated independently of any changes in the other key assumptions. A decrease in forecasted revenue by 1% would result in an impairment of \$894 in the retail group of CGUs and a decrease in revenue multiple by 0.01 would result in additional impairment of \$1,506.

The recoverable amount of the Digital CGU was determined based on its VIU and was prepared using the key assumptions described in the October 29, 2022 impairment test. No impairment was noted.

Impairment of intangible assets and other non-current assets

Under management's plan to optimize the Company's retail portfolio and strategy, the Company identified certain Ontario and Alberta locations where it no longer intends to operate cannabis retail stores. As a result, a \$2,711 impairment charge was recorded against the associated store licenses, a \$5,511 impairment charge was recognized against the associated property and equipment, and \$1,592 of impairment on ROU assets net of associated lease liability payment obligation reduction.

The Company also identified impairment indicators for the Retail CGUs for non-current assets other than goodwill and financial assets due to recent changes to the competitive landscape which are expected to negatively impact expected future store performance. The recoverable amount of the CGU, which is at the retail store level for retail operations, was estimated based on a FVLCS model, using a market-based approach. The Company used the following key assumptions in the FVLCS model which includes revenue multiple of 0.6 based on external capital market research information and revenue forecasts approved by the Board.

As a result of the test performed, the carrying amount of the certain Retail CGUs exceeded the recoverable amount, and a total of \$5,373 in impairment charges was recognized on store licenses and \$209 in impairment charges was recognized on leasehold improvements associated with those Retail CGUs.

The calculation of FVLCS is most sensitive to forecasted revenue and revenue multiple. The sensitivity of the key assumption was calculated independently of any changes in the other key assumptions. A decrease in forecasted revenue by 1% would result in an impairment of \$86 in the retail group of CGUs and a decrease in revenue multiple by 0.01 would result in additional impairment of \$145.

Similarly, as at December 31, 2022, management identified indicators of impairment associated with acquired customer relationships intangible assets in the wholesale and logistics CGU due to attrition in customers being higher than forecasted. As a result of this an assessment was performed which resulted in an impairment of \$293 to acquired customer relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

Subsequent to year end, management completed a sales and lease back transaction on a land and building held within its Wholesale and Logistics CGU, as a result of this transaction an impairment of \$713 was recognized to the land and building to reflect the fair value of the asset as at December 31, 2022.

Restructuring

During the fiscal year ended December 31, 2022, the Company recorded restructuring charges of \$4,342 comprised of \$1,839 of severance and other benefits and \$2,503 relating to the cost of closing certain retail locations including the expected cost to settle and exit the respective lease (January 29, 2022: \$777).

21. FINANCE COSTS, NET

Finance costs are comprised of the following:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Interest expense on lease liabilities (note 13)	4,338	4,670
Interest expense on debentures, loans and other finance costs (note 16)	1,463	2,734
Interest income on lease receivables (note 12)	(66)	-
Other finance income	(395)	(159)
Total Finance costs, net	5,340	7,245

22. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest Risk

The Company is exposed to interest rate risk to the extent that cash maintained at financial institutions may fluctuate with the prevailing market rate. As at December 31, 2022, the Company had cash of \$12,425 (January 29, 2022: \$19,847) and outstanding debentures and loans of \$13,515 (January 29, 2022: \$21,824). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, refundable deposit to acquire, lease receivables, and trade and other receivables. The Company's cash and cash equivalents include petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of \$12,923, which primarily arise from the Company's Wholesale Distribution and Digital operating segments (January 29, 2022: \$12,386). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment or short net credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash and cash equivalents, lease receivable and trade and other receivables represent the maximum exposure to credit risk and at December 31, 2022, this amounted to \$29,370 (January 29, 2022: \$35,795), and provision for expected credit loss allowances related to trade account receivables was \$624 as at January 29, 2022 (January 29, 2022: \$410) and \$51 for lease receivable ((January 29, 2022: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's ability to satisfy its liquidity needs and meet future growth targets is dependent on increasing revenues, improving profitability and cash flows from operations, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity risk by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's normal operations, including lease payments for locations secured for future store operations.

As at December 31, 2022	Carrying amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	21,675	21,675	21,675	-	-	-
Debentures and loans (note 16)	13,515	13,651	13,651	-	-	-
Derivative liability (note 16)	494	494	494	-	-	-
Undiscounted lease obligations (note 13)	44,800	52,927	9,649	15,239	12,644	15,395
Total	80,484	88,747	45,469	15,239	12,644	15,395

As at January 29, 2022	Carrying amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	21,697	21,697	21,697	-	-	-
Debentures and loans	21,824	22,477	20,070	2,407	-	-
Derivative liability	2,720	2,720	1,349	1,371	-	-
Undiscounted lease obligations	52,203	62,557	9,637	24,266	13,751	14,903
Total	98,444	109,451	52,753	28,044	13,751	14,903

As December 31, 2022, the Company had \$12,425 (January 29, 2022: \$19,847) of cash.

The Company's primary sources of liquidity are cash, warrants proceeds, equity financing and cash flows from operations primarily from the Digital Platform and Wholesale operating segments. The Company's warrants are held by a wholly-owned subsidiary of ACT and totaled 17,796,284 units as at December 31, 2022, which are exercisable after October 1, 2022, with maximum exercise price range \$18.75 - \$30.00 (notes 16 and 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company incurs certain revenues and expense transactions and has assets and liabilities in U.S. dollars and is therefore subject to gains or losses due to fluctuations in the U.S. dollar relative to the Canadian dollar. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed to foreign currency risk through the following asset and liabilities denominated in U.S. dollars:

	December 31, 2022	January 29, 2022
	\$	\$
Cash and cash equivalents	234	301
Refundable deposits to acquire	5,255	-
Trade receivables	64	598
Accounts payable and accrued liabilities	(117)	(211)
	5,436	688

Assuming all variables remain constant, a change in foreign exchange rates of 10% between the U.S and Canadian dollar would impact the Company's net assets by \$74 (January 29, 2022: \$69).

e) Fair Value of Financial Instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Carrying value approximates the fair value for cash, trade and other receivables, other current assets and accounts payable and accrued liabilities.

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at December 31, 2022 and January 29, 2022:

As at December 31, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Refundable deposit to acquire	7,112	7,112	-	7,112	-
Debentures and loans (note 16)	13,515	13,651	-	11,244	2,407
Derivative liability (note 16)	494	494	-	-	494
As at January 29, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Debentures and loans (note 16)	21,824	22,477	-	20,070	2,407
Derivative liability (note 16)	2,720	2,720	-	-	2,720

There were no transfers between Level 1, Level 2 or Level 3 during the fiscal years ended December 31, 2022 and January 29, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

23. RELATED PARTY TRANSACTIONS

During the fiscal year ended December 31, 2022, the Company had the following related party transactions with the Investor:

- Received \$11,000 under the 2022 Loan Agreement (note 16) with the Investor and accrued \$244 in capitalized interest expense.
- The Investor exercised 6,717,554 Series B Warrants for gross total of \$30,298
- The Investor exercised 1,570,513 Top-Series B Warrants for gross total of \$7,496
- Repayment of the 2021 Investor Loan of \$20,000 and \$460 interest expense (January 29, 2022: \$70)
- Sub-lease rental and management fee charges of \$40 and \$Nil, respectively, were incurred for certain retail locations where the Company has sub-lease arrangements with the Investor (January 29, 2022: \$78 and \$242, respectively)
- Entered into the Amendment Agreement and the Subscription Agreement, which were subsequently terminated.
- Entered into a licensing agreement with respect to the licensing of the Hifyre Digital Platform to licensed store in Ontario. During the fiscal year ended December 31, 2022, the Company entered into licensing agreements (the “**Licensing Agreements**”) with respect to the licensing Hifyre Digital Platform at five (5) licensed stores in Ontario.
- During the fiscal year ended December 31, 2022, the Company entered into an Asset Purchase Agreement (the “**Purchase Agreement**”) to acquire two cannabis retail store locations in Kingston, Ontario from a wholly owned subsidiary of ACT (the “**Kingston Acquisition**”). Pursuant to the terms of the Purchase Agreement, the Company will issue to an affiliate of the Investor 804,548 Common Shares and up to additional 804,548 Common Shares upon achievement of certain performance metrics. The closing of the Kingston Acquisition is subject to the closing conditions set forth in the Purchase Agreement, including but not limited to, the receipt of regulatory approval from the Alcohol and Gaming Commission of Ontario. The TSX has conditionally approved the Kingston Acquisition.
- Interest of \$97 paid on the convertible debenture (January 29, 2022: \$1,698).
- As at December 31, 2022, \$413 of capital expenditure charges remain payable to the Investor, and was recognized under Other Liabilities (January 29, 2022: \$413).

Key Management Compensation

Compensation for key management personnel, including the Company’s officers and the Board and private companies controlled by Officers and Directors, was as follows:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Salaries and consulting fees	2,268	3,394
Share-based payments ⁽¹⁾	966	838
Directors’ board fees	540	665
Total	3,774	4,897

(1) Includes base salary and management fees elected to be paid in common shares of the Company. See further details below.

During the fiscal year ended December 31, 2022, a total of 925,403 stock options were issued to the Company’s officers and directors (January 29, 2022: 166,206), with an exercise price range of \$2.13 - \$3.78 (January 29, 2022: \$10.20 - \$12.30), and maturity date range of April 28, 2027 to August 02, 2027 (January 29, 2022: March 23, 2025 to April 26, 2027).

Under the Company’s amended and restated management services agreement with JNZS (the “**JNZS Agreement**”), JNZS received from the Company a fee of \$300 for the calendar year 2021 (the “**JNZS Fee**”). The former Chairman of the Board, Harvey Shapiro, as the service provider, is also eligible to participate in the Company’s bonus plans and stock option plans. During the fiscal year ended December 31, 2022, \$nil in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

management service fees was incurred (January 29, 2022: \$200), of which \$Nil was charged as share-based payment expense (January 29, 2022: \$Nil). During the fiscal year ended December 31, 2022, the JNZS Agreement expired in accordance with its terms.

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Net change in non-cash working capital - operating activities		
Merchandise inventories	187	(2,620)
Trade and other receivables	659	(8,738)
Deposits held in trust	1,059	1,621
Prepaid expenses and other current assets	1,136	(1,369)
Deferred revenue	(240)	377
Accounts payable, accrued liabilities and other	(571)	(30)
Total	2,230	(10,759)
Non-cash investing and financing activities		
Acquisition of property and equipment and intangible assets - working capital	(788)	(1,279)
Acquisition of retail stores and licenses	-	(100)

25. CAPITAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The Company currently has not paid any dividends to its shareholders.

As at December 31, 2022, total capital was comprised of shareholders' equity of \$67,961.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern while maintaining adequate flexibility to invest in opportunities which will provide attractive returns to shareholders.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital by:

- i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- ii) minimizing discretionary disbursements; and
- iii) reducing or eliminating expansion expenditures which are of limited strategic value.

In light of the above, the Company will continue to assess retail locations and seek to acquire an interest in additional locations if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the fiscal year ended December 31, 2022 and January 29, 2022. As at December 31, 2022, the Company was not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

26. COMMITMENTS AND CONTINGENCIES

a) Supply agreement commitments

In April 2018, the Company entered into two three-year supply agreements for the purchase of cannabis, with the option to renew for two additional years at the Company's discretion, with annual renewal dates set at April 16 and September 30, respectively. Under the terms of each agreement the annual purchase amount is based on the ability of the Company to purchase cannabis products from the supplier under applicable laws and regulations, with a maximum annual commitment of \$5,000, subject to set off against amounts owing by the counterpart to the Company and adjustment based on the proportion of cannabis retail licences held by the Company in jurisdictions permitting such agreements as of the annual renewal date and at prices determined by an applicable provincial regime or, where a provincial regime is silent as to price, negotiated in good faith.

Upon closing of the Mera Acquisition on October 17, 2019, the Company entered into a supply agreement with Mera (the "Supply Agreement") pursuant to which the Company will be the exclusive distributor of Mera's adult-use cannabis products in the province of Saskatchewan and the Company will purchase Mera's adult-use cannabis products for re-sale at its retail locations, in provinces where this is permitted.

b) Contingencies

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Certain outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

On April 28, 2021, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia by Flora (Dawson Creek) Enterprises Inc., Flora (Prince George) Enterprises Inc. and Tridelion Enterprises Inc., as plaintiffs, with respect to four asset purchase agreements for cannabis retail store locations in Kamloops, Vernon, Prince George and Quesnel, British Columbia which the parties agreed to terminate on April 6, 2020. The claim alleges breach by the Company of the asset purchase agreements and seeks an undefined amount of damages, a portion of which includes claims for the remainder of the purchase price under the terminated asset purchase agreements related to such cannabis retail stores, totalling approximately \$8 million.

The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. As at December 31, 2022, based on information available, the Company has not recognized any legal provisions with respect to the above described matter. As at December 31, 2022, the Company is not aware of and has not identified any other legal proceedings that it reasonably expects could have a material adverse effect on the Company's financial position, results of operations or cash flows.

27. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™ and Happy Dayz™; (2) The Wholesale and Logistics segment which distributes and delivers cannabis products; and (3) The Digital Platform segment which sells products and services provided by the Hifyre™ digital and analytics platform, PotGuide content platform and CannDeliv logistics platform.

The Chief Operating Decision Maker ("CODM") assesses segment performance based on segment operating income or loss. During the year ended December 31, 2022, certain departmental costs previously presented under the Retail segment and their allocation to the other business lines and corporate segments were updated to better reflect how the Company services its customers and markets. Comparative period selling, general and administrative expense within the segments have been reclassified to conform to the current period's presentation.

As a result of certain acquisitions and strategic license agreements, the Digital Platform segment expanded its presence into the USA. All other segments operate within Canada. Information on the Company's reporting segments are detailed below. Certain subsidiaries were also presented within a different segment from year ended January 29, 2022 to align with how the CODM reviews their performance. Sales between segments are made at prices that approximate market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Information about reportable segments	Retail	Wholesale & Logistics	Digital Platform	Corporate	Consolidated
Fiscal year ended December 31, 2022					
	\$	\$	\$	\$	\$
Total revenues⁽¹⁾	115,780	30,670	9,572	-	156,022
Cost of sales	(86,638)	(27,146)	(1,126)	-	(114,910)
Gross profit	29,142	3,524	8,446	-	41,112
Selling, general and administrative expenses	(41,055)	(5,191)	(4,000)	(9,101)	(59,347)
Depreciation & amortization	-	-	-	(19,759)	(19,759)
Restructuring, impairment and other costs, net	-	-	-	(45,742)	(45,742)
Foreign exchange gain	-	-	-	357	357
Gain on revaluation of derivative liability	-	-	-	882	882
Finance costs, net	-	-	-	(5,340)	(5,340)
Income (loss) before tax	(11,913)	(1,667)	4,446	(78,703)	(87,837)

¹ Retail revenues includes \$391 rental income from subleasing right of use assets.

As at December 31, 2022

Total non-current assets	93,405	-	16,506	7,781	117,692
Total assets	110,838	14,630	22,936	11,873	160,277
Total non-current liabilities	36,505	1,377	894	1,172	39,948
Total liabilities	50,516	15,279	8,439	18,084	92,318

Information about reportable segments	Retail	Wholesale & Logistics	Digital Platform	Corporate	Consolidated
Fiscal Year Ended January 29, 2022					
	\$	\$	\$	\$	\$
Total revenues	130,823	30,336	14,340	-	175,499
Cost of sales	(89,372)	(23,924)	(109)	-	(113,405)
Gross profit	41,451	6,412	14,231	-	62,094
Selling, general and administrative expenses	(40,228)	(1,687)	(6,523)	(14,804)	(63,242)
Depreciation & amortization	-	-	-	(19,080)	(19,080)
Restructuring, impairment and other costs, net	-	-	-	(25,122)	(25,122)
Loss on revaluation of derivative liability	-	-	-	(8,545)	(8,545)
Finance costs, net	-	-	-	(7,245)	(7,245)
Income (loss) before tax	1,223	4,725	7,708	(74,796)	(61,140)

As at January 29, 2022

Total non-current assets	137,199	1,992	30,298	725	170,214
Total assets	157,748	14,579	39,996	10,557	222,880
Total non-current liabilities	46,192	258	3,770	2,710	52,930
Total liabilities	62,190	7,847	9,388	27,763	107,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Fiscal year ended December 31, 2022	Canada		USA		Total	
	December 31, 2022	January 29, 2022	December 31, 2022	January 29, 2022	December 31, 2022	January 29, 2022
Total revenues	154,773	175,310	1,249	189	156,022	175,499
Gross profit	39,951	61,905	1,161	189	41,112	62,094
Loss before tax	(87,560)	(61,143)	(277)	3	(87,837)	(61,140)
As at January 29, 2022						
Total non-current assets	105,696	158,244	11,996	11,970	117,692	170,214
Total assets	148,104	210,510	12,173	12,370	160,277	222,880
Total non-current liabilities	38,486	51,468	1,462	1,462	39,948	52,930
Total liabilities	90,696	105,730	1,620	1,458	92,316	107,188

28. INCOME TAXES

a) Provision for income taxes

Income tax expense differs from the amount that would result from applying the income tax rates from the applicable tax jurisdictions to income or loss before income taxes. These differences result from the following:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Combined statutory income tax rate	26.50%	26.50%
Loss before income tax	(87,837)	(61,140)
Expected tax recovery based on statutory rate	(23,277)	(16,202)
Share-based payments	549	841
Non-taxable loss (gain) related to derivative revaluations	(234)	2,265
Non-deductible expenses	724	1,467
Impairment of goodwill	5,646	3,122
True ups and other	1,102	-
Change in unrecorded deferred tax asset	17,146	10,959
Total income tax provision	1,656	2,452

The Company's income tax provision is allocated as follows:

Current tax expense	3,297	5,313
Deferred tax recovery	(1,641)	(2,861)
	1,656	2,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

b) Deferred income tax

The following table summarizes the components of deferred tax:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
Deferred tax assets	\$	\$
Non-capital loss carry-forwards	44,058	34,748
Property, Plant and Equipment	16,841	-
Right of Use assets	3,678	2,734
Finance costs	878	1,134
Other	42	158
Total	65,497	38,774
Deferred tax liabilities	\$	\$
Property, Plant and Equipment	(557)	(4,961)
Intangible assets - retail operator licence and retail store authorizations	(2,926)	(2,681)
Tax benefits not recognized	(62,122)	(32,881)
Total	(65,605)	(40,523)
Net deferred tax liabilities	(108)	(1,749)

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

Movement in net deferred tax liability balances is as follows:

	Fiscal Year Ended	
	December 31, 2022	January 29, 2022
	\$	\$
Balance, beginning of fiscal year	1,749	5,451
Acquisitions - purchase accounting (note 5)	-	(841)
Recognized as deferred tax recovery	(1,641)	(2,861)
Balance, end of fiscal year	108	1,749

c) Loss Carry-Forwards

As at December 31, 2022, the Company's non-capital income tax losses expire as follows:

Fiscal Year	\$
2038	18,080
2039	6,986
2040	33,951
2041	24,034
2042	40,377
2043	42,486
	165,914

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 48-week fiscal year ended December 31, 2022 and the 52-week fiscal year ended January 29, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

29. SUBSEQUENT EVENTS

Release of Common Shares from Escrow

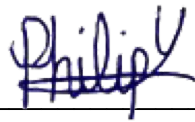
Effective March 3, 2023, the Company released 333,704 Common Shares from escrow and 452,932 Common Shares were cancelled and returned to treasury, all in accordance with the PED Agreement and as a result of Pineapple Express Delivery achieving certain performance-based milestones during the fiscal 2022 year.

EXHIBIT "H"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is stylized with a large initial 'P' and a long horizontal stroke at the end.

Commissioner for Taking Affidavits



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

Fire & Flower Holdings Corp.

FOR THE QUARTER ENDED MARCH 31, 2023 AND APRIL 30, 2022

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In thousands of Canadian Dollars)

	As at March 31, 2023	As at December 31, 2022
	\$	\$
Assets		
Current assets		
Cash	8,185	12,425
Trade and other receivables	10,607	15,289
Merchandise inventories	13,139	12,271
Prepaid expenses, deposits, and other current assets	2,829	2,358
Lease receivables (note 6)	374	242
Assets Held for Sale (note 22)	2,880	-
Total current assets	38,014	42,585
Non-current assets		
Deposits	3,175	3,165
Refundable deposit to acquire (note 4)	7,327	7,112
Property and equipment, net (note 5)	33,287	36,845
Lease receivables (note 6)	2,610	1,414
Right-of-use assets, net (note 7)	28,410	31,971
Intangible assets, net (note 8)	28,696	31,156
Deferred tax assets	105	-
Goodwill (note 8)	5,407	6,029
Total assets	147,031	160,277
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	18,049	21,675
Income tax payable	6,707	6,001
Debentures and loans (note 10)	13,913	13,515
Derivative liability (note 10)	79	494
Contract Liability	250	249
Provisions (note 9)	3,958	3,895
Lease liabilities (note 7)	5,602	5,730
Other current liabilities	809	809
Liabilities Held for Sale (note 22)	1,456	-
Total current liabilities	50,823	52,368
Non-current liabilities		
Provisions (note 9)	454	770
Lease liabilities (note 7)	37,216	39,070
Deferred tax liability	108	108
Total liabilities	88,601	92,316
Shareholders' equity		
Share capital (note 11)	360,732	359,140
Common shares held in escrow (note 11)	-	3,524
Contributed surplus	12,013	9,516
Accumulated deficit	(314,328)	(304,232)
Accumulated other comprehensive income	13	13
Total shareholders' equity	58,430	67,961
Total liabilities and shareholders' equity	147,031	160,277

Nature of operations and going concern (note 1)

Change in fiscal year end (note 2)

Commitments and contingencies (note 20)

Subsequent events (note 23)

/s/ "Stéphane Trudel", Director

Stéphane Trudel

/s/ "Sharon Ranson", Director

Sharon Ranson

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

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the quarter ended March 31, 2023 and April 30, 2022 (In thousands of Canadian Dollars, except per share information)

	Quarter Ended	
	March 31, 2023 ⁽¹⁾	April 30, 2022
	\$	\$
Revenue (note 21)	43,108	40,944
Cost of sales	30,645	28,778
Gross profit	12,463	12,166
Expenses (income)		
Selling, general and administrative (note 13)	14,723	15,209
Depreciation & amortization (notes 5, 7, 8)	4,740	4,764
Restructuring & impairment (note 14)	1,706	-
Foreign exchange	(7)	-
Gain on revaluation of derivative liability, net (note 10)	(415)	(261)
Finance costs, net (note 15)	1,160	1,741
Total expenses	21,907	21,453
Loss before tax	(9,444)	(9,287)
Current tax expense	(757)	(621)
Deferred tax recovery	105	2
Net loss	(10,096)	(9,906)
Net loss per share (note 12)		
Basic	(\$0.22)	(\$0.27)
Diluted	(\$0.22)	(\$0.27)
Comprehensive loss		
Net loss	(10,096)	(9,906)
Items that may be reclassified to profit or loss		
Foreign currency translation, net of income tax effect	-	(2)
Other comprehensive income, net of income tax effect	-	(2)
Total comprehensive loss	(10,096)	(9,908)

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

(1) Refer to note 2 for description of the change to fiscal year end to December 31.

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the quarter ended March 31, 2023 and April 30, 2022 (In thousands of Canadian Dollars, except common shares information)

	Common Shares	Share Capital	Common shares held in escrow	Contributed Surplus	Accumulated other comprehensive income	Accumulate d Deficit	Total Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	45,518,889	359,140	3,524	9,516	13	(304,232)	67,961
Share-based compensation - options and restricted share units (note 11)	-	-	-	470	-	-	470
Redemption of restricted share units	811	2	-	(2)	-	-	-
Common shares issued - debenture interest (note 10)	87,263	95	-	-	-	-	95
Pineapple Express Delivery shares in escrow	-	1,495	(1,495)	-	-	-	-
Common shares cancelled - Pineapple Express Delivery	(452,963)	-	(2,029)	2,029	-	-	-
Currency translation adjustment on foreign subsidiary	-	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	(10,096)	(10,096)
Balance, March 31, 2023⁽¹⁾	45,154,000	360,732	-	12,013	13	(314,328)	58,430
Balance, January 29, 2022	37,015,708	324,248	-	6,179	4	(214,739)	115,692
Common shares cancelled - acquisition post-closing adjustment	8,288,067	37,794	-	1,344	-	-	39,138
Common shares issued - At-the-Market offering	-	-	-	632	-	-	632
Currency translation adjustment on foreign subsidiary	-	-	-	-	(2)	-	(2)
Net loss and comprehensive loss	-	-	-	-	-	(9,906)	(9,906)
Balance, April 30, 2022⁽¹⁾	45,303,775	362,042	-	8,155	2	(224,645)	145,554

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

(1) Refer to note 2 for description of the change to fiscal year end to December 31

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(In thousands of Canadian Dollars)

	Quarter ended	
	March 31, 2023 ⁽¹⁾	April 30, 2022 ⁽¹⁾
	\$	\$
Operating activities		
Net loss	(10,096)	(9,906)
Items not affecting cash		
Depreciation and amortization (note 5, 7 & 8)	4,759	4,772
Impairment of intangible assets and goodwill (note 8 & 14)	1,011	-
Impairment of property and equipment (note 5 & 14)	188	-
Impairment of ROU assets, net lease liability remeasurement (note 7 & 14)	451	-
Gain on disposal of property and equipment (note 5)	-	(2)
Share-based compensation (note 11 & 13)	470	632
Interest expense on debentures, loans and other finance costs (note 15)	495	152
(Gain) on revaluation of derivative liability (note 10)	(415)	(261)
Interest expense on lease liabilities (note 7 & 15)	1,065	1,215
Interest income on lease receivables (note 6 & 15)	(96)	-
Other finance income	(215)	-
Foreign exchange gain	3	-
Impairment of lease receivables	41	-
Changes in restructuring provisions (note 9)	(253)	-
Cash used in operating activities before changes in non-cash working capital items	(2,592)	(3,398)
Net change in non-cash working capital items (note 18)	(51)	(2,560)
Cash used in operating activities	(2,643)	(5,958)
Investing activities		
Acquisition of property and equipment and intangible assets (note 5 & 8)	(176)	(383)
Proceeds from disposal of property and equipment (note 5)	999	17
Deposits related to leases	(9)	(14)
Cash provided by / (used in) investing activities	814	(380)
Financing activities		
Warrants exercise, net of 2021 Investor Loan and interest repayment (note 10)	-	17,334
Lease payments received (note 6)	100	-
Lease liability payments (note 7)	(2,510)	(2,401)
Cash (used in) / provided by financing activities	(2,410)	14,933
(Decrease) / increase in cash	(4,239)	8,595
Effect of foreign exchange on cash	(1)	2
Cash, beginning of period	12,425	19,847
Cash, end of period	8,185	28,444

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

(1) Refer to note 2 for description of the change to fiscal year end to December 31.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND GOING CONCERN

Fire & Flower Holdings Corp. (the "**Company**") is a publicly traded company listed on the Toronto Stock Exchange (the "**TSX**") under the symbol 'FAF'. The Company is a technology-powered, independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfilment business operations in Saskatchewan, Canada ("**Open Fields Distribution**"). The Company operates a proprietary digital retail and analytics platform (the "**Hifyre Digital Platform**") supporting e-commerce retail activities, rapid delivery services and providing a compliant data platform for cannabis licensed producers and other industry stakeholders. The Company's head office and registered office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1, Canada.

Going Concern and Liquidity

The Company's unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2023 and thirteen weeks ended April 30, 2022 ("**Interim Financial Statements**", refer to note 2 for description of the change in fiscal year end) have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business as they come due.

As at March 31, 2023, the Company had cash of \$8,185 (December 31, 2022: \$12,425). The Company's financial liabilities are comprised of accounts payable and accrued liabilities, lease liabilities, debentures and loans and convertible debentures, which have varying contractual maturity/expiry dates, and are described under notes 10 and 11.

The Company incurred net loss of \$10,096 for the year ended March 31, 2023 (April 30, 2022: \$9,906) and negative cashflow from operating activities of \$2,643 (April 30, 2022: \$5,958). As at March 31, 2023, accumulated deficit was \$314,328 (December 31, 2022: \$304,232).

The Company's primary sources of liquidity are cash from sales of goods and services to its customers, debt financing, warrants proceeds and equity financing. The Company's outstanding warrants are held by 2707031 Ontario Inc. (the "**Investor**"), a wholly-owned subsidiary of Alimentation Couche-Tard Inc. ("**ACT**"). As at March 31, 2023, 17,796,284 Series C Warrant units were held by the Investor exercisable at any time after October 1, 2022 until June 30, 2023; 13,339,078 of such Series C Warrants having an exercise price of the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised (the "**Initial Exercise Price**") and 4,457,206 of such Series C Warrants having an exercise price of the greater of (A) \$4.7732; and (B) the Initial Exercise Price. As of March 31, 2023, ACT held 35.7% of the issued and outstanding common shares of the Company.

The Company's ability to continue as a going concern is dependent upon increasing revenues, improving profitability and cash flows and the availability of financing. The Company will require additional financing from debt, equity, and/or other capital market alternatives in the next 12 months. The Company is actively pursuing financing options to raise additional capital in order to fund its operations and meet its future growth targets, including ongoing negotiations in respect of both non-dilutive debt financing and equity financing at preferred rates. There is no assurance that these initiatives will be successful, timely or sufficient. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern.

These interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

2. BASIS OF PRESENTATION

Statement of Compliance

These Interim Financial Statements were authorized for issue by the Board of Directors on May 12, 2023.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed, and these Interim Financial Statements should be read in conjunction with the Company's annual audited consolidated financial statements and accompanying notes for the fiscal years ended December 31, 2022 and January 29, 2022 ("2022 Annual Consolidated Financial Statements") except for the policy described below:

Basis of Preparation

The Interim Financial Statements have been prepared on a going concern basis using the historical cost basis except for certain financial instruments that are measured at fair value. The policies applied in these Interim Financial Statements are based on IFRS standards, which have been applied consistently to all periods presented, unless otherwise stated.

The Interim Financial Statements have been prepared in accordance with the same accounting policies as the 2022 Annual Consolidated Financial Statements.

Change of year end

As at December 31, 2022, the Company's fiscal year end was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar 12-month period ending December 31 to enhance comparability of its periodic financial statements with those of its peers. Accordingly, the Interim Financial Statements are prepared for the quarter ended March 31, 2023, whereas the comparative figures stated in the condensed consolidated interim statement of loss and comprehensive loss, condensed consolidated interim statement of changes in shareholders' equity, condensed consolidated statement of cashflows and related notes are for the 13 weeks ended April 30, 2022.

Functional and Presentation Currency

These Interim Financial Statements are presented in Canadian dollars which is the Company's presentation currency. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company's subsidiaries incorporated in Canada and the United States is the Canadian dollar and U.S. dollar, respectively.

Significant Accounting Estimates and Judgments

The preparation of the Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgment used in the preparation of the Interim Financial Statements are described in 2022 Annual Consolidated Financial Statements.

The Company adopted the following new standards and amendments to standards that were effective January 1, 2023. These changes did not have a material impact on the Interim Financial Statements.

- Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("IAS 12")

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

3. PRINCIPLES OF CONSOLIDATION

Basis of Consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

The Interim Financial Statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Entity Legal Name	Principal Activity	Place of Incorporation	Ownership Interest as at	
			March 31, 2023	December 31, 2022
Fire & Flower Holdings Corp.	Parent & Holding Company	Canada	Parent Company	Parent Company
Significant subsidiaries:				
Fire & Flower Inc.	Retail Operations	Canada	100%	100%
10926671 Canada Ltd. (o/a Open Fields Distribution)	Wholesale Distribution and Fulfillment	Canada	100%	100%
Hifyre Inc.	Digital Platform	Ontario	100%	100%
11180703 Canada Inc.	Holding Company	Canada	100%	100%
Friendly Stranger Holdings Corp.	Retail Operations	Ontario	100%	100%
Hifyre US, Inc.	Holding Company	Delaware	100%	100%
13318184 Canada Inc.	Holding Company	Canada	100%	100%
PGED Corp.	Digital Platform	Delaware	100%	100%
Pineapple Express Delivery*	Delivery Operations	Canada	100%	100%

*Pineapple Express Delivery is held for sale as at March 31, 2023 (Note 22)

4. REFUNDABLE DEPOSIT TO ACQUIRE

Fire & Flower U.S. Holdings Inc. (formerly American Acres) Arrangement

On February 22, 2021, the Company announced that it has entered into agreements with a Canadian private company, operating as "American Acres Managers" ("American Acres"), which comprised agreements to license the Company's brand, store operating system and Hifyre digital retail and analytics platform for cannabis dispensaries across certain U.S. states and an option to acquire American Acres upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Company's securities are listed for trading (collectively, the "Strategic Agreements"). On August 10, 2021, the Company announced that American Acres had changed its operating name to Fire & Flower U.S. Holdings Inc. ("Fire & Flower US") and opened its first Fire & Flower branded store in Palm Springs, California. On January 28, 2022, the Company amended certain terms of the Strategic Agreements with Fire & Flower US to provide for, among other things, the Company to pay the shareholders of Fire & Flower US an aggregate amount of US\$5 million (the "Refundable Deposit"), subject to certain conditions. The Refundable Deposit, plus a premium of one percent (1%), calculated monthly, will be deducted from the fair-market value purchase price payable, if and when the Company exercises its option to acquire Fire & Flower US. Hifyre will receive a one-time implementation fee and ongoing software and support fees for each Fire & Flower branded store operated by Fire & Flower US. In addition, the amendments to the Strategic Agreements provide for the Company, upon the payment of additional cash amounts, (i) to extend its option to acquire Fire & Flower US to February 2028 or such later date upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Company's securities are listed for trading, (ii) expand the number of cannabis retail stores that Fire & Flower US may operate utilizing the Company's licensed trademarks/intellectual property, and/or (iii) expand the territory within which Fire & Flower US may operate cannabis retailer stores utilizing the licensed trademarks/intellectual property.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

On August 2, 2022, the Company entered into further amending agreements (the "August 2022 Amendments") in respect to the Strategic Agreements with Fire & Flower US. The August 2022 Amendments revised the conditions for payment of the Refundable Deposit to the shareholders of Fire & Flower US, which was released from escrow to the shareholders of Fire & Flower US concurrent with entering into the August 2022 Amendments. The August 2022 Amendments also revised the ongoing software and support fees payable to the Company until such time as Fire & Flower US has obtained a license to deliver cannabis in Denver, Colorado, and extended the territories in which Fire & Flower US may utilize the Company's intellectual property to include New Mexico and Ohio.

5. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	4,590	3,679	34,696	9,345	1,577	305	54,192
Additions	-	7	84	-	23	-	114
Disposal	(1,145)	-	-	-	-	-	(1,145)
Impairment ⁽¹⁾	-	(51)	(238)	(73)	(28)	-	(390)
Transfers and Other Adjustments	-	10	(10)	-	-	-	-
Transfer to Assets Held for Sale ⁽²⁾	-	(120)	(457)	(337)	-	(134)	(1,048)
Balance, March 31, 2023	3,445	3,525	34,075	8,935	1,572	171	51,723
Accumulated Depreciation							
Balance, December 31, 2022	649	1,756	9,126	4,859	724	233	17,347
Depreciation	33	241	1,093	461	78	21	1,927
Disposal	(146)	-	-	-	-	-	(146)
Impairment ⁽¹⁾	-	(26)	(101)	(57)	(18)	-	(202)
Transfer to Assets Held for Sale ⁽²⁾	-	(87)	(95)	(184)	-	(124)	(490)
Balance, March 31, 2023	536	1,884	10,023	5,079	784	130	18,436
Carrying amount							
Balance, December 31, 2022	3,941	1,923	25,570	4,486	853	72	36,845
Balance, March 31, 2023	2,909	1,641	24,052	3,856	788	41	33,287

(1) For further details on impairments, refer to Note 14, Restructuring and Impairments

(2) For further details on Transfer to Assets Held for Sale, refer to Note 22, Held for Sale

As at March 31, 2023, the amount of property and equipment classified as under construction or development and therefore not being amortized was \$547 (December 31, 2022: \$712).

6. LEASE RECEIVABLES

Lease receivables	March 31, 2023
	\$
Beginning balance	1,656
Additions	1,373
Lease payments received	(100)
Interest income from lease receivables	96
Impairment of lease receivable	(41)
Ending balance	2,984
Current	374
Non-current	2,610

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Maturity analysis - contractual undiscounted cash flow	\$
One year	771
Two years	795
Three years	618
Four years	448
Five years	469
Beyond five years	1,792
Total contractual undiscounted cash flow	4,894
Less: unearned finance income	(1,910)
Ending balance	2,984

Lease receivables are reviewed for impairment based on expected credit losses at each balance sheet date in accordance with IFRS 9 – Financial Instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivable. An expected credit loss of \$41 was recorded for the quarter ended March 31, 2023 (April 30, 2022: \$nil). As at March 31, 2023, the closing allowance for impairment of lease receivables amounted to \$93 (December 31, 2022: \$51).

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets	March 31, 2023
	\$
Beginning balance	31,971
Additions	374
Lease modifications ⁽¹⁾	(1,907)
Depreciation expense for the period	(1,288)
Transfer to Assets Held for Sale ⁽²⁾	(740)
Ending balance	28,410

Lease liabilities	March 31, 2023
	\$
Beginning balance	44,800
Additions	368
Payments in the period	(2,510)
Accretion expense for the period	1,065
Transfer to Liabilities Held for Sale	(905)
Ending balance	42,818

⁽¹⁾ For further details on lease modifications, refer to Note 14, Restructuring and Impairments

⁽²⁾ For further details on Transfer of Assets and Liabilities Held for Sale, refer to Note 22, Held for Sale

Current	5,602
Non-current	37,216

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

The lease liabilities are summarized in the below table:

Maturity analysis - contractual undiscounted cash flow		
		\$
One year		9,317
Two years		7,973
Three years		6,861
Four years		6,427
Five years		6,300
Beyond five years		14,235
		51,113

Other amounts recognized in the consolidated statement of loss and comprehensive loss	March 31, 2023	April 30, 2022
	\$	\$
Expenses relating to short-term leases	71	34
Expenses relating to lease payments not included in the measurement of lease liabilities	1,086	1,007
Income from subleasing right-of-use assets	140	86

8. INTANGIBLE ASSETS AND GOODWILL

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2022	14,341	21,255	8,419	44,015
Additions	-	-	147	147
Impairment	(530)	-	-	(530)
Transfers and Other Adjustments	-	-	(57)	(57)
Transfer to Assets Held for Sale	-	-	(741)	(741)
Balance, March 31, 2023	13,811	21,255	7,768	42,834
Accumulated Amortization and Impairments				
Balance, December 31, 2022	3,126	6,154	3,579	12,859
Amortization	416	610	518	1,544
Impairment	(141)	-	-	(141)
Transfers and Other Adjustments	-	-	28	28
Transfer to Assets Held for Sale	(1)	-	(151)	(152)
Balance, March 31, 2023	3,400	6,764	3,974	14,138
Carrying amount				
Balance, December 31, 2022	11,215	15,101	4,840	31,156
Balance, March 31, 2023	10,411	14,491	3,794	28,696

During the quarter ended March 31, 2023, the Company capitalized \$103 of internally developed software assets (April 30, 2022: \$27).

Goodwill

	March 31, 2023
Beginning balance	6,029
Post-acquisition adjustments	-
Impairment loss ⁽¹⁾	(622)
	5,407

⁽¹⁾ For further details on impairment loss, refer to Note 14, Restructuring & Impairments

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Allocation of goodwill to CGUs:	
	March 31, 2023
	\$
Retail	1,096
Wholesale and Logistics	3,863
Digital	448
	5,407

9. PROVISIONS

	March 31, 2023
	\$
Beginning balance	4,665
Additions (note 14)	52
Drawdowns	(305)
Total Provisions	4,412
Current	(3,958)
Non-Current	454

Provisions represent the estimated obligations related to the Company's initiatives to lower operating costs and improve financial performance. During the quarter ended March 31, 2023, the Company recorded an expense of \$52 comprised of severance and other benefits. The value of the provision is management's best estimate of the expenditures. Lease obligation costs related to the restructured locations are recorded in lease liabilities (note 7). If the effect of time value is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

10. DEBENTURES AND LOANS, DERIVATIVE LIABILITY

Debentures and Loans balances outstanding:

	Contractual Maturity Date	Coupon Interest Rate	Principal Outstanding		Carrying Amount	
			March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
			\$	\$	\$	\$
Convertible debenture liability						
Investor Debentures ⁽¹⁾	June 30, 2023	8.00%	2,407	2,407	2,362	2,271
Term loans and credit facilities						
2022 Investor Loan	December 31, 2023	11.00%	11,551	11,244	11,551	11,244
Total debentures and loans			13,958	13,651	13,913	13,515

Derivative Liability balances outstanding:

	Contractual Maturity Date	Conversion Price/unit	Equivalent Units		Carrying Amount	
			March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
		\$/unit	#	#	\$	\$
Conversion option derivative liabilities						
Investor Debentures ⁽¹⁾	June 30, 2023	variable ⁽¹⁾	240,741	240,741	36	404
Warrants recognized as derivative liability						
Series C Warrants ⁽²⁾	June 30, 2023	variable	13,339,078	13,339,078	43	85
Top-up Series C Warrants ⁽³⁾	June 30, 2023	variable	4,457,206	4,457,206	-	5
					43	90
Total derivative liability					79	494

- (1) Investor Debentures are convertible to common shares of the Company at the lesser of: (A) the 20-day volume weighted average price ("VWAP") of the common shares on the last trading day prior to the Investor delivering a notice of its intention to convert; and (B) \$0.90.
- (2) Exercisable at the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised.
- (3) Exercisable at the greater of (i) \$4.7732; and (ii) the lesser of (A) \$30.00; and (B) 125% of the 20-day volume weighted average trading price of the common shares on the last trading day prior to the date on which such top-up Series C Warrants are exercised.

Convertible debenture related activity is summarized below:

	Principal Outstanding	Carrying Amount	
		Debt component	Derivative liability - conversion option
	\$	\$	\$
Balance, December 31, 2022	2,407	2,271	404
Gain on revaluation of derivative liability	-	-	(368)
Accretion and interest expense	-	186	-
Coupon interest paid in common shares	-	(95)	-
Balance, March 31, 2023	2,407	2,362	36

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Derivative liability activity related to warrants are summarized below:

	March 31, 2023
Balance, beginning of fiscal year	\$ 90
Gain on revaluation of derivative liabilities	(47)
Balance, end of fiscal year	43

Measurement and sensitivity analysis as at March 31, 2023

During the quarter ended March 31, 2023, the revaluation of the warrants and the debenture conversion option derivative liabilities resulted in a gain of \$415 (April 30, 2022: \$261).

As at March 31, 2023, the derivative liabilities related to the Investor Debentures conversion option and Series C Warrants were revalued using the Monte-Carlo and trinomial tree model simulation valuation technique and the following inputs and assumptions: stock price of \$1.06; risk-free interest rate of 4.34%; and expected volatility of 92% based on historical trading data of the Company and its peers (December 31, 2022: \$1.18 stock price, 4.47% risk-free interest rate range, and 98% expected volatility range).

Volatility assumptions are a significant unobservable input to the estimate, mainly due to the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in.

As at March 31, 2023, with all other variables held constant, a 5% increase and 5% decrease in volatility would have resulted in a change in the estimated fair values of the derivative liability instruments as follows:

Sensitivity Analysis	Valuation Technique	As at March 31, 2023	
		Volatility - 5%	Volatility +5%
Investor Debentures conversion option	Monte-Carlo/ Trinomial	\$ 412	\$ 419
Series C Warrants	Monte-Carlo	(11)	17
Total		401	436

2022 Investor Loan

On October 18, 2022, the Company entered into a loan agreement (the "2022 Loan Agreement") with the Investor. Pursuant to the terms of the 2022 Loan Agreement, the Investor loaned \$11,000 principal amount to the Company ("2022 Investor Loan") with an interest rate of 11% per annum and payable quarterly, provided that for the first six months of the term of the 2022 Investor Loan, the Company may elect to increase the principal amount of the 2022 Investor Loan by the amount of accrued interest during such period in lieu of paying such accrued interest to the Investor. The 2022 Investor Loan matures on December 31, 2023 and the Investor has first priority security on all of the assets of the Company and its subsidiaries including all intellectual property subject only to permitted liens. Pursuant to the 2022 Loan Agreement, the Company may prepay all or any portion of the 2022 Investor Loan without bonus or penalty upon five business days' notice. As at March 31, 2023, the Company has \$11,551 outstanding on the 2022 Investor Loan.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Warrants Exercise and Repayment of 2021 Investor Loan during the fiscal year ended December 31, 2022

During the fiscal year ended December 31, 2022, the Company received net proceeds of \$17,334 (the "Proceeds") from the exercise of the Series B Warrants, comprising (a) 6,717,554 Series B Warrants exercised at a price of \$4.5103, representing the 20-day volume-weighted average price of the common shares of the Company and (b) 1,570,513 Top-up Series B Warrants exercised at a price of \$4.7732. Pursuant to the terms of the 2021 Loan Agreement (as defined in note 17), a portion of the warrant amount of \$37,794 was used to repay the principal of \$20,000 and interest of \$460 to the Investor as prescribed within the 2021 Loan Agreement.

	\$
Series B Warrants	37,794
2021 Investor Loan	(20,000)
2021 Investor interest	(460)
Net proceeds	17,334

11. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share Capital

Common Shares held in escrow

As at December 31, 2022, 786,636 common shares were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery, subject to certain adjustments in accordance with the terms of the PED Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year.

During the quarter ended March 31, 2023, the Company released 333,304 Common Shares from escrow and 452,923 Common Shares were cancelled and returned to treasury, as a result of Pineapple Express Delivery not achieving certain performance-based milestones during the fiscal 2022 year.

b) Warrants

The following is a summary, adjusted for the Share Consolidation, of the movement in warrants outstanding:

	March 31, 2023		December 31, 2022	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of fiscal year	17,796,284	17.39	26,084,351	26.43
Exercised - Series B Warrants	-	-	(6,717,554)	4.51
Exercised - Top-up Series B Warrants	-	-	(1,570,513)	4.77
Balance, end of fiscal year	17,796,284	17.39	17,796,284	17.39
Warrants recognized under derivative liability	17,796,284	variable	17,796,284	variable

(1) For purposes of weighted average calculations, the exercise price is assumed to be \$17.39 for Series C Warrants. Exercise price conditions are described under Note 16 of the 2022 Annual Financial Statements.

As at March 31, 2023, 17,796,284 warrant units were held by the Investor (December 31, 2022: 17,796,284). For further details on the warrants held by the Investor, see Note 16 of the 2022 Annual Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Stock Options

The following is a summary, adjusted for the Share Consolidation, of the movement in stock options outstanding:

	March 31, 2023	
	Options	Weighted Average
	#	Exercise Price \$
Balance, beginning of fiscal year	2,330,393	6.29
Cancelled	(239,864)	7.52
Expired	(155,000)	2.06
Balance, end of fiscal year	1,935,529	6.48
Exercisable balance, December 31, 2022	1,098,109	8.65
Exercisable balance, March 31, 2023	854,735	9.59

Exercise price per share	Outstanding		Exercisable	
	Number of	Weighted Average	Number of	Weighted Average
	Options #	Remaining Contractual Life (years)	Options #	Remaining Contractual Life (years)
\$0.20 - \$3.66	359,809	4.23	4,628	5.18
\$3.67 - \$4.24	614,002	4.08	-	-
\$4.25 - \$8.20	406,651	1.09	373,313	0.76
\$8.21 - \$10.30	300,233	3.02	231,346	2.78
\$10.31 - \$15.00	254,834	1.32	245,448	1.22
Total	1,935,529	2.95	854,735	1.47

The Company's stock option plan (the "2021 Option Plan"), as ratified by the Company's shareholders in June 2021, authorizes the Board to grant options to any bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant (as such terms are defined in the 2021 Option Plan). The aggregate number of common shares from treasury that may be granted under the 2021 Option Plan and under all other Share Compensation Arrangement (as defined in the 2021 Option Plan) shall not exceed 10% of the issued and outstanding common shares as at the date of such grant. The exercise price of options granted may not be less than the Market Price (as defined in the 2021 Option Plan) at the time such option is granted. The term of any common share option grant cannot exceed ten (10) years and is subject to vesting conditions as determined at the discretion of the Board, with the default standard vesting schedule set at 1/3 on the date that is one year from the effective date of the option grant, and 1/36 each month thereafter. Certain outstanding stock options were issued under the Company's previous stock option plan (the "2019 Option Plan"). The 2021 Option Plan includes an update to the definition of "Change of Control" from the 2019 Option Plan, which increases the proportion of voting shares required for a "Change of Control" event to occur from more than 20% to more than 50%, and updates vesting provisions to require a double trigger for acceleration of vesting following a Change of Control.

d) Treasury-settled Restricted Share Units ("RSU")

Under the Company's Treasury Performance and Restricted Share Unit Plan, no RSUs were issued to employees of the Company during the quarter ended March 31, 2023 (April 30, 2022: 130,281 RSUs). An RSU represents the right to receive a common share of the Company at settlement less applicable tax-related withholdings, or with the consent of the Company, to receive the cash equivalent of a common share at the time of settlement, less applicable tax-related withholdings. The share-based compensation expense is recognized using the graded vesting method, where the estimated fair value of RSUs is amortized, by tranche, on a straight-line basis over the vesting period, and accumulates in contributed surplus until settlement/redemption of the RSU by the holder.

The estimated fair value of \$82 was recognized in contributed surplus during the quarter ended March 31, 2023 (April 30, 2022: \$88). As at March 31, 2023, 148,035 RSUs were outstanding (December 31, 2022: 179,545).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

e) Deferred Share Units ("DSU")

Under the Company's Deferred Share Unit Plan, certain Directors elect to receive compensation in the form of DSUs. The plan contemplates DSUs being granted at the Market Price based on the 30-day VWAP as at the Award Date, which is predetermined and not subject to any further election once a Director has elected for the year. The DSUs are cash-settled upon a Director ceasing to hold office based on the market price at that time or paid quarterly in arrears.

During the quarter ended March 31, 2023, the Company issued a total of Nil DSUs (April 30, 2022: Nil DSUs). As at March 31, 2023, 14,945 DSUs were outstanding (April 30, 2022: 14,945), with an estimated fair value of \$16.

12. LOSS PER COMMON SHARE

	Quarter Ended	
	March 31, 2023	April 30, 2022
Loss attributable to common shares (\$)	(10,096)	(9,906)
Adjusted net loss attributable to common shares	(10,096)	(9,906)
Weighted average number of shares outstanding - basic and diluted (#)	45,458,835	37,288,907
Loss per common share, basic (\$)	(0.22)	(0.27)
Loss per common share, diluted (\$)	(0.22)	(0.27)

Basic loss per share and diluted loss per share were the same for the quarter ended March 31, 2023 and April 30, 2022, as the exercise of any potentially dilutive instruments would be anti-dilutive.

13. EXPENSES BY NATURE

Below are the expenses by nature included in selling, general and administrative expenses:

	Quarter Ended	
	March 31, 2023	April 30, 2022
	\$	\$
Selling, general and administrative expenses		
Salaries and benefits	8,201	9,388
Facility expenses	2,608	1,940
Professional and consulting fees	816	393
Marketing and promotion	266	401
Administrative	2,362	2,355
Share-based compensation (note 11)	470	632
Acquisition and strategic initiatives expenses	-	100
Total selling, general and administrative expenses	14,723	15,209

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

14. RESTRUCTURING & IMPAIRMENT

	Quarter Ended	
	March 31, 2023	April 30, 2022
	\$	\$
Impairment of goodwill (note 8)	622	-
Impairment of intangible assets (note 8)	389	-
Impairment of property and equipment assets (note 5)	192	-
Impairment of ROU assets, net of lease liability remeasurement (note 7)	451	-
Restructuring charges (note 9)	52	-
Total restructuring & impairment	1,706	-

Impairments

During the quarter ended March 31, 2023, the Company recognized impairment on intangible assets related to acquired customer relationships of \$389 as a fair value less cost to sell adjustment in relation to Asset Held for Sale, \$622 relating to goodwill representing synergies from Pineapple Express Delivery now held for sale (refer to Note 22 for details; April 30, 2022: \$Nil), \$192 in relation to property and equipment and \$451 of the impairment for the period relate to right-of-use ("ROU") assets net of lease liability remeasurements.

Restructuring

During the quarter ended March 31, 2023, the Company recorded restructuring charges of \$52 comprised of severance and other benefits (April 30, 2022: \$Nil).

15. FINANCE COSTS, NET

Finance costs are comprised of the following:

	Quarter Ended	
	March 31, 2023	April 30, 2022
	\$	\$
Interest expense on lease liabilities (note 7)	1,065	1,215
Interest expense on debentures, loans and other finance costs (note 10)	495	542
Interest income on lease receivables (note 6)	(96)	(16)
Other finance income	(304)	-
Total Finance costs, net	1,160	1,741

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022
(In thousands of Canadian Dollars, except number of shares and per share amounts)

16. FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at March 31, 2023 and December 31, 2022:

As at March 31, 2023	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Refundable deposit to acquire	7,327	7,327	-	7,327	-
Debentures and loans (note 10)	13,913	13,958	-	11,551	2,407
Derivative liability (note 10)	79	79	-	-	79

As at December 31, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Refundable deposit to acquire	7,112	7,112	-	7,112	-
Debentures and loans (note 10)	13,515	13,651	-	20,070	2,407
Derivative liability (note 10)	494	494	-	-	2,720

There were no transfers between Level 1, Level 2, or Level 3 during the quarter ended March 31, 2023 and December 31, 2022.

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest Risk

The Company is exposed to interest rate risk to the extent that cash maintained at financial institutions may fluctuate with the prevailing market rate. As at March 31, 2023, the Company had cash of \$8,185 (December 31, 2022: \$12,425) and outstanding debentures and loans of \$13,913 (December 31, 2022: \$13,515). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, refundable deposit to acquire and trade and other receivables and lease receivables. The Company's cash includes petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of \$9,681 which primarily arise from the Company's Digital Platform and Wholesale and Logistics segments (December 31, 2022: \$12,923) and lease receivables of \$2,984 which arise from the Retail segment (December 31, 2022: \$ 1,656). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment or short net credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash, trade and other receivables and lease receivables represent the maximum exposure to credit risk and at March 31, 2023, this amounted to \$21,776 (December 31, 2022: \$29,370), and provision for expected credit loss allowances related to trade account receivables and lease receivables were \$475 and \$26, respectively as at March 31, 2023 (December 31, 2022: \$624 and \$nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's ability to satisfy its liquidity needs and meet future growth targets is dependent on increasing revenues, improving profitability and cash flows from operations, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity risk by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to plan that sufficient funds are available to fund the Company's normal operations, including lease payments for locations secured for future store operations. Refer to *going concern and liquidity* section within note 1.

17. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2023, the following transactions occurred with the investor:

- Accrued \$308 interest expense under the 2022 Loan Agreement (note 10).

As at March 31, 2023, \$413 of capital expenditure charges remain payable to the investor and was recognized under Other Liabilities (December 31, 2022: \$413).

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Quarter Ended	
	March 31, 2023	April 30, 2022
	\$	\$
Net change in non-cash working capital - operating activities		
Merchandise inventories	(868)	(299)
Trade and other receivables	3,833	(589)
Deposits held in trust	(50)	110
Prepaid expenses and other current assets	(492)	1,117
Contract Liability	1	(298)
Accounts payable, accrued liabilities and other	(2,475)	(2,601)
Total	(51)	(2,560)
Non-cash investing and financing activities		
Acquisition of property and equipment and intangible assets - working capital	-	(356)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

19. CAPITAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The Company currently has not paid any dividends to its shareholders.

As at March 31, 2023, total capital was comprised of shareholders' equity of \$58,430.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern while maintaining adequate flexibility to invest in opportunities which will provide attractive returns to shareholders.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions and manages its capital by:

- i) maintaining a liquidity cushion when possible, in order to address any potential disruptions or industry downturns;
- ii) minimizing discretionary disbursements; and
- iii) reducing or eliminating expansion expenditures which are of limited strategic value.

In light of the above, the Company will continue to assess retail locations and seek to acquire an interest in additional locations if it believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the fiscal year ended March 31, 2023 and December 31, 2022. As at March 31, 2023, the Company was not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

20. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Certain outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

On April 28, 2021, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia by Flora (Dawson Creek) Enterprises Inc., Flora (Prince George) Enterprises Inc. and Tridelion Enterprises Inc., as plaintiffs, with respect to four asset purchase agreements for cannabis retail store locations in Kamloops, Vernon, Prince George and Quesnel, British Columbia which the parties agreed to terminate on April 6, 2020. The claim alleges breach by the Company of the asset purchase agreements and seeks an undefined amount of damages, a portion of which includes claims for the remainder of the purchase price under the terminated asset purchase agreements related to such cannabis retail stores, totalling approximately \$8 million.

The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. As at March 31, 2023, based on information available, the Company has not recognized any legal provisions with respect to the above described matter. As at March 31, 2023, the Company is not aware of and has not identified any other legal proceedings that it reasonably expects could have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

21. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™ and Happy Dayz™; (2) The Wholesale and Logistics segment which distributes and delivers cannabis products; and (3) The Digital Platform segment which sells products and services provided by the Hifyre™ digital and analytics platform, PotGuide content platform and CannDeliv logistics platform.

The Chief Operating Decision Maker ("CODM") assesses segment performance based on segment operating income or loss. As a result of certain acquisitions and strategic license agreements, the Digital Platform segment expanded its presence into the USA. All other segments operate within Canada. Information on the Company's reporting segments are detailed below. Sales between segments are made at prices that approximate market prices.

Information about reportable segments	Retail	Wholesale & Logistics	Digital Platform	Corporate	Consolidated
Quarter ended March 31, 2023					
	\$	\$	\$	\$	\$
Total revenues⁽¹⁾	32,248	7,862	2,998	-	43,108
Gross profit	8,354	1,242	2,868	-	12,463
Income (loss) before tax	(1,551)	390	1,221	(9,503)	(9,444)

¹ Retail revenues includes \$140 rental income from subleasing right of use assets and \$272 relating to commission income.

As at March 31, 2023

Total non-current assets	349	12	4,903	103,753	109,017
Total assets	888	17,267	14,534	114,342	147,031
Total non-current liabilities	34,243	2,251	877	407	37,778
Total liabilities	48,625	16,376	6,553	17,047	88,601

Information about reportable segments	Retail	Wholesale & Logistics	Digital Platform	Corporate	Consolidated
Quarter Ended April 30, 2022					
	\$	\$	\$	\$	\$
Total revenues	29,556	8,459	2,929	-	40,944
Gross profit	8,229	1,310	2,627	-	12,166
Income (loss) before tax	(2,686)	(108)	1,714	(8,207)	(9,287)

As at December 31, 2022

Total non-current assets	93,405	-	16,506	7,781	117,692
Total assets	110,838	14,630	22,936	11,873	160,277
Total non-current liabilities	36,505	1,377	894	1,172	39,948
Total liabilities	50,516	15,279	8,439	18,084	92,318

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Quarters ended March 31, 2023 and April 30, 2022

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Quarter ended March 31, 2023	Canada		USA		Total	
	March 31, 2023	April 30, 2022	March 31, 2023	April 30, 2022	March 31, 2023	April 30, 2022
Total revenues	42,580	40,539	528	405	43,108	40,944
Gross profit	11,935	11,761	528	405	12,463	12,166
Loss before tax	(9,495)	(9,263)	52	(24)	(9,443)	(9,287)

	Canada		USA		Total	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Total non-current assets	97,048	105,696	11,969	11,996	109,017	117,692
Total assets	134,921	148,104	12,110	12,173	147,031	160,277
Total non-current liabilities	36,316	38,486	1,462	1,462	37,778	39,948
Total liabilities	86,974	90,696	1,627	1,622	88,601	92,318

22. HELD FOR SALE

During the quarter ended March 31, 2023, the Company initiated the process of selling its wholly owned subsidiary Pineapple Express Delivery Inc. ("Pineapple Express Delivery") and have classified this as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The sale is expected to be completed within the next 12 months from the reporting period

An impairment loss of \$389 has been recognized on the assets of Pineapple Express Delivery and has been recognized in the consolidated statement of loss and comprehensive loss.

The Company will continue to disclose information related to Pineapple Express Delivery in its financial statements until the sale is completed and disclose any significant changes to the expected timing or amount of the proceeds from the sale of Pineapple Express Delivery as they occur.

23. SUBSEQUENT EVENTS

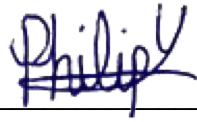
On April 17, 2023, the company announced it had signed the Master Licensing Agreement ("MLA") with MC Cannabis Inc. ("MC Cannabis", an indirect wholly-owned subsidiary of ACT. The MLA governs the licensing of the Fire & Flower brand, platform and systems in Ontario, includes a commitment to open seven (7) co-located stores, and gives the Company exclusive first right to negotiate entries in additional legal cannabis markets.

EXHIBIT "I"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits

LOAN AGREEMENT

Between

FIRE & FLOWER HOLDINGS CORP.,

as the Borrower,

and

2707031 ONTARIO INC.,

as the Lender

Dated as of October 17, 2022.

Contents

Section	Page
ARTICLE 1 CERTAIN DEFINITIONS AND ACCOUNTING PRINCIPLES	1
1.1 Certain Defined Terms	1
1.2 Accounting Principles	8
1.3 Other Definitional Provisions; Date and Time References	9
ARTICLE 2 LOAN; USE OF PROCEEDS	9
2.1 Loan	9
2.2 Drawdown Request	9
2.3 Lender's Books	10
2.4 Promissory Note	10
2.5 Repayment of Loan	10
2.6 Use of Proceeds	10
ARTICLE 3 PROCEDURE AND PAYMENT	10
3.1 Interest	10
3.2 Repayment of the Loan	11
3.3 Priority of Prepayments	12
3.4 Payments and Computations	12
3.5 Taxes	12
3.6 Interest Act of Canada	13
3.7 Criminal Code	13
ARTICLE 4 SECURITY DOCUMENTS	14
4.1 Security Documents	14
4.2 Protection of Security Document Liens	14
4.3 Validity of Liens	14
4.4 Right of Set-Off	15
ARTICLE 5 CONDITIONS PRECEDENT	15
5.1 Conditions Precedent to the Effectiveness of this Agreement	15
ARTICLE 6 REPRESENTATIONS AND WARRANTIES	16
6.1 Representations and Warranties	16
ARTICLE 7 AFFIRMATIVE COVENANTS	18
ARTICLE 8 NEGATIVE COVENANTS	20
ARTICLE 9 EVENTS OF DEFAULT	20
9.1 Event of Default	20
9.2 Remedies Upon Event of Default	22
ARTICLE 10 MISCELLANEOUS	23
10.1 Amendments, Etc.	23
10.2 Notices; Etc.	23
10.3 No Waiver; Remedies	24
10.4 Costs and Expenses	25
10.5 Indemnification	25
10.6 Waiver of Consequential Damages, etc.	25
10.7 Binding Effect; Assignment	26

Contents

Section	Page
10.8 Governing Law.....	26
10.9 Waiver of Jury Trial	26
10.10 Execution in Counterparts; Facsimile Signatures	26
10.11 Public Announcement	26
10.12 Inconsistent Provisions	27
10.13 Release of Security Documents; Termination of Covenants.....	27
10.14 Severability	27
10.15 Survival of Representations and Warranties	27
10.16 Entire Agreement; Schedules and Exhibits.	27
10.17 Further Assurances.....	28
10.18 Acknowledgements.....	28
10.19 Submission to Jurisdiction; Venue; Service.....	29

LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of October 17, 2022, is made by and between Fire & Flower Holdings Corp., a corporation organized and existing under the laws of Canada, as the borrower (together with its permitted successors and assigns, the “**Borrower**”), and 2707031 Ontario Inc., a corporation organized and existing under the laws of the Province of Ontario, as the lender (together with its successors and assigns, the “**Lender**”).

WHEREAS the Borrower has requested a loan from the Lender and the Lender wishes to make such loan to the Borrower, the whole in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the following mutual covenants and agreements, the parties hereby agree as follows:

ARTICLE 1 CERTAIN DEFINITIONS AND ACCOUNTING PRINCIPLES

1.1 Certain Defined Terms

As used in this Agreement (including the Recitals hereof) and unless otherwise expressly indicated, the following terms shall have the following meanings:

“**Affiliate**” means, in respect of any Person at any date, (a) any corporation, company, limited liability company, association, joint venture or other business entity of which securities, membership interests or other ownership interests representing fifty percent (50%) or more of the voting power of all equity interests are owned or held, directly or indirectly, by such Person, (b) any partnership, limited liability company or joint venture wherein the general partner, managing partner or operator is, directly or indirectly, such Person, or (c) any other Person that is otherwise directly or indirectly controlled by such Person.

“**Agreed Priority**” has the meaning set forth in Section 4.1.

“**Agreement**” means this Loan Agreement, as same may be amended, restated, supplemented, extended or otherwise modified in accordance with its terms and in effect from time to time.

“**Amendment Agreement**” means the amendment agreement dated as of the date hereof between the Borrower and the Lender providing for, *inter alia*, certain amendments to the terms of the Series C Warrants, as same may be amended, modified, supplemented, extended, revised or restated from time to time in accordance with its terms.

“**Applicable Laws**” means, other than United States Cannabis Laws, all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of this Agreement, the Loan Documents, the Security Documents, the Borrower, the operation of its business or its property and the Lender, as the case maybe, including the Environmental Laws, the Securities Laws and the Cannabis Laws.

“**Borrower**” has the meaning specified in the Preamble to this Agreement.

“Business Day” means a day on which banks in Toronto, Ontario and Montréal, Québec are open for business.

“Cannabis Laws” means the *Cannabis Licence Act, 2018*, S.O. 2018, c.12, Sched. 2, the *Cannabis Act*, S.C. 2018, c. 16 (Canada), the *Cannabis Control Act, 2017*, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of Cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with Cannabis and/or related cannabinoid products.

“Capital Lease” means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

“Change of Control” means, other than the Lender or an Affiliate thereof, any Person or one or more Persons acting jointly or in concert shall acquire or otherwise become possessed of beneficial ownership (whether directly or indirectly and by whatever means) of (a) more than 50% of the voting Equity Interests of the Borrower or all or substantially all of the assets of the Borrower or (b) has a sufficient number of nominees elected to the board of directors of the Borrower such that such nominees, when added to any existing director remaining on the board of directors of the Borrower after such election who is a nominee of such Person or Persons, will constitute a majority of the board of directors of the Borrower.

“Closing Date” means the date of this Agreement.

“Collateral” has the meaning set out in Section 4.1.

“Common Shares” means common shares in the capital of the Borrower.

“Contingent Liabilities” of any Person at any time means the amount of all indebtedness and liabilities, contingent or otherwise, of any other Person at such time:

- (a) guaranteed, directly or indirectly, in any manner by the Person including (i) by procuring the issue of letters of credit or other similar instruments for the benefit of that other Person, or (ii) by endorsement of bills of exchange (otherwise than for collection or deposit in the ordinary course of business);
- (b) in effect guaranteed, directly or indirectly, by the Person through an agreement, contingent or otherwise:
 - (i) to purchase such indebtedness or liabilities or to advance or supply funds for the payment or purchase of such indebtedness or liabilities;
 - (ii) to purchase, sell or lease (as lessee or lessor) property, products, materials or supplies or to purchase or sell services in circumstances where it can reasonably be assumed that the purpose of such agreement was to provide funds to the debtor to enable the debtor to make payment of such indebtedness or liabilities or to provide goods or services to the debtor to enable it to satisfy other liabilities, regardless of the delivery or non-delivery of the property, products, materials or supplies or the

provision or non-provision of the services, including take or pay or throughput agreements; or

- (iii) to make any loan, advance, capital contribution to or other investment in the other Person for the purpose of assuring a minimum equity, asset base, working capital or other balance sheet condition at any date or to provide funds for the payment of any liability, dividend or return of capital; or
- (c) secured by any Lien upon property owned by the Person, even though the Person has not assumed or become liable for the payment of such indebtedness or liabilities, provided that, if the Person has not agreed to such assumption, such indebtedness will be deemed to be an amount equal to the lesser of (i) the amount of such indebtedness and liabilities, and (ii) the book value of such property;

provided, however, that any contingent liability that arises in connection with the Borrower or any Guarantor entering into an agreement or arrangement in respect of any acquisition in the ordinary course shall be excluded from the foregoing and shall not be deemed a "Contingent Liability".

"Debt" of any Person at any time means the aggregate amount of all indebtedness and liabilities determined on a consolidated basis, which would, in accordance with GAAP, be reflected on a balance sheet of the Person at such time including, without duplication:

- (a) indebtedness for money borrowed and indebtedness represented by notes payable and drafts accepted representing extensions of credit (including, as regards to any note or draft issued at a discount, the face amount of such note or draft) determined in accordance with GAAP;
- (b) all obligations (whether or not with respect to the borrowing of money) which are evidenced by bonds, debentures, notes or other similar instruments or not so evidenced but which would be considered to be indebtedness for borrowed money in accordance with GAAP;
- (c) all indebtedness upon which interest charges are customarily paid, determined in accordance with GAAP;
- (d) all obligations of such Person under conditional sale or other title retention agreements other than leases which are accounted for under GAAP as operating leases relating to property acquired by such Person;
- (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business);
- (f) the amount of all indebtedness issued or assumed as full or partial payment for property or services and all obligations pursuant to Capital Leases of the Person, provided that if the rights and remedies of the lessor under such Capital Lease Obligations in the case of a default are limited to repossession or sale of property, such amount will be deemed to be equal to the lesser of (i) the amount

of the obligations pursuant to Capital Lease, and (ii) the book value of such property, in each case as determined in accordance with GAAP;

- (g) out of the money Hedging Transactions; and
- (h) without duplication, any Contingent Liability relating to an obligation of a type referred to in Sections (a) to (f).

“Default” means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

“Default Rate” means the interest rate applicable to the Loan during periods when any amounts payable by the Borrower, whether as principal repayments, interest payments, expenses payments or other amounts, are due and payable but unpaid by the Borrower, which interest rate shall be at a rate per annum equal to the Interest Rate plus two percent (2%).

“Dollars” and the symbol **“C\$”** or the symbol **“\$”** each mean dollars in lawful currency of Canada.

“Environmental Laws” means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directives, licenses, authorizations and permits of, and agreements with (including consent decrees), any governmental agencies or authorities, in each case relating to or imposing liability or standards of conduct concerning public health, safety and environmental protection matters.

“Equity Interests” means, with respect to any Person, all of the shares of the share capital of (or other ownership or profit interests in) such Person, all of the warrants, options, rights, interests or other securities for the purchase or acquisition from such Person of shares of the share capital of (or other ownership or profit interests in) such Person; all of the warrants, options, Indebtedness, rights, interests or other securities exercisable for or convertible into or exchangeable for shares of the share capital of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares of the share capital (or such other interests); and all of the other ownership or profit interests in such Person (including partnership, member, limited liability company or trust interests therein), whether voting or nonvoting, whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination, and whether or not such shares, warrants, options, rights or other interests are certificated or uncertificated.

“Event of Default” has the meaning set forth in Section 9.1.

“GAAP” means the generally accepted accounting principles which are in effect from time to time approved by the Canadian Accounting Standards Board or any successor thereto, as applicable, which are currently the International Financial Reporting Standards as adopted by the Chartered Professional Accountants of Canada.

“Governmental Authority” means the government of any nation and any state, provincial, territorial, divisional, county, regional, city and other political subdivision thereof, any tribal, aboriginal or native government or corporation, and any union or commonwealth of multiple countries, in each case in which any property of the Borrower is located or which exercises valid jurisdiction over any such property or the Borrower, or in which the Borrower conducts business or is otherwise present, and any entity, court, arbitrator or board of arbitrators, agency,

department, commission, board, bureau, regulatory authority or instrumentality of any of them exercising executive, legislative, judicial, regulatory or administrative functions that exercises jurisdiction over the Borrower or its properties or assets, and any securities exchange or securities regulatory authority to which the Borrower is subject.

“Governmental Requirement” means any law, statute, code, ordinance, treaty, order, rule, regulation, judgment, ruling, decree, injunction, franchise, permit, certificate, license, authorization, approval or other direction or requirement (including Environmental Laws, occupational, safety and health standards or controls, taxation laws, Securities Laws and Cannabis Laws) of any Governmental Authority.

“Guarantee Agreement” has the meaning specified in Section 4.1(b).

“Guarantors” means all of the Canadian subsidiaries of the Borrower.

“Hedging Transaction” means, for any period, for any Person, any arrangement or transaction between such Person and any other Person which is an interest rate swap transaction, basis swap, forward interest rate transaction, commodity swap, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency interest rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations.

“Indebtedness” means, for any Person, without duplication, all indebtedness and liabilities of such Person determined in accordance with GAAP.

“Indemnified Party” or **“Indemnified Parties”** has the meaning specified in Section 10.5.

“Instrument” means any contract, agreement, undertaking, indenture, mortgage, certificate, document or writing (whether formal agreement, letter or otherwise) under which any obligation, duty, covenant, agreement, affirmation, undertaking or liability is evidenced, assumed or undertaken, or any right or Lien (or right or interest therein) is granted, authenticated, notarized, authorized or perfected, and any notice, registration, recordation, or filing associated with or required by any of the foregoing.

“Interest Payment Date” means each March 31, June 30, September 30 and December 31 of each calendar year for the period commencing on the Closing Date and ending on the earlier of (a) the Maturity Date and (b) any date on which the Borrower makes a full and complete prepayment of the Loan.

“Interest Rate” means eleven percent (11.0%) per annum.

“Investor Rights Agreement” means the amended and restated investor rights agreement dated September 16, 2020 between the Borrower and the Lender, as same may be amended, modified, supplemented, extended, revised or restated from time to time in accordance with its terms.

“Lender” has the meaning set forth in the Preamble to this Agreement.

“Lien” means any mortgage, lien, pledge, assignment, charge, security interest, lease intended as security, title retention agreement, right reserved in any Governmental Body, registered lease of real property, hypothec, levy, execution, seizure, attachment, garnishment or other similar encumbrance.

“Loan” has the meaning specified in Section 2.1.

“Loan Documents” means this Agreement, the Security Documents, any promissory note and each other Instrument executed by the Borrower and delivered to the Lender in connection with this Agreement, as any of the foregoing may be amended, modified, supplemented, extended, revised or restated from time to time in accordance with their respective terms.

“Losses” has the meaning specified in Section 10.5.

“Material Adverse Effect” means an event or circumstances taken alone or in conjunction with other events or circumstances that has or could be reasonably expected to have a material adverse effect upon (a) the business, operations, prospects, creditworthiness, properties, assets or condition (financial or otherwise) of the Borrower, taken as a whole, (b) the ability of the Borrower to perform its obligations under any Loan Document, (c) the amount which the Lender would be likely to receive upon the liquidation of the Collateral, or (d) the validity or enforceability of any Loan Documents or the rights and remedies of the Lender hereunder.

“Maturity Date” means the earlier of (a) the Scheduled Maturity Date, (b) the date on which the Borrower terminates the Subscription Agreement pursuant to section 7.6(1)(d) thereof, or (c) any date on which the Lender accelerates the due date of the Loan by reason of an Event of Default pursuant to Section 9.2.

“Obligations” means all duties, covenants, agreements, liabilities, indebtedness, indemnifications and obligations of the Borrower with respect to the repayment, payment or performance of all Indebtedness, liabilities and obligations (monetary or otherwise) of the Borrower, whenever arising, whether primary, secondary, direct, contingent, fixed or otherwise, and whether joint, several, or joint and several, established by or arising under or in connection with this Agreement or any other Loan Document, including, in each case, the payment of principal, interest, fees, expenses, reimbursements and indemnification obligations.

“Other Taxes” has the meaning specified in Section 3.5(b).

“Party” or **“party”** means each party to this Agreement.

“Permitted Debt” means:

- (a) the Obligations;
- (b) Debt owing by the Borrower to any Guarantor or by any Guarantor to the Borrower or any other Guarantor;
- (c) Debt that is subject to a subordination and postponement agreement on terms and conditions satisfactory to the Lender;
- (d) Debt owed to the Lender other than under or pursuant to the Loan Documents (or any of them);

- (e) to the extent not expressly set forth above, any other Debt approved in writing by the Lender.

“Permitted Liens” means the following types of Liens:

- (a) Liens securing the Obligations;
- (b) Liens for taxes, assessments and governmental charges the payment of which is not yet due and payable or which are being contested in good faith by the Borrower and by appropriate proceedings promptly initiated and diligently conducted, and a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;
- (c) Liens imposed by law, such as carrier’s, warehousemen’s, mechanic’s, materialmen’s and other similar Liens securing obligations (other than Indebtedness for borrowed money) that are being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, and a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;
- (d) pledges, deposits and Liens in connection with workers’ compensation, employment insurance and other similar legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements to the extent required by law;
- (e) survey exceptions, title defects, easements, zoning restrictions and similar encumbrances on real property and minor irregularities in the title thereto that do not (i) secure obligations for the payment of money or (ii) materially adversely impair the value of such property or its use by the Borrower in the normal conduct of such Person’s business;
- (f) Liens given in the ordinary course of business to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or governmental or other authority in connection with the operations of the Borrower;
- (g) Liens granted to the Lender or any of its Affiliates; and
- (h) Liens securing Indebtedness which is postponed and subordinated to the Obligations to the satisfaction of the Lender.

“Person” means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or a Governmental Authority.

“Quarterly Date” means each March 31, June 30, September 30 and December 31 of each calendar year.

“Representative” means any director, officer, partner, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of a Person.

“Scheduled Maturity Date” means December 31, 2023.

“Securities Laws” means all Governmental Requirements applicable to Equity Interests and the issuance and trading of Equity Interests and the respective rules and regulations applicable thereto together with all binding policy statements, national instruments, orders, blanket rulings, mandatory guidelines and other applicable regulatory acts and instruments, together with all regulations, policies, rules or requirements imposed by any applicable securities exchange, trading platform or other similar Person.

“Security” has the meaning set out in Section 4.1.

“Security Documents” has the meaning set out in Section 4.1(c).

“Series C-2 Warrants” has the meaning ascribed thereto in the Amendment Agreement.

“Series C Warrants” means the warrants evidenced by the Warrant Certificate and any additional “Series C Warrants” (as defined in the Investor Rights Agreement) issued to the Lender in accordance with the terms of the Investor Rights Agreement.

“Subscription Agreement” means the subscription agreement dated as of the date hereof between the Borrower and the Lender, as same may be amended, modified, supplemented, extended, revised or restated from time to time in accordance with its terms.

“Taxes” has the meaning specified in Section 3.5(a).

“United States Cannabis Laws” means any (a) statutes, laws (including common law), rules, regulations, decrees, ordinances, codes, proclamations, treaties, declarations or orders of any U.S. federal Governmental Authority; (b) any consents or approvals of any U.S. federal Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any U.S. federal Governmental Authority, in each case (with respect to the foregoing clauses (a), (b) and (c)), which apply or relate, directly or indirectly, to the cultivation, harvesting, production, trafficking, distribution, processing, extraction, sale and/or possession of cannabis, marijuana or related substances or products containing or relating to the same, as long as those activities are in compliance with applicable state law.

“Warrant Certificate” means the Amended and Restated Series C Warrant Certificate dated effective September 16, 2020, issued by the Borrower to the Lender, and agreed to and acknowledged by the Lender, as same may be amended, modified, supplemented, extended, revised or restated from time to time including pursuant to the terms of the Amendment Agreement.

1.2 Accounting Principles.

All accounting terms not otherwise defined herein shall be construed, all financial computations required under this Agreement shall be made, and all financial information required under this Agreement shall be prepared, in accordance with GAAP applied on a consistent basis except as specifically provided herein.

1.3 Other Definitional Provisions; Date and Time References.

- (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents and any certificate or other document made or delivered pursuant hereto.
- (b) The words **hereof**, **herein** and **hereunder** and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and subsection references are to this Agreement unless otherwise specified.
- (c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.
- (d) The word **including** means **including without limitation** or **including, but not limited to**, and does not create or denote a limitation.
- (e) Unless otherwise expressly indicated, each reference to a time or date in any Loan Document shall be to the date and time in Toronto, Canada.
- (f) Unless otherwise expressly indicated, references to contracts, agreements or instruments are deemed to include all present and future amendments, supplements, restatements or replacements to or of such contracts, agreements or instruments.
- (g) Unless otherwise expressly indicated, references to any legislation, statutory instrument or regulation or a section or other provision thereof is a reference to the legislation, statutory instrument, regulation, section or other provision as amended, restated or re-enacted from time to time.

ARTICLE 2 LOAN; USE OF PROCEEDS

2.1 Loan

Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Borrower set forth herein and in the other Loan Documents, until the earlier of (i) December 31, 2022, and (ii) the date on which the Lender exercises all or part of the Series C-2 Warrants, which the Lender may elect to do or not in its sole discretion, the Lender agrees to lend to the Borrower a maximum amount of \$11,000,000 (the "**Loan**"), which shall be disbursed in a single advance within two (2) Business Days following a written request (the "**Drawdown Request**") by the Borrower to the Lender.

2.2 Drawdown Request

The Drawdown Request shall be executed by a senior officer of the Borrower and shall:

- (a) specify the purposes for which the Loan will be used; and
- (b) include a certificate stating: (i) that no Default or Event of Default has occurred and is continuing or would result from the disbursement of the Loan, and (ii) that

the representations and warranties made under the this Agreement and any other Loan Documents remain true and correct in all material respects as of the date of the disbursement of the Loan.

The delivery by the Borrower of a Drawdown Request shall be subject to the prior acceptance of this Agreement by the Toronto Stock Exchange (the “TSX”).

2.3 Lender’s Books

The Lender shall maintain a record of the Loan attesting as to the total of the Borrower’s indebtedness to the Lender in accordance with the provisions hereof. The record shall constitute, in the absence of manifest error, *prima facie* proof of the total amount of the indebtedness of the Borrower to the Lender in accordance with the provisions hereof.

2.4 Promissory Note

The Lender may request from time to time the Borrower to sign and deliver to the Lender a promissory note, in form satisfactory to the Lender and Borrower, each acting reasonably, evidencing the indebtedness of the Borrower to the Lender under this Agreement. The delivery of any promissory note will not operate as novation but will constitute only evidence of such indebtedness.

2.5 Repayment of Loan

The principal amount of the Loan, together with interest thereon and all fees, costs and other amounts then owing, shall be due and payable in full on the Maturity Date. The Borrower covenants and agrees to repay the Loan, together with interest thereon, in accordance with the terms of this Agreement.

2.6 Use of Proceeds

The Borrower shall use the proceeds of the Loan only for general corporate purposes, which, for certainty, includes the financing of acquisitions.

ARTICLE 3 PROCEDURE AND PAYMENT

3.1 Interest.

- (a) **General.** On each Interest Payment Date, the Borrower shall pay to the Lender interest on the Loan with respect to each quarterly period ending on the Quarterly Date immediately prior to such Interest Payment Date, at a rate of interest per annum based on a 365-day year basis equal to (a) the Interest Rate or (b) the Default Rate, as applicable, provided, however, that until the first Interest Payment Date, the Borrower may elect, by written notice to the Lender, instead of paying any unpaid interest accrued on the Loan for the first six (6) months following the date of advance thereof, to increase the principal amount of the Loan by the amount of such accrued and unpaid interest, effective as of the end of such six (6) month period. Interest accruing at the Default Rate shall be payable on demand. Accrued but unpaid interest on the Loan shall be payable in full on the Maturity Date.

- (b) **Default Interest.** Interest on the Loan shall accrue and shall be payable by the Borrower at the Default Rate during all periods when any amounts payable by the Borrower as principal repayments, interest payments, expense payments or other amounts are due and payable hereunder, whether by acceleration or otherwise, but remain unpaid by the Borrower. Without prejudice to the rights of the Lender under the preceding sentence, the Borrower shall indemnify the Lender against any direct loss or expense which the Lender may sustain or incur as a result of the failure by the Borrower to pay the Loan when due. A certificate or other notice of the Lender submitted to the Borrower setting forth the basis for the determination of Default Rate interest due and of the amounts necessary to indemnify the Lender in respect of such loss or expense, shall constitute evidence of the accuracy of the information contained therein in the absence of manifest error and, absent notice from the Borrower of such error, shall be conclusive and binding for all purposes. Interest accruing at the Default Rate shall be payable on demand in immediately available funds in Dollars.

3.2 Repayment of the Loan

- (a) **Principal Repayment.** The Loan is due and payable in full on the Maturity Date.
- (b) **Voluntary Prepayment.** Upon not less than five (5) Business Days' prior written notice to the Lender, the Borrower may at any time prepay all or any portion of outstanding amount of the Loan without bonus or penalty. Upon the giving of notice of prepayment, which shall be irrevocable, the prepayment shall be due and payable on the date set forth therein.
- (c) **Mandatory Prepayment.** If:
- (i) (A) the transactions contemplated by the Amendment Agreement are approved in accordance with the terms thereof and become effective and (B) the Lender, in its sole discretion, exercises all or part of the Series C Warrants and/or subscribes for Common Shares pursuant to a private placement or otherwise (other than the Private Placement (as defined in the Subscription Agreement)), then the Lender, may, in its sole discretion, apply the aggregate net proceeds from the exercise of such Series C Warrants and/or subscription for Common Shares in excess of \$16,000,000 to first pay any accrued interest on the Loan and then to repay the outstanding principal amount of the Loan. For greater certainty, the Lender shall not be required to exercise all or part of the Series C Warrants.
- (ii) (A) the transactions contemplated by the Amendment Agreement are not approved in accordance with the terms thereof and the Amending Agreement is terminated in accordance with its terms and (B) the Lender, in its sole discretion, exercises all or part of the Series C Warrants and/or subscribes for Common Shares pursuant to a private placement or otherwise, then the Lender, may, in its sole discretion, apply the net proceeds from the exercise of such Series C Warrants and/or subscription for Common Shares to first pay any accrued interest on the Loan and then to repay the outstanding principal amount of the Loan. For

greater certainty, the Lender shall not be required to exercise all or part of the Series C Warrants.

- (d) **Non-Revolving Facility.** Amounts repaid hereunder may not be re-borrowed by the Borrower.

3.3 Priority of Prepayments

All prepayments made by the Borrower shall be applied first to any amounts (other than principal or interest) then payable by the Borrower hereunder or under any other Loan Documents, then to accrued and unpaid interest on the Loan, so prepaid, then to the principal amount of the Loan.

3.4 Payments and Computations

Except as otherwise expressly provided in this Agreement, payments by the Borrower pursuant to this Agreement or any other Loan Document, whether in respect of the Loan, interest or otherwise, shall be made by the Borrower to the Lender not later than 12:00 noon (Toronto time) on the date due by delivery of Dollars in immediately available funds to an account designated in writing by the Lender from time to time at least two (2) Business Days before any such due date. All payments hereunder shall be made by the Borrower without set off, deduction, withholding or counterclaim not later than on the date when due. Any payments received hereunder after the time and date specified in this Section 3.4 shall be deemed to have been received by the Lender on the next following Business Day. All interest shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest is payable over a year comprised of three hundred sixty-five (365) days. Whenever any payment to be made hereunder shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest, if any, in connection with such payment.

3.5 Taxes.

- (a) **General.** Any and all payments by the Borrower shall be made in full, free and clear of and without deduction or withholding for any and all present or future taxes, levies, duties, imposts, assessments, deductions, charges, withholdings or other similar amounts, and all liabilities with respect thereto imposed on the Borrower (all such non-excluded taxes, levies, duties, imposts, assessments, deductions, charges, withholdings and liabilities being hereinafter referred to as **Taxes**). If the Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any such payment payable hereunder to the Lender, (i) the sum payable shall, subject to applicable law, be increased as may be necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section 3.5) the Lender receives an amount as the case may be equal to the amount it would have received had no such deductions or withholdings been made, (ii) the Borrower shall make such deductions or withholdings and (iii) the Borrower shall pay the full amount required to be deducted or withheld to the relevant taxation authority or other authority in accordance with Applicable Law and within the time for payment prescribed by Applicable Law.

- (b) **Other Taxes.** In addition, the Borrower agrees to pay any present or future stamp, sales, use or documentary taxes or any other excise or property taxes, charges, duties or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any of the Loan Documents, or any Instrument contemplated thereby (hereinafter referred to as **Other Taxes**).
- (c) **Tax Indemnity.** The Borrower hereby indemnifies the Lender for, and agrees to hold the Lender harmless from, the full amount of all Taxes and Other Taxes payable by the Lender and any liability, cost or amount (including penalties, interest and expenses) arising therefrom or with respect thereto.
- (d) **Payment of Taxes.** Within thirty (30) days after the date required for payment of any Taxes or Other Taxes required to be deducted or withheld by the Borrower in respect of any payment or delivery to the Lender, the Borrower will furnish to the Lender a form of evidence of payment thereof acceptable to the Lender in its sole discretion, acting reasonably.
- (e) **Survival.** Without prejudice to the survival of any other agreement hereunder, the agreements and obligations contained in this Section 3.5 shall survive the payment in full of the Loan, interest thereon and any other amounts due hereunder.

3.6 Interest Act of Canada

For the purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or any fee to be paid hereunder or in connection herewith is to be calculated on the basis of a 365-day year, the yearly rate of interest to which the rate used in such calculation is equivalent to the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 365. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement.

3.7 Criminal Code

If any provision of this Agreement would oblige the Borrower to make any payment of interest or other amount payable to the Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by that Lender of "interest" at a "criminal rate" (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Lender of "interest" at a "criminal rate", such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:

- (a) first, by reducing the amount or rate of interest; and
- (b) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the Lender which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada),

in each case, if necessary, to be effected by repayment by the Lender to the Borrower of any amount already received by the Lender that would be reduced by this Section (it being agreed that the Lender may elect whether to effect such repayment and reduction by return of shares or by payment of the applicable amount in cash to the Borrower).

ARTICLE 4 SECURITY DOCUMENTS

4.1 Security Documents.

- (a) As general and continuing security (the “**Security**”) for the payment and performance of the Obligations, a general security agreement creating a first priority ranking security interest (subject only to Permitted Liens) (the “**Agreed Priority**”) over all real and personal property, assets, rights, titles and interests, whether tangible or intangible, presently held or hereafter acquired by the Borrower, and all products and proceeds of the foregoing, including insurance proceeds related to the foregoing (collectively, the “**Collateral**”) will be granted by the Borrower and the Guarantors to the Lender.
- (b) The Guarantors shall execute and deliver a guarantee agreement in favour of the Lender, to guarantee the payment and performance of the Obligations, in substantially the same form as the guarantee dated December 10, 2021 made by the Guarantors in favour of the Lender (the “**Guarantee Agreement**”).
- (c) Each of the Borrower and the Guarantors shall execute a general security agreement given for the benefit of the Lender, to create the Security on its Collateral and any other security agreement, pledge agreement or Instrument required by the Lender from time to time to obtain a Lien in or on any Collateral now owned or hereinafter acquired by the Borrower and the Guarantors to secure the Obligations, in substantially the same form as the general security agreement dated December 10, 2021 made by the Borrower and the Guarantors in favour of the Lender (collectively with the Guarantee Agreement, the “**Security Documents**”).

4.2 Protection of Security Document Liens

Each of the Borrower and the Guarantors hereby authorizes the Lender to file, at the Borrower’s expenses, such financing statements and other agreements, documents, registrations, filings or Instruments with such Governmental Authorities in such jurisdictions as it reasonably determines to be desirable and to take such other actions as the Lender determines to be necessary or desirable to legalize, authenticate, protect, perfect, continue and maintain the perfection of the Liens in the Collateral identified in the Security Documents.

4.3 Validity of Liens

The Borrower hereby agrees that notwithstanding any provision of any other Loan Document to the contrary, (a) the Liens created pursuant to each Security Document shall secure all Obligations of the Borrower and (b) the Security Documents create valid security interests in, and Liens on, the Collateral purported to be covered thereby, which security interests and Liens are currently perfected security interests and Liens, or will be perfected security interests and

Liens in accordance with the requirements specified in such Security Documents or elsewhere in this Agreement, each with the Agreed Priority.

4.4 Right of Set-Off

Upon the occurrence and during the continuance of any Event of Default, the Lender is hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final), at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing, although such Obligations may be contingent and unmatured. The Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender under this Section 4.4 are in addition to other rights and remedies (including other rights of set-off) which the Lender may have.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent to the Effectiveness of this Agreement

Upon the satisfaction (or waiver by the Lender in its sole discretion) of each of the following conditions precedent, this Agreement shall become effective:

- (a) The Lender or its counsel shall have received the following in form and substance as shall be satisfactory to the Lender, acting reasonably:
 - (i) this Agreement, duly executed by the Borrower;
 - (ii) each other Security Document, each duly executed by the Borrower, together with any financing statements, filings or other Instruments for filing or registration, notarizations thereof, notices with respect thereto or other Instruments, including applicable estoppel letters, determined by the Lender, acting reasonably, to be necessary or desirable to establish, maintain, continue and perfect the Liens established pursuant to the Security Documents;
 - (iii) to the extent not specifically referenced, each other Loan Document, duly executed by the Borrower; and
 - (iv) a certificate for the Borrower from its jurisdiction of incorporation or organization confirming the due organization and good standing of the Borrower in such jurisdiction;
- (b) all representations and warranties made by the Borrower and the Guarantors in this Agreement and the other Loan Document shall be true and correct;
- (c) all approvals, consents and authorizations of Governmental Authorities or other Persons required in connection with this Agreement and the other Loan Documents, if any, shall have been obtained and remain in effect;

- (d) there shall be no pending or threatened (in writing) action or proceeding before any Governmental Authority against or affecting the Borrower;
- (e) the Lender shall have received, in form and substance satisfactory to the Lender, acting reasonably, search results from all relevant jurisdictions wherein the Borrower conducts business or owns property, pertaining to all Lien filings, registrations and records appearing in such jurisdiction, together with copies of any documents, filings and Instruments on file in such jurisdictions;
- (f) the Lender, acting reasonably, shall be satisfied with the form of the Loan Documents;
- (g) the Borrower shall have made all public disclosures (including all information material to the Borrower) and submitted all applications, reports and information, and taken all other actions necessary, to comply in all material respects with applicable Securities Laws and Cannabis Laws, and the Lender shall have confirmed such compliance to its satisfaction, acting reasonably;
- (h) the Borrower shall have performed and complied with all agreements and conditions herein and in the other Loan Documents required to be performed and complied with;
- (i) no Default or Event of Default shall have occurred and be continuing beyond any applicable cure period; and
- (j) there shall not exist any litigation, investigation, bankruptcy or insolvency, injunction, order or claim affecting or relating to the Borrower, which has had, or could reasonably be expected to have, a Material Adverse Effect, or which could reasonably be expected to affect the legality, validity or enforceability of this Agreement or any other Loan Document, that has not been settled, dismissed, vacated, discharged or terminated.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

The Borrower hereby represents and warrants to the Lender as follows:

- (a) each of the Borrower and the Guarantors has all requisite corporate power and authority to enter into this Agreement and the other Loan Documents and to carry out the transactions contemplated hereby and thereby;
- (b) each of the Borrower and the Guarantors is otherwise duly qualified to do business as a foreign corporation or other applicable entity in each jurisdiction where the nature of its business or properties requires such qualification;
- (c) each of the Borrower and the Guarantors is a corporation duly incorporated or organized (respectively), validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as applicable.

- (d) the execution, delivery and performance by it of this Agreement and of the other Loan Documents have been duly authorized by all necessary shareholder and director and corporate action on the part of the Borrower and the Guarantors and do not and will not (i) contravene the articles of incorporation, articles, charter or by-laws, operating agreement, notice of articles or similar constituent documents of the Borrower and the Guarantors; (ii) violate any provision of any Governmental Requirement, including Applicable Law, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower or any Guarantor; (iii) result in a breach of or constitute a default under, or require the consent of any Person pursuant to, any agreement to which the Borrower or any Guarantor is a party or by which the Borrower or any of its properties may be bound or affected; or (iv) result in, or require, the creation or imposition of any Lien (other than Liens arising under the Security Documents) upon or with respect to any of the properties now owned by the Borrower or any Guarantor;
- (e) neither the Borrower nor any Guarantor is in default in any material respect under any Governmental Requirement, including Applicable Laws, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument;
- (f) no authorization or approval or other action by or consent of, and no notice to or filing or registration with, any Governmental Authority or any other Person is required (i) for the due execution and delivery of the Loan Documents, and the incurrence and due performance of, the obligations of the Borrower or any Guarantor under this Agreement or any other Loan Document, or (ii) except for ongoing filings obtained in the ordinary course of the Borrower's business, for the due performance of all other Obligations of the Borrower or any Guarantor under this Agreement or any other Loan Document, except for such authorizations, approvals or other actions as have been obtained or notices or filings as have been made;
- (g) this Agreement and each of the other Loan Documents constitutes a legal, valid and binding obligation of the Borrower that is a party thereto, enforceable against the Borrower and the Guarantors in accordance with their respective terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws or equitable principles affecting enforcement of creditors' rights generally at the time in effect);
- (h) there is no claim, action, lawsuit, proceeding, arbitration or investigation pending or, to the knowledge of the Borrower, threatened in writing against or involving the Borrower or any Guarantor which alleges the violation of any Governmental Requirement, including Applicable Laws, or which questions the validity of this Agreement or any of the other Loan Documents or any action taken or to be taken pursuant to this Agreement or any of the Loan Documents, which could reasonably be expected to result, either in any case or in the aggregate, in a Material Adverse Effect;
- (i) all reports, certificates, status updates and other written information (excluding projections and budgets) delivered to the Lender are true, accurate and complete in all material respects as of the date noted thereon and none of the written

information delivered to the Lender by the Borrower in connection with this Agreement or the transactions contemplated hereby or in connection with the business of the Borrower contained any material misstatement of fact or omits to state a material fact as at the date it was provided; and

- (j) neither the Borrower, or to the knowledge of Borrower, any of its Affiliates or Representatives has: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic governmental official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, *Corruption of Foreign Public Officials Act (Canada)*, as amended, or other similar Governmental Requirements, including Applicable Laws applicable to the Borrower; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

ARTICLE 7 AFFIRMATIVE COVENANTS

So long as the Obligations remain outstanding or so long as the Borrower has the right to request an advance under this Agreement, each of the Borrower and the Guarantors shall:

- (a) preserve and maintain its respective corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation or formation;
- (b) duly and punctually pay all sums of money due and payable by it under, and otherwise perform the terms of this Agreement and any other Loan Document at the time and place and in the manner provided herein and therein;
- (c) comply in all material respects with the requirements of Applicable Laws and comply in all material respects with and use commercially reasonable efforts to maintain in good standing all material permits, licences, registrations or other qualifications necessary to carry on its business;
- (d) use its commercially reasonable efforts to cooperate with the Lender with respect to any proceedings before any court, board or other Governmental Authority which would reasonably be expected to materially and adversely affect the rights of the Lender hereunder or any rights obtained by the Lender under any of the other Loan Documents;
- (e) keep adequate records and books of account in which accurate and complete entries will be made in accordance with GAAP reflecting all transactions required to be reflected by GAAP and keep accurate and complete records of any property owned by it;
- (f) upon reasonable prior written notice but not more than once per year (unless a Default or Event of Default has occurred and is continuing, in which case, at any time), permit the Lender through its officers or employees or through any consultants retained by it, upon request, to have reasonable access at any reasonable time, to the Borrower's and the Guarantors' premises and to any

records, information or data in its possession so as to enable the Lender to ascertain the state of the Borrower's consolidated financial condition or operations, and will permit the Lender to make copies of and abstracts from such records, information or data, and will upon request of the Lender deliver to the Lender copies of such records, information or data;

- (g) promptly advise the Lender in writing following the Borrower or any Guarantor (i) changing the location of its "chief executive office", "place of business", "principal residence", "registered office", "chief place of business", "principal place of business", "jurisdiction of location" or the location of its records; or (ii) changing its name; and the Borrower or any Guarantor (as applicable) shall provide the Lender with any additional security which the Lender may reasonably deem necessary or advisable to maintain or continue the effectiveness of the Security Documents and/or the effectiveness and priority of the Security Interest as a result of such change;
- (h) file all tax returns required to be filed by it when due, pay and discharge all Taxes payable by it when due (other than Taxes where the aggregate liability in respect thereof is reasonably expected to be less than \$250,000 or Taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings being diligently pursued, and with respect to which adequate reserves in conformity with GAAP have been provided in its books), pay and discharge immediately upon knowledge by the Borrower of the existence thereof all Liens other than Permitted Liens, withhold and collect all Taxes required to be withheld and collected by it and remit such Taxes to the appropriate Governmental Authority at the time and in the manner required, and pay and discharge all obligations incidental to any trust imposed which, if unpaid, might become a Lien upon any of the assets of the Borrower unless such Lien is a Permitted Lien;
- (i) make and do all such acts and things and execute and deliver all such instruments, agreements, financing statements, registration forms and documents as may be reasonably necessary in order to create, preserve, perfect, render opposable, validate or otherwise protect the Security Interest and the first priority position of the Security Interest (subject to Permitted Liens);
- (j) from time to time at the request of the Lender, make and do all such acts and things and execute and deliver all such instruments, agreements, financing statements registration forms, and documents as the Lender reasonably requests by notice in writing given to the Borrower in order to enable the Lender to exercise and enforce its rights and remedies hereunder and under the Security Documents; and
- (k) deliver to the Lender as soon as possible and in any event within three (3) Business Days after the occurrence of each Event of Default or Default continuing on the date of such statement, a statement of the president or chief financial officer of the Borrower, setting forth the details of such Event of Default or Default, and the action which the Borrower is taking or proposes to take with respect thereto.

ARTICLE 8 NEGATIVE COVENANTS

So long as the Obligations remain outstanding or so long as the Borrower has the right to request an advance under this Agreement, none of the Borrower and the Guarantors shall:

- (a) create, grant, assume or suffer to exist any Lien on its assets other than Permitted Liens;
- (b) incur or suffer to exist any Debt other than Permitted Debt;
- (c) incur any Contingent Liabilities or provide financial assistance to any Person other than by way of Permitted Debt or to one another;
- (d) enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of the Borrower or any Guarantor would become the property of any other Person or Persons;
- (e) sell, transfer or otherwise dispose of all or any significant portion of the undertaking, property or assets of the Borrower or any Guarantor having a value in excess of \$10,000 without the Lendor's prior written consent;
- (f) enter into any transaction for the purchase, sale or exchange of any property or the rendering of any services, with any of its officers, directors, employees, partners, shareholders or Affiliates, or with any Affiliate of any of its officers, directors, employees, partners or shareholders or any other Person with whom it does not deal at arm's length, except a transaction in the ordinary course of business which is upon fair and reasonable terms not less favourable to the Borrower than would be obtained in a comparable arms-length transaction for fair market value;
- (g) use or invest the proceeds of any Loan for any purpose other than set out in Section 2.6 provided further that such proceeds may not be used to make a hostile take-over bid for any other Person or to make any issuer bids or enter into share buy back transactions; and
- (h) permit or take any action to cause or fail to take any action which results in or could reasonably be expected to cause or result in a Material Adverse Effect.

ARTICLE 9 EVENTS OF DEFAULT

9.1 Event of Default

Each of the following events shall be an "**Event of Default**" hereunder:

- (a) the Borrower shall fail to repay the Loan as and when due hereunder (whether at stated maturity, by prepayment, on demand or otherwise), or shall fail to pay interest hereunder when due (whether on a payment date, by prepayment, on

demand or otherwise), or shall fail to pay any other amount due hereunder when due (whether on the date when due, by prepayment, on demand or otherwise), and such failure continues for three (3) Business Days;

- (b) the Borrower or any Guarantor shall fail to observe or perform any of its covenants contained in this Agreement and has not remedied such default within ten (10) days after written notice of default has been given by the Lender to the Borrower, or if such default is incapable of being remedied with ten (10) days, the Borrower has failed to take diligent steps to cure such default within such ten (10) day period;
- (c) any representation or warranty made by the Borrower or any Guarantor in any Loan Document or in any certificate at any time required pursuant to the terms of this Agreement to be given by the Borrower or any Guarantor in writing pursuant or in connection with any Loan Document is false or misleading;
- (d) a default shall occur under:
 - (i) any other agreement or Instrument pertaining to indebtedness for borrowed money in an amount in excess of \$500,000 or any such indebtedness for borrowed money in excess of \$500,000 shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or
 - (ii) any agreement or Instrument entered into by the Borrower or any Guarantor with or in favour of the Lender or any of its Affiliates;
- (e) (1) a court enters a decree or order for relief with respect to the Borrower or any of its properties pursuant to any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, including the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada), or (2) subject to Section 9.1(f), the continuance of any of the following events for 30 days unless dismissed or discharged: (a) an involuntary case is commenced against all or a portion of the assets of the Borrower by a Person other than a Lender, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) enforcement proceedings are commenced against the Borrower by a Person other than the Lender in respect of assets of the Borrower having a value in excess of \$1,000,000; or (c) a decree or order of a court for the appointment of an administrator, controller, receiver, interim receiver, manager, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or over all or a substantial part of its property, is entered; or (d) an interim receiver, trustee or other custodian is appointed without the consent of the Borrower, for all or a substantial part of the property of any such Person;
- (f) (1) an order for relief is entered with respect to the Borrower or any of its properties or the Borrower commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consent to the

appointment of or taking possession by a receiver, trustee, administrator, controller, or other custodian for all or a substantial part of the Borrower's property; or (2) the Borrower makes any assignment for the benefit of creditors; or (3) the Borrower enters into or resolves to enter into any arrangement, composition or compromise with any of its creditors in excess of \$1,000,000; or (4) the board of directors of the Borrower adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 9.1(f);

- (g) any money judgment, writ or warrant of attachment, or similar process involving (1) an amount in any individual case in excess of \$1,000,000 or (2) an amount in the aggregate at any time in excess of \$2,000,000 is entered or filed against the Borrower or any of its assets and is either not fully covered by independent third-party insurance or remains unpaid, undischarged, unvacated, unbonded or unstayed and uncontested by the Borrower for a period of 30 days or in any event later than five (5) days prior to the date of any proposed sale thereunder;
- (h) any Security Document after delivery thereof shall for any reason, except to the extent permitted by the terms thereof or the terms hereof, cease to create a valid and perfected Lien having the Agreed Priority with respect to any of the Collateral purported to be covered thereby, or the Borrower shall so state or claim in writing. Without limiting the foregoing, this Agreement or any of the other Loan Documents, or any material provision hereof or thereof, shall at any time after execution and delivery hereof or thereof: (i) for any reason, cease to be a legal, valid and binding obligation of the Borrower or cease to be enforceable against it in accordance with its terms or shall be declared to be null and void and any such document has not been replaced by a valid and enforceable document and equivalent in effect to such document, assuming such document had originally been valid and enforceable, in form and substance acceptable to the Lender, within fifteen (15) days of such cessation or declaration, provided, however, that such grace period shall only be provided if the Borrower actively cooperates with the Lender to so replace such document; or (ii) the legality, validity, binding nature or enforceability of this Agreement or any other Loan Document, or any provision hereof or thereof, shall be contested by the Borrower or the Borrower shall deny that it has any further liabilities or obligations hereunder or thereunder, or the Borrower purports to revoke, terminate or rescind any Loan Document;
- (i) a change in the business, financial condition or prospects of the Borrower occurs, which has had, or could be reasonably expected to have, a Material Adverse Effect; or
- (j) a Change of Control shall have occurred.

9.2 Remedies Upon Event of Default.

- (a) **Termination of Obligations.** Upon the occurrence of an Event of Default that continues beyond any applicable cure period, all obligations of the Lender hereunder shall terminate, but such termination shall not limit any rights or remedies of the Lender hereunder.
- (b) **Acceleration upon Notice.** Upon the occurrence of an Event of Default that continues beyond any applicable cure period, and notice to the Borrower by the

Lender that it wishes to accelerate payment, the Loan, together with all interest thereon and all other amounts owed by the Borrower hereunder to the Lender, shall be accelerated and become immediately due and payable in full.

- (c) **Availability of Rights and Remedies.** Upon the occurrence of an Event of Default that continues beyond any applicable cure period, all of the rights and remedies provided to the Lender under the Security Documents shall become immediately enforceable, and the Lender shall have all other rights and remedies available at law or in equity.
- (d) **Cumulative Rights and Remedies.** All rights and remedies of the Lender set out in this Agreement, the Security Documents, the other Loan Documents and otherwise available at law or in equity are cumulative, and no right or remedy contained herein or therein is intended to be exclusive; each such right or remedy is in addition to every other right and remedy contained in this Agreement, the Security Documents and the other Loan Documents, or in any existing or future agreement, or now or in the future existing at law, in equity, by statute or otherwise.
- (e) **Waiver of Presentment.** Except as expressly provided above in this Section 9.2, presentment, demand, protest and all other notices of any kind are hereby expressly waived. From and after occurrence of an Event of Default that continues beyond any applicable cure period, interest on the Loan shall accrue at the Default Rate and shall be payable on demand.

ARTICLE 10 MISCELLANEOUS

10.1 Amendments, Etc.

Except as otherwise expressly provided in this Agreement, no amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the other party, and, in the case of any amendment, by the Borrower and the Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

10.2 Notices; Etc.

All notices, requests, demands and other communications provided for hereunder shall be in writing (including email communication) and transmitted to the following address or email address:

if to the Borrower :

130 King Street West
Suite 2500
Toronto, Ontario
M5X 1C8

Attention: Stéphane Trudel
E-Mail: strudel@fireandflower.com

and if to the Lender:

c/o 4204 Industriel Boulevard
Laval, Québec
H7L 0E3

Attention: Valéry Zamuner
E-mail: Valery.Zamuner@couche-tard.com

with a copy (which shall not constitute notice) to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montréal, Québec
H3A 3N9

Attention: Sébastien Thériault
E-mail: stheriault@dwpv.com

or, as to each Party, at such other address or number as shall be designated by such Party in a written notice to the other. All notices, requests, demands or other communications to or upon the respective Parties shall be in writing (including by e-mail), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made: (a) when delivered by hand, upon receipt; (b) when delivered by e-mail, upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment), *provided* that if such notice, request, demand or communication transmitted by e-mail is not sent during the normal business hours of the recipient, such notice, request or demand shall be deemed to have been sent at the opening of business on the next Business Day for the recipient; (c) on the Business Day immediately following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to a reputable national overnight air courier service; or (d) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices delivered to the Lender pursuant to Article 2 or Article 3 hereof shall not be effective until actually received by the Lender. The Borrower agrees that any notice, request, demand or communication delivered to the Borrower in accordance with the terms of this Section 10.2 shall constitute and be deemed delivery of such notice, request, demand or communication to the Borrower.

10.3 No Waiver; Remedies

No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder, or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder, or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10.4 Costs and Expenses

The Borrower agrees to pay on demand all reasonable costs and expenses of the Lender in connection with the negotiation, preparation, execution, and delivery of this Agreement, the other Loan Documents and the other documents and Instruments to be delivered hereunder, including the reasonable fees and expenses of all legal counsel and independent consultants to the Lender and all other out-of-pocket expenses of the Lender. The agrees to pay on demand all actual, out of pocket reasonable costs and expenses of the Lender in connection with the administration of this Agreement and the other Loan Documents, including all reasonable costs and expenses, if any, in connection with the protection of the Lender's rights with respect to and the enforcement of this Agreement, the other Loan Documents and the other documents to be delivered hereunder (whether incurred before, during or after commencement of any bankruptcy, reorganization or insolvency actions pertaining to the Borrower). All such expenses will be itemized in reasonable detail.

10.5 Indemnification

The Borrower agrees to indemnify the Lender and its Affiliates and their respective directors, partners, managers, members, owners, principals, shareholders, officers, employees, agents, consultants and Representatives (each, an **Indemnified Party** and collectively, the **Indemnified Parties**), from and against, and to defend and hold each of the Indemnified Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, fines, suits, costs, assessments, charges, claims, Taxes and Other Taxes, expenses, payments or disbursements of any kind whatsoever, including attorneys' fees and expenses (collectively **Losses**) which may at any time (including at any time following the payment of the Obligations) be imposed on, incurred or suffered by or asserted against any Indemnified Party in any way relating to or arising out of (a) a breach or default (whether or not constituting a Default or Event of Default) by the Borrower under this Agreement or by the Borrower or any Guarantor under any other Loan Document or any Instrument contemplated by or referred to herein or therein to which it is party, or the transactions contemplated hereby or thereby, or (b) any action or proceeding brought by or against an Indemnified Party due to its entering into or being a party to any Loan Document or by reason of its exercising or performing, or causing the exercise or performance of, any right, power, obligation or action under any Loan Document, whether or not related to the enforcement of any Loan Document, or (c) any act or omission of the Borrower, unless the such act or omission is at the direction of an Indemnified Person, or (d) the business or operations of the Borrower or the ownership, management, administration or operation of its business, except, in each case, with respect to Losses arising entirely out of the negligence or willful misconduct of any Indemnified Party. This Section 10.5 shall survive the repayment of the Obligations and the termination of this Agreement.

10.6 Waiver of Consequential Damages, etc.

To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waive, any claim against each Indemnified Party, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or Instrument contemplated hereby or thereby (or any breach thereof), the transactions contemplated hereby or thereby, the Loan or the use of the proceeds thereof. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan

Documents or the transactions contemplated hereby or thereby, save to the extent such damages have resulted from the gross negligence or wilful misconduct of such Indemnified Party, as determined by a court of competent jurisdiction by a final and non-appealable judgment.

10.7 Binding Effect; Assignment

This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective permitted successors and assigns. The Borrower shall not have the right to assign any of its rights or obligations hereunder or any interest herein or in any other Loan Document without the prior written consent of the Lender. Subject to Governmental Requirements, including Applicable Laws, the Lender may, at any time, with the consent of the Borrower (unless an Event of Default shall have occurred and be continuing), assign to its respective successors and Affiliates or other Persons, all or any part of, this Agreement, the other Loan Documents and the Loan, and, to the extent of such assignment, such assignee shall have the same obligations, rights and benefits with respect to the Borrower as it would have had if it were a lender hereunder.

10.8 Governing Law

This Agreement and the other Loan Documents shall be governed by, and construed in accordance with, the laws of the Province of Ontario, Canada and the federal laws of Canada applicable therein, not including the conflicts of law and choice of law provisions thereof.

10.9 Waiver of Jury Trial

Each Party hereby waives the right to trial by jury with respect to any dispute between or among the Parties or their Subsidiaries with respect to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby.

10.10 Execution in Counterparts; Facsimile Signatures

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission, and a signature by facsimile, portable document format (.pdf) or other electronic transmission shall be as effective and binding as delivery of a manually executed original signature.

10.11 Public Announcement

The Borrower consult with the Lender prior to issuing any press release or other public announcement regarding this Agreement, the Lender (or any of its Affiliates) or the transactions contemplated hereby. The Borrower shall not make or issue any public announcement, press release, public statement or other public filing or issuance with respect to this Agreement, the transactions contemplated hereby, or the Lender (or any of its Affiliates), without the prior review, comment and approval of the Lender; provided, that if such public announcement, press release, public statement or other public filing or issuance is required by applicable Governmental Requirements, including Applicable Laws, then the Lender shall not unreasonably withhold or delay its consent. The Borrower shall provide a copy of any such

proposed public announcement, press release, public statement or other public filing or issuance to the Lender for review and comment, and the Borrower shall use its commercially reasonable efforts to provide such document to the Lender at least two (2) Business Days prior to release. The Borrower agrees to incorporate any reasonable comments or changes proposed by the Lender. Any comments provided by the Lender shall not be considered certification by such party as to the accuracy, veracity or completeness of the information contained in such public announcement, press release, public statement or other public filing or issuance, or a confirmation or certification by the Lender that the content of such document complies with Securities Laws or other applicable Governmental Requirements.

10.12 Inconsistent Provisions

In the event of any conflict between this Agreement and any of the other Loan Documents, the provisions of this Agreement shall govern and be controlling.

10.13 Release of Security Documents; Termination of Covenants

Upon (a) the Maturity Date, (b) the payment in full of the Loan and all accrued and interest thereon, (c) the payment in full of all other fees, expenses and other amounts due hereunder and under each other Loan Document, and (d) the complete and irrevocable payment and performance of all Obligations (other than provisions of such agreements which by the terms of such agreements survive the termination of this Agreement), then (i) all covenants of the Borrower in Articles 7 and 8 hereof will terminate, and (ii) at the request of the Borrower, the Lender will release the Security Documents. Notwithstanding the foregoing, in the event that the TSX has not provided its acceptance of this Agreement on or prior to October 26, 2022, the Borrower may terminate this Agreement by providing written notice to the Lender and (i) all covenants of the Borrower in Articles 7 and 8 hereof will terminate, and (ii) the Lender will release the Security Documents.

10.14 Severability

If any provision hereof is determined to be ineffective or unenforceable for any reason, the remaining provisions hereof shall remain in effect, binding on the parties and enforceable at the election of the Lender in its sole discretion.

10.15 Survival of Representations and Warranties

All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of any Loan.

10.16 Entire Agreement; Schedules and Exhibits.

This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof, superseding all prior statements, representations, discussions, agreements and understandings, oral or written, relating to such subject matter, including all term sheets and commitment letters.

10.17 Further Assurances

The Borrower shall execute, acknowledge and deliver to the Lender such other and further documents, certificates and Instruments and do or cause to be done such other acts as the Lender reasonably determines to be necessary or desirable to effect the intent of the parties to this Agreement or otherwise to protect and preserve the interests of the Lender hereunder, promptly upon request of the Lender, including the execution and delivery of any and all documents, certificates and Instruments which are necessary or advisable to create, protect, maintain or perfect in favor of the Lender, Liens on all Collateral of the Borrower.

10.18 Acknowledgements

Each of the parties hereto hereby acknowledges that:

- (a) it has been advised by its own legal counsel in the negotiation, preparation, execution and delivery of this Agreement and each other Loan Document;
- (b) this Agreement and the other Loan Documents shall not be construed against any party or more favourably in favor of any party based upon which party drafted the same, it being agreed and acknowledged that all parties contributed substantially to the negotiation and preparation of this Agreement and the other Loan Documents;
- (c) the Lender has no fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any other agreement, arrangement, Instrument or investment, and the relationship between the Lender, on one hand, and the Borrower, on the other hand, in connection herewith is solely that of debtor and creditor;
- (d) neither this Agreement nor any other Loan Document to which the Borrower and the Lender is a party creates a joint venture, partnership, agency relationship or fiduciary duty, and no joint venture, partnership, agency relationship or fiduciary duty shall be deemed to exist, between the Lender and the Borrower;
- (e) the Lender is and has been acting solely as a principal and the Lender has not been, is not, and will not be, acting as an advisor, agent or fiduciary for the Borrower;
- (f) the Lender may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and the Lender has no obligation to disclose any of such interests to the Borrower or its Affiliates; and
- (g) The Borrower shall not claim that the Lender has rendered advisory services of any nature or with respect to, or owes a fiduciary or similar duty to, the Borrower in connection with this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the process leading thereto.

10.19 Submission to Jurisdiction; Venue; Service

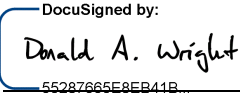
The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Ontario, Canada, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Credit Party or its properties in the courts of any jurisdiction.

- (a) The Borrower irrevocably and unconditionally waives to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 10.19 hereof. The Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.
- (b) The Borrower hereto irrevocably consents to service of process in the manner provided for notices in Section 10.2 hereof. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written

FIRE & FLOWER HOLDINGS CORP.:

Per:  DocuSigned by:
55287665E8EB41B...
Name: Donald Wright
Title: Director

2707031 ONTARIO INC.:

Per: _____
Name: Claude Tessier
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written

FIRE & FLOWER HOLDINGS CORP.:

Per: _____
Name: Donald Wright
Title: Chair of the Board

2707031 ONTARIO INC.:

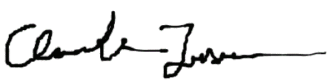
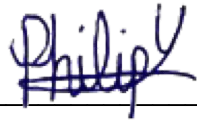
Per:  _____
Name: Claude Tessier
Title: Director

EXHIBIT "J"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", is written above a horizontal line.

Commissioner for Taking Affidavits

GUARANTEE

TO: 2707031 Ontario Inc.

DATE: October 17, 2022

WHEREAS pursuant to a loan agreement dated as of October 17, 2022 (such agreement, as amended, restated or supplemented from time to time, the "**Loan Agreement**") made between Fire & Flower Holdings Corp. (the "**Borrower**") and 2707031 Ontario Inc. (the "**Lender**"), the Lender agreed to lend to the Borrower certain amounts further described in Section 2.1 therein, on the terms and subject to the conditions contained therein;

AND WHEREAS it is a condition precedent to the drawdown of funds under the Loan Agreement that each of Fire & Flower Inc., Friendly Stranger Holdings Corp., 10926671 Canada Ltd., Hifyre Inc., 11180703 Canada Inc., 13318184 Canada Inc. and Pineapple Express Delivery Inc. (each and collectively, the "**Guarantor**") guarantee the payment and performance of the Obligations (as defined therein) of the Borrower to the Lender under the Loan Agreement;

AND WHEREAS each Guarantor is a wholly-owned subsidiary of the Borrower;

AND WHEREAS each Guarantor may from time to time benefit from the provision of the loans provided to the Borrower under the Loan Agreement as a result of loans made to such Guarantor, directly or indirectly, by the Borrower, the provision of equity capital, directly or indirectly, to such Guarantor by the Borrower or the generally improved financial viability of the Borrower and its affiliates;

AND WHEREAS it is in the best interests of each Guarantor to execute and deliver this Guarantee and to perform its obligations hereunder;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the sum of \$1.00 now paid by the Lender to each Guarantor and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), each Guarantor agrees as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

For the purpose of this Guarantee, including the recitals herein, capitalized terms used but not defined in this Guarantee shall have the respective meanings ascribed to such terms in the Loan Agreement and the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Banking Day**" has the meaning given to it in the Loan Agreement;

"**Borrower**" has the meaning given to it in the first recital to this Guarantee;

"**Loan Agreement**" has the meaning given to it in the first recital to this Guarantee;

"**Guarantor**" has the meaning given to it in the second recital to this Guarantee;

“Insolvency Proceeding” has the meaning given to it in Section 2.6;

“Intercorporate Indebtedness” has the meaning given to it in Section 4.4;

“Lender” has the meaning given to it in the first recital to this Guarantee;

“Obligations” has the meaning given to it in the Loan Agreement;

“Original Currency” has the meaning given to it in Section 5.8; and

“Other Currency” has the meaning given to it in Section 5.8.

1.2 Rules of Construction

Except as may be otherwise specifically provided in this Guarantee and unless the context otherwise requires, in this Guarantee:

- (a) the terms **“Guarantee”**, **“this Guarantee”**, **“the Guarantee”**, **“hereto”**, **“hereof”**, **“herein”**, **“hereby”**, **“hereunder”** and similar expressions refer to this Guarantee in its entirety and not to any particular provision hereof;
- (b) references to an **“Article”**, **“Section”**, **“Schedule”** or **“Exhibit”** followed by a number or letter refer to the specified Article or Section of or Schedule or Exhibit to this Guarantee;
- (c) the division of this Guarantee into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Guarantee;
- (d) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders;
- (e) the word **“including”** is deemed to mean **“including without limitation”**;
- (f) the terms **“party”** and **“the parties”** refer to a party or the parties to this Guarantee and the Loan Agreement;
- (g) any reference to any agreement (including this Guarantee), indenture or other instrument in writing means such agreement, indenture or other instrument in writing as amended, modified, replaced or supplemented from time to time;
- (h) any reference to a statute, regulation or rule shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced, and any reference to a statute shall include any regulations or rules made thereunder;
- (i) any reference in this Guarantee to the Lender shall be construed to include its successors and assigns;
- (j) all dollar amounts refer to Canadian dollars;

- (k) any time period within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and
- (l) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Banking Day, such payment shall be made, action shall be taken or period shall expire on the next following Banking Day.

1.3 Entire Agreement

This Guarantee, the Loan Agreement, and any other agreement entered into in pursuance of the transactions contemplated in the Loan Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided herein or therein.

1.4 Time of Essence

Time shall be of the essence of this Guarantee.

1.5 Governing Law and Submission to Jurisdiction

(a) This Guarantee shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable in that province.

(b) Each Guarantor irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario over any action or proceeding arising out of or relating to this Guarantee, (ii) waives any objection that it might otherwise be entitled to assert to the jurisdiction of such courts and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

1.6 Severability

Whenever possible, each provision or portion of any provision of this Guarantee will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Guarantee in any jurisdiction shall not affect the validity or enforceability of the remainder of this Guarantee in that jurisdiction or the validity or enforceability of this Guarantee, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court determine that any provision or portion of any provision of this Guarantee is not reasonable or valid, the parties hereto agree that such provision should be interpreted and enforced to the maximum extent which the court deems reasonable or valid and the parties agree to request that the court apply notional severance to give effect to the provisions of this Guarantee to the fullest extent deemed reasonable or valid by the court.

1.7 Compliance with *Interest Act* (Canada)

For the purposes of this Guarantee, whenever interest is to be calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

Each Guarantor confirms that it fully understands and is able to calculate the rate of interest applicable to any amounts outstanding based on the methodology for calculating per annum calculations rates provided for herein. The Lender agrees that if requested in writing by a Guarantor, it shall calculate the nominal and effective per annum rate of interest on any amount outstanding at any time and provide such information to such Guarantor promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve a Guarantor of any of its obligations under this Guarantee or the Loan Agreement, nor result in any liability to the Lender. Each Guarantor hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Guarantee, that the interest payable under this Agreement and the calculation thereof has not been adequately disclosed to the Guarantors, whether pursuant to Section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

1.8 Conflict

In the event of a conflict or inconsistency between the provisions of this Guarantee and the provisions of any other Loan Document, the provisions giving the Lender rights or remedies shall govern (to the maximum extent permitted by applicable laws), it being understood that the purpose of this Guarantee and all of the other Loan Documents is to add to, and not detract from, the rights granted to the Lender under the Loan Documents. In the event of any other conflict or inconsistency between the terms of this Guarantee and the Loan Agreement, the applicable terms of the Loan Agreement shall govern.

ARTICLE 2 GUARANTEE

2.1 Guarantee of Obligations under the Loan Agreement

Subject to the provisions hereof, each Guarantor hereby unconditionally and irrevocably guarantees in favour of the Lender the due and punctual payment and performance in full of the Obligations arising under the Loan Agreement and the other Loan Documents, including the principal amount of any loans from time to time outstanding thereunder, interest thereon and any and all fees, expenses or costs payable by the Borrower to the Lender in connection therewith. Each Guarantor also agrees to pay all costs and expenses incurred by the Lender in enforcing its rights hereunder or thereunder.

2.2 Guarantee Absolute

The liability of each Guarantor hereunder shall be absolute and unconditional irrespective of:

- (a) any lack of validity or enforceability of the Loan Agreement or the Loan Documents;
- (b) any change in the time, manner or place of payment of, amount of credit available to the Borrower under, or in any other term of, or any other amendment or waiver of or any consent to departure from, the Loan Agreement or the Loan Documents;
- (c) any change in the name, share capital, articles of incorporation, by-laws or other constating documents of the Borrower or the Borrower being amalgamated with another corporation (in which case this Guarantee shall apply to the Obligations of the resulting corporation and the term "**Borrower**" shall include such resulting corporation);
- (d) any equities between the Lender, such Guarantor or the Borrower or any defence or right of set-off, compensation, abatement, combination of accounts or cross-claim that such Guarantor or the Borrower may have;
- (e) any act or omission on the part of the Lender that would prevent subrogation operating in favour of such Guarantor;
- (f) any contest by the Borrower, such Guarantor or any other guarantor as to the amount of the Obligations, the validity or enforceability of any term of the Loan Agreement, this Guarantee or any other Loan Document, or the priority of any security;
- (g) the assignment of all or any part of the benefits of this Guarantee;
- (h) any invalidity, non-perfection or unenforceability of any security held by the Lender or any irregularity or defect in the manner or procedure by which the Lender realizes on such security;
- (i) any non-disclosure to such Guarantor by the Lender, the Borrower or any other person of any matter (whether now existing or arising hereafter) relating in any way to the Obligations or the liability of such Guarantor hereunder, including any material change in circumstances or any act or omission of the Lender referred to in this Section 2.2 or Section 2.3; and
- (j) to the fullest extent permitted by applicable law, any other circumstances which might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of the Obligations or of such Guarantor in respect of its guarantee;

it being the intent of each Guarantor that liability to the Lender under this Guarantee shall be absolute and unconditional under any and all circumstances and shall not be discharged except by payment in full of the Obligations. Each Guarantor irrevocably waives any defence, set-off or counterclaim in respect of such liability that might otherwise arise by reason of anything referred to in this Section 2.2 or Section 2.3.

The Lender shall not be concerned to see or enquire into the powers of the Borrower or any of its directors, officers, managers or other agents, acting or purporting to act on its behalf, and moneys, advances, renewals or credits in fact borrowed or obtained from the

Lender in professed exercise of such powers shall be deemed to form part of the Obligations, notwithstanding that such borrowing or obtaining of moneys, advances, renewals or credits shall be in excess of the powers of the Borrower or of its directors, officers, managers or other agents aforesaid, or be in any way irregular, defective or informal. This Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment or performance of any of the Obligations is rescinded or must otherwise be returned by the Lender upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

2.3 Dealing with the Borrower and Others

(a) The obligations and liabilities of each Guarantor hereunder shall not be released, discharged, limited or in any way affected by anything done, suffered or permitted by the Lender in connection with any moneys advanced by the Lender to the Borrower or any security therefor, including any loss of or in respect of any security received by the Lender from the Borrower or others or by any other matter, act, omission, circumstance or other thing of any nature, kind or description, other than the due payment or performance in full of all of the Obligations. In particular, without limiting the generality of the foregoing, the Lender may, without notice to or the consent of each Guarantor:

- (i) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (ii) release, discharge, compromise or otherwise deal with (with or without consideration) or allow any creditor of the Borrower or such Guarantor or any other person to deal with any and all collateral, mortgages or other security given by the Borrower or any third party with respect to the obligations or matters contemplated by the Loan Agreement;
- (iii) do, or omit to do, anything to enforce the payment or performance of any of the Obligations or take or abstain from taking security or collateral from the Borrower or any other person or to perfect or abstain from perfecting any security interest;
- (iv) vary, increase, compromise, exchange, renew, discharge, release, discharge, subordinate, postpone, abandon or otherwise deal with any of the Obligations or any security interest;
- (v) apply all moneys at any time received from the Borrower or from realization on security upon such part of the Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; or
- (vi) otherwise deal with the Borrower and all other persons and security as the Lender may see fit,

and no such act or omission by the Lender shall release, discharge, limit or otherwise affect in whole or in part each Guarantor's obligations and liabilities hereunder, notwithstanding that such act or omission may increase the Obligations or the liability of each Guarantor hereunder.

(b) The Lender shall not be bound or obliged to exhaust its recourse against the Borrower or other persons or any security or collateral it may hold or take any other action (other than make demand pursuant to Section 4.1) before being entitled to payment from each Guarantor hereunder.

(c) Any account settled by or between the Lender and the Borrower with respect to the Obligations or any of them shall be accepted by each Guarantor as conclusive evidence that the balance or amount thereby appearing due to the Lender is so due.

(d) This Guarantee is in addition to and without prejudice to any other guarantees or security of any kind now or hereafter held by the Lender.

2.4 Continuing Guarantee

This Guarantee is a continuing guarantee and shall remain in full force and effect until the later of (i) indefeasible payment in full of the Obligations and all other amounts payable hereunder and (ii) the termination of the Lender's obligations to advance funds under the Loan Agreement or any other Loan Document. None of the Obligations shall be limited, lessened or released, nor shall this Guarantee be discharged, by the recovery of any judgment against the Borrower or any other person, by any voluntary or involuntary liquidation, dissolution, winding-up, merger or amalgamation of the Borrower, any of the Guarantors or any other person, by any sale or other disposition of all or substantially all of the assets of the Borrower, or by any judicial or extra-judicial receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, moratorium, arrangement, composition with creditors or other proceedings affecting the Borrower, any of the Guarantors or any other person. If at any time the Lender has the right to accelerate the payment of moneys owed to it under the Loan Agreement, and such acceleration is prevented by reason of the pendency against the Borrower of a case or proceeding under a bankruptcy or insolvency law, each Guarantor agrees that, for purposes of this Guarantee such payment shall be deemed to have been accelerated in accordance with the terms thereof, and each Guarantor shall forthwith pay or cause to be paid the full amount of principal of and interest so owing and any other amounts guaranteed hereunder without further notice or demand. This is a guarantee of payment, not a deficiency guarantee.

2.5 Indemnity

It is the intent of this Guarantee that the Lender be fully indemnified for the complete payment and performance of all of the Obligations. If for any reason the Lender cannot obtain full payment or performance of all of the Obligations from the Borrower or under this Guarantee, each Guarantor agrees as a separate covenant, distinct from the guarantee given in this Guarantee, to fully indemnify the Lender for all loss, cost, damage, expense, claims and liability which the Lender may at any time suffer or incur in connection with:

- (a) any failure of the Borrower to duly and punctually pay or perform the Obligations;
- (b) any loss for any reason, including by operation of law or by the negligence of the Lender or otherwise, of any right the Lender has against the Borrower or such Guarantor; and
- (c) any action or omission of the Lender in connection with the enforcement of any of its rights or remedies against the Borrower or such Guarantor.

2.6 Subrogation

Each Guarantor shall have no right of subrogation in respect of payments made to the Lender hereunder until such time as all Obligations to the Lender shall have been fully satisfied. In the case of the receivership, interim receivership, sequestration, administration, liquidation, winding-up, dissolution or bankruptcy of the Borrower (whether voluntary or involuntary) or any similar proceeding in respect of the Borrower for the relief from or otherwise affecting creditors of the Borrower, or in the event that the Borrower shall make any assignment for the general benefit of creditors, an arrangement, a compromise, or composition with its creditors (each, an “**Insolvency Proceeding**”), the Lender shall have the right to rank for its full claims and to receive all dividends or other payments in respect thereof until its claims have been paid in full and each Guarantor shall continue to be liable to the Lender for any balance which may be owing to the Lender by the Borrower. If any amount shall be paid to any of the Guarantors in connection with an Insolvency Proceeding at any time when all Obligations shall not have been fully satisfied, such amount shall be held in trust for the benefit of the Lender and shall forthwith be paid to the Lender to be credited and applied against the Obligations, whether matured or unmatured. If (a) any of the Guarantors shall make payment to the Lender of all or any part of the Obligations and (b) all the Obligations shall be paid in full, the Lender will, at the applicable Guarantor’s request, forthwith, execute and deliver to the applicable Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the applicable Guarantor of its interest in the Obligations resulting from such payment by the applicable Guarantor.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties

Each Guarantor represents and warrants to the Lender that:

- (a) all representations and warranties contained in Article 6.1 of the Loan Agreement relating to the Guarantor or any agreement or document (including this Guarantee) executed and delivered by the Guarantor are true and correct; and
- (b) the Borrower is, directly or indirectly, the registered and beneficial owner of all of the issued and outstanding shares of the Guarantor.

3.2 Survival of Representations and Warranties

All representations and warranties of each Guarantor contained in this Guarantee for the benefit of the Lender are material, shall survive the execution and delivery of this Guarantee and shall continue in full force and effect without time limit.

3.3 Reliance on Representations and Warranties

Each Guarantor acknowledges that the Lender is relying on such representations and warranties notwithstanding any investigation made by or on behalf of the Lender at any time.

ARTICLE 4 REMEDIES

4.1 Demand for Payment

Each Guarantor shall pay the Obligations immediately after demand in writing, without any evidence that the Lender has demanded that the Borrower pay or perform any of the Obligations or that the Borrower has failed to do so. If the Lender makes a demand upon a Guarantor, such Guarantor shall be held and bound to the Lender as a principal debtor in respect of the Obligations and shall pay interest on such liability from the date of such demand, both before and after judgment and default, at the rate or rates then applicable to the Obligations under the Loan Agreement. Each Guarantor shall pay each of the Obligations in the applicable currencies of the Obligations, free and clear and without deduction for any present or future taxes, charges or withholdings of any kind.

4.2 Appropriations

The Lender may, at its sole discretion, appropriate moneys received to such of the Obligations and in such order, as it sees fit, and may change any appropriation at any time.

4.3 Waiver of Notice of Acceptance

Each Guarantor hereby waives notice of acceptance of this instrument.

4.4 Subordination and Postponement

All debts and liabilities, present and future, of the Borrower to each Guarantor ("**Intercorporate Indebtedness**") are assigned to the Lender and postponed to the Obligations. Until the Obligations have become due and payable hereunder, each Guarantor may receive payments in respect of Intercorporate Indebtedness in accordance with their terms. Upon the Obligations having become due and payable hereunder, all moneys received by each Guarantor in respect of Intercorporate Indebtedness shall be received in trust for the Lender and forthwith upon receipt shall be paid over to the Lender all without in any way lessening or limiting the liability of the applicable Guarantor under this Guarantee. This assignment and postponement is independent of the Guarantee and shall remain in full force and effect until repayment in full to the Lender of all the Obligations, notwithstanding that the liability of a Guarantor may have been discharged or terminated. Each Guarantor waives, in accordance with subsection 46(6.1) of the *Personal Property Security Act* (Ontario), the right to receive a copy of the verification statement in respect of any financing statement registered under such Act in respect of the foregoing assignment of Intercorporate Indebtedness, and of any verification statement in respect of any financing change statement registered under the Act in respect of such financing statement.

ARTICLE 5 GENERAL

5.1 Acknowledgment of Review of Loan Agreement

The Guarantor acknowledges that it has been provided with, and reviewed copies of, the Loan Agreement and all other Loan Documents.

5.2 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by fax or email or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

- (i) if to the Guarantor:

130 King Street West, Suite 2500
Toronto, Ontario M5X 1C8

Attention: Stéphane Trudel
Email: strudel@fireandflower.com

with a copy (which shall not constitute notice) to:

Dentons Canada LLP
Suite 400, Toronto-Dominion Centre
77 King Street West
Toronto, Ontario M5K 0A1

Attention: Eric Foster
Email: eric.foster@dentons.com

- (ii) if to the Lender:

c/o 4204 Industriel Boulevard
Laval, Québec H7L 0E3

Attention: Valéry Zamuner
E-mail: valery.zamuner@couche-tard.com

with a copy (which shall not constitute notice) to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montréal, Québec H3A 3N9

Attention: Sébastien Thériault
E-mail: stheriault@dwpv.com

or, as to each party, at such other address or number as shall be designated by such party in a written notice to the other. All notices, requests, demands or other communications to or upon the respective parties shall be in writing (including by e-mail), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made: (a) when delivered by hand, upon receipt; (b) when delivered by e-mail, upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment), provided that if such notice, request, demand or communication transmitted by e-mail is not sent during the normal business hours of the recipient, such

notice, request or demand shall be deemed to have been sent at the opening of business on the next Business Day for the recipient; (c) on the Business Day immediately following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to a reputable national overnight air courier service; or (d) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid.

5.3 Waiver

(a) No amendment or waiver of any provision of this Guarantee shall be binding on the Lender unless consented to in writing and signed by the Lender. No waiver of any provision of this Guarantee shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Guarantee constitute a continuing waiver unless otherwise expressly provided.

(b) Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained shall be deemed not to be a waiver of any subsequent default. No waiver shall be inferred from or implied by any failure to act or delay in acting by the Lender in respect of any default or by anything done or omitted to be done by a Guarantor.

(c) The rights and remedies of the Lender under this Guarantee are cumulative and not alternative. Any single or partial exercise by the Lender of any right or remedy for a default of any term, covenant, condition or agreement in this Guarantee shall not be deemed to be a waiver of or to alter, affect or prejudice any other rights or remedies to which the Lender may be lawfully entitled for the same default. Such rights and remedies are in addition to and not in substitution for any rights or remedies provided by applicable law.

5.4 Set-Off

Upon the occurrence and during the continuance of an Event of Default, the Lender is authorized to the full extent permitted by applicable law, without notice to each Guarantor (any such notice being expressly waived by each Guarantor), to set off and apply any and all amounts at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of each Guarantor against the Obligations. The Lender agrees promptly to notify the applicable Guarantor after any such set-off and application. The failure to give such notice shall not, however, affect the validity of such set-off and application. The rights of the Lender under this Section are in addition to other rights and remedies (including other rights of set-off) which the Lender may have.

5.5 Assignment

Except as permitted under the Loan Agreement, a Guarantor may not assign any of its rights or benefits under this Guarantee, or delegate any of its duties or obligations, except with the prior written consent of the Lender.

5.6 Successors and Assigns

This Guarantee shall:

- (a) be binding upon and enforceable against each Guarantor, its successors and permitted assigns; and

- (b) enure to the benefit of and be enforceable by the Lender and its respective successors and assigns.

5.7 Further Assurances

Each Guarantor shall, from time to time hereafter and upon any reasonable request of the Lender, promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required or necessary for the purposes of giving effect to this Guarantee in order to give effect to the provisions of this Guarantee.

5.8 Judgment Currency

(a) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Lender in any currency (the "**Original Currency**") into another currency (the "**Other Currency**"), each Guarantor agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Lender could purchase the Original Currency with the Other Currency on the Banking Day preceding the day on which final judgment is given or, if permitted by applicable law, on the day on which the judgment is paid or satisfied.

(b) The obligations of each Guarantor in respect of any sum due in the Original Currency from it to the Lender under this Guarantee shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Banking Day following receipt by the Lender of any sum adjudged to be so due in the Other Currency, the Lender may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Lender in the Original Currency, each Guarantor agrees, as a separate obligation and notwithstanding the judgment, to indemnify the Lender, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Lender in the Original Currency, the Lender shall remit such excess to the applicable Guarantor.

5.9 Limitations Act, 2002 (Ontario)

Each Guarantor acknowledges and agrees that the Lender may demand payment in accordance with the terms of this Guarantee and commence proceedings against the Guarantor in respect of any claim pursuant to this Guarantee at any time after such demand has been made while any of the Obligations remain unpaid, notwithstanding any limitation period under the *Limitations Act, 2002* (Ontario) or any other applicable law and, to the fullest extent permitted by law, all limitation periods under such Act or other applicable law are hereby expressly excluded. For greater certainty, each Guarantor acknowledges that this Guarantee is a "**business agreement**" within the meaning of subsection 22(6) of the *Limitations Act, 2002* (Ontario).

(The remainder of this page is intentionally left blank; signature page follows.)

IN WITNESS WHEREOF each of the Guarantors has executed this Guarantee on the date first written above.

FIRE & FLOWER INC

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

**FRIENDLY STRANGER HOLDINGS
CORP**

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

10926671 CANADA LTD.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

HIFYRE INC.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

11180703 CANADA INC.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B...
Name: Donald Wright
Title: Director

13318184 CANADA INC.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

PINEAPPLE EXPRESS DELIVERY INC.

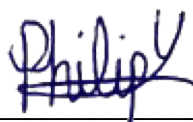
DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

EXHIBIT "K"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is written in a cursive style with a horizontal line under the name.

Commissioner for Taking Affidavits

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made as of the 17th day of October, 2022,

BETWEEN:

2707031 ONTARIO INC.,
a corporation existing under the laws of Ontario,

(hereinafter referred to as the “**Secured Party**”),

- and -

FIRE & FLOWER HOLDINGS CORP.,
a corporation existing under the laws of Canada,

(hereinafter referred to as “**F&F**”),

- and -

FIRE & FLOWER INC., a corporation existing under the laws of Canada, **FRIENDLY STRANGER HOLDINGS CORP.**, a corporation existing under the laws of Ontario, **10926671 CANADA LTD.**, a corporation existing under the laws of Canada, **HIFYRE INC.**, a corporation existing under the laws of Ontario, **11180703 CANADA INC.**, a corporation existing under the laws of Canada, **PINEAPPLE EXPRESS DELIVERY INC.**, a corporation existing under the laws of Canada, and **13318184 CANADA INC.**, a corporation existing under the laws of Canada

(hereinafter referred to collectively as the “**Guarantors**” and, together with F&F, the “**Debtors**”).

WHEREAS pursuant to a loan agreement dated as of October 17, 2022 (the “**Loan Agreement**”) between F&F and the Secured Party, the Secured Party has agreed to advance monies to the Debtors, on the terms and subject to the conditions contained therein;

WHEREAS, as a condition precedent to any advance under the Loan Agreement, the Debtors are required to execute and deliver this Agreement and to grant to the Secured Party a continuing security interest in all of the Collateral to secure all Obligations;

AND WHEREAS the Guarantors are subsidiaries of F&F and, as guarantors of F&F’s Obligations under the Loan Agreement, are granting a security hereunder to secure all Obligations arising in connection with the Loan Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms

For the purpose of this Agreement, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

“Act” means the *Personal Property Security Act* (Ontario) and the regulations promulgated thereunder;

“Business Day” has the meaning given to it in the Loan Agreement;

“Canadian Bankruptcy and Insolvency Law” shall mean any Canadian federal or provincial law from time to time in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtor, including, but not limited to, the *Bankruptcy and Insolvency Act* (Canada), the *Companies’ Creditors Arrangement Act* (Canada), the *Winding up and Restructuring Act* (Canada), the *Canada Business Corporations Act* (Canada), the *Business Corporations Act* (Ontario);

“Collateral” means, subject to Sections 2.3 and 2.4, any and all real and Personal Property in which a security interest can be taken, reserved, created or granted whether under the Act or otherwise, and which is now or hereafter owned by any Debtor or in which any Debtor now has or hereafter acquires any interest or rights of any nature whatsoever, excluding Consumer Goods but including, without in any way limiting the generality of the foregoing, all Accounts, Money, Inventory, Equipment, Goods, Intangibles, Investment Property, Intellectual Property, Instruments, Chattel Paper, Documents of Title, insurance policies, insurance proceeds, insurance claims and all ledger sheets, files, records and all Proceeds, products and accessions from, of and to any thereof, and, where the context permits, any reference to **“Collateral”** shall be deemed to be a reference to **“Collateral or any part thereof”**;

“Contractual Rights” has the meaning given to it in Section 2.4;

“control” has the meaning given to it in the STA;

“Default” has the meaning given it in the Loan Agreement;

“Default Rate” has the meaning given to it in the Loan Agreement;

“Event of Default” has the meaning given to it in the Loan Agreement;

“Expenses” means any and all expenses incurred from time to time by the Secured Party, or any Receiver, in the preparation of this Agreement, in the perfection or

preservation of the Security Interest and any and all expenses incurred from time to time by the Secured Party, or any Receiver, in enforcing payment or performance of the Obligations or any part thereof or in locating, taking possession of, transporting, holding, repairing, processing, preparing for and arranging for the disposition of and/or disposing of the Collateral and any and all other expenses incurred by the Secured Party, or any Receiver, as a result of the Secured Party or such Receiver exercising any of its rights or remedies hereunder or under the Act or the STA including, without in any way limiting the generality of the foregoing, any and all legal expenses (on a full indemnity basis) including those incurred in any legal action or proceeding or appeal therefrom commenced or taken in good faith by the Secured Party and any and all fees and disbursements of any solicitor (on a full indemnity basis), accountant or evaluator or a similar Person employed by the Secured Party in connection with any of the foregoing and the costs of insurance and payment of taxes and other charges incurred in retaking, holding, repairing, processing and preparing for disposition and disposing of the Collateral;

“Governmental Authority” has the meaning given to it in the Loan Agreement;

“Intellectual Property” means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae, customer lists, data bases, documentation, registrations and franchises relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (vii) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs; (viii) any other intellectual property and industrial property; and (ix) all additions and improvements to the foregoing;

“Liens” has the meaning given to it in the Loan Agreement;

“limited liability company” has the meaning given to it in subsection 12(3) of the STA;

“LLC Interest” means any interest in a partnership or limited liability company which is not a Security;

“Loan Agreement” has the meaning given to it in the first recital to this Agreement;

“Loan Documents” has the meaning given to it in the Loan Agreement;

“Obligations” means advances to, and debts, liabilities, obligations, covenants and duties of, any Debtor arising under any Loan Document or otherwise with respect to the loan thereunder, whether direct or indirect (including those acquired by assumption),

absolute or contingent, due or to become due, now existing or hereafter arising and including interest, fees, expenses and premiums (including any prepayment premiums) that accrue after the commencement by or against any Debtor of any proceeding or procedure under the Canadian Bankruptcy and Insolvency Law or any similar laws naming such Person as the debtor in such proceeding or procedure, regardless of whether such interest, fees and expenses are allowed claims in such proceeding or procedure;

“**Permitted Liens**” has the meaning given to it in the Loan Agreement;

“**Person**” has the meaning given to it in the Loan Agreement;

“**Receiver**” has the meaning given to it in Section 7.1(l);

“**Registered Intellectual Property**” means any Intellectual Property in respect of which ownership, title, security interests, charges or encumbrances are from time to time registered, recorded or notated with any Governmental Authority pursuant to applicable laws;

“**Security Interest**” has the meaning given to it in Section 2.1;

“**STA**” means the *Securities Transfer Act, 2006* (Ontario) and the regulations promulgated thereunder;

“**ULC/Partnership**” means an unlimited company, unlimited liability company, unlimited liability corporation or general partnership; and

“**ULC/Partnership Interest**” means a Debtor's interest in any ULC/Partnership or its interest as a general partner in a limited partnership.

1.2 Other Definitions

All capitalized terms used herein and not otherwise defined herein shall, if defined therein, have the respective meanings assigned to them in the Act, including the terms “**Accession**”, “**Accounts**”, “**Certificated Security**”, “**Chattel Paper**”, “**Consumer Goods**”, “**Documents of Title**”, “**Equipment**”, “**Financial Asset**”, “**Futures Account**”, “**Goods**”, “**Instrument**”, “**Intangible**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Personal Property**”, “**Proceeds**”, “**Securities Account**”, “**Security**”, “**Securities Intermediary**” and “**Uncertificated Security**”. All other capitalized terms used herein and not defined shall have the respective meanings assigned to them in the Loan Agreement.

1.3 Rules of Construction

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires, in this Agreement:

- (a) the terms “**Agreement**”, “**this Agreement**”, “**the Agreement**”, “**hereto**”, “**hereof**”, “**herein**”, “**hereby**”, “**hereunder**” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;

- (b) references to an “**Article**”, “**Section**”, “**Schedule**” or “**Exhibit**” followed by a number or letter refer to the specified Article or Section of or Schedule or Exhibit to this Agreement;
- (c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders;
- (e) the word “**including**” is deemed to mean “**including without limitation**”;
- (f) the terms “**party**” and “**the parties**” refer to a party or the parties to this Agreement;
- (g) any reference to any agreement (including this Agreement), indenture or other instrument in writing means such agreement, indenture or other instrument in writing as amended, modified, replaced or supplemented from time to time;
- (h) any reference to a statute, regulation or rule shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced, and any reference to a statute shall include any regulations or rules made thereunder;
- (i) any reference in this Agreement to the Secured Party or a Receiver shall be construed to include its respective successors and assigns;
- (j) all dollar amounts refer to Canadian dollars;
- (k) any time period within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and
- (l) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, such payment shall be made, action shall be taken or period shall expire on the next following Business Day.

1.4 Compliance with Interest Act (Canada)

For the purposes of this Agreement, whenever interest is to be calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

Each Debtor confirms that it fully understands and is able to calculate the rate of interest applicable to any amounts outstanding based on the methodology for calculating per annum calculations rates provided for herein. The Secured Party agrees that if requested in

writing by a Debtor, it shall calculate the nominal and effective per annum rate of interest on any amount outstanding at any time and provide such information to such Debtor promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve such Debtor of any of its obligations under this Agreement or any other Loan Document, nor result in any liability to the Secured Party. Each Debtor hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement, that the interest payable under this Agreement and the calculation thereof has not been adequately disclosed to each Debtor, whether pursuant to Section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

1.5 Time of Essence

Time shall be of the essence of this Agreement.

1.6 Governing Law and Submission to Jurisdiction

(a) The Debtors irrevocably and unconditionally submit, for themselves and their property, to the nonexclusive jurisdiction of the courts of the Province of Ontario, Canada, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, the Loan Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement, the Loan Agreement or any other Loan Document shall affect any right that the Secured Party may otherwise have to bring any action or proceeding relating to this Agreement, the Loan Agreement or any other Loan Document against any Debtor or its properties in the courts of any jurisdiction.

(b) The Debtors irrevocably and unconditionally waive to the fullest extent permitted by applicable law, any objection that they may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement, the Loan Agreement or any other Loan Document in any court referred to in Section 1.6 hereof. The Debtors hereby irrevocably waive, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) The Debtors hereto irrevocably consent to service of process in the manner provided for notices in Section 11.2 hereof. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

1.7 Conflict

In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Loan Document, the provisions giving the Secured Party greater rights or remedies shall govern (to the maximum extent permitted by applicable laws), it being understood that the purpose of this Agreement and all of the other Loan Documents is to add to, and not detract from, the rights granted to the Secured Party under the Loan Documents. In the event of any other conflict or inconsistency between the terms of this Agreement and the Loan Agreement, the applicable terms of the Loan Agreement shall govern

1.8 Entire Agreement

This Agreement and the other Loan Documents to which a Debtor is a party constitute the entire agreement between the Debtors and the Secured Party with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing signed by the parties hereto. Each party hereto acknowledges that it has been advised by counsel in connection with the negotiation and execution of this Agreement and is not relying upon oral representations or statements inconsistent with the terms and provisions hereof.

1.9 Severability

Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court determine that any provision or portion of any provision of this Agreement is not reasonable or valid, the parties hereto agree that such provision should be interpreted and enforced to the maximum extent which the court deems reasonable or valid and the parties agree to request that the court apply notional severance to give effect to the provisions of this Agreement to the fullest extent deemed reasonable or valid by the court.

1.10 Incorporation of Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule 3.3	Names
Schedule 3.4	Locations
Schedule 3.5	Location of Collateral
Schedule 3.6(a)	Securities and LLC Interest
Schedule 3.6(b)	Other Investment Property
Schedule 3.6(c)	Location of Investment Property Collateral
Schedule 3.7	Intellectual Property

**ARTICLE 2
SECURITY INTEREST**

2.1 Creation of Security Interest

Subject to Sections 2.3 and 2.4, as continuing security for the due and timely payment and performance by the Debtors of the Obligations, the Debtors hereby grant to the Secured Party a security interest (the "**Security Interest**") in the Collateral.

2.2 Attachment

The Debtors and the Secured Party acknowledge and agree that value has been given for the granting of the Security Interest and that they have not agreed to postpone the time for attachment, except for after-acquired property forming part of the Collateral the attachment to which will occur forthwith upon the Debtors acquiring rights thereto.

2.3 Exception for Last Day of Leases

The Security Interest granted hereby does not and shall not extend to, and Collateral shall not include, the last day of the term of any lease or sub-lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtors, but the Debtors shall stand possessed of such last day in trust to assign the same as the Secured Party shall direct.

2.4 Exception for Contractual Rights

(a) The Security Interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which a Debtor is a party or of which a Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of or permit any Person to terminate the Contractual Rights, but such Debtor shall hold its interest therein in trust for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

(b) Each Debtor agrees that it shall, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any Contractual Rights to be subjected to the Security Interest. Each Debtor will also use all commercially reasonable efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.

(c) Section 2.4(a) shall not apply to any Contractual Rights in so far as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for Money due or to become due and Collateral shall, notwithstanding Section 2.4(a), include such Contractual Rights.

2.5 Control of Instruments, Securities, etc.

(a) The Debtors shall forthwith deliver to the Secured Party, to be held by the Secured Party hereunder, all Instruments, Certificated Securities, Chattel Paper, Documents of Title, certificated LLC Interests and other negotiable documents of title in its possession or control which pertain to or form part of the Collateral including, without limitation, those Securities and LLC Interests listed on Schedule 3.6 (if any), and shall, where appropriate, duly endorse the same for transfer in blank or as the Secured Party may direct and shall make all reasonable efforts to deliver to the Secured Party any and all consents or other instruments or documents necessary to comply with any restrictions on the transfer thereof in order to transfer the same to the Secured Party. The Debtors agree to denote the Secured Party's security interest on any Instruments, Certificated Securities, Chattel Paper, Documents of Title or other Collateral in the possession or control of the Debtors.

(b) If a Debtor acquires any Investment Property, LLC Interests or Instruments, such Debtor will notify the Secured Party in writing and provide the Secured Party with a revised Schedule 3.6(a) or Schedule 3.6(b), as applicable, recording the acquisition and particulars of such Investment Property, LLC Interests or Instruments within 10 Business Days after such acquisition. Upon request by the Secured Party, such Debtor will promptly deliver to and deposit with the Secured Party any such Investment Property which is Certificated Securities, certificated LLC Interests or Instruments, or in the case of any other Investment Property, enter into a control agreement with the relevant Securities Intermediary, Futures Intermediary or issuer and the Secured Party (in form and substance satisfactory to the Secured Party) or otherwise grant such control over such Investment Property as the Secured Party requires or considers necessary or desirable to perfect or better perfect its security interest in such Collateral or to give the Security Interest improved priority over the Collateral (including in the case of Uncertificated Securities or uncertificated LLC Interests, either delivering to the Secured Party an irrevocable agreement of the issuer of such Uncertificated Securities or uncertificated LLC Interests, on terms satisfactory to the Secured Party, that such issuer will comply with instructions originated by the Secured Party without the further consent of such Debtor, or causing such issuer to register the Secured Party or its agent or nominee, as directed by the Secured Party, as the registered owner of such Uncertificated Securities or uncertificated LLC Interests).

2.6 Intellectual Property

Each Debtor will promptly notify the Secured Party in writing of the acquisition by such Debtor of any Registered Intellectual Property. Such Debtor will provide the Secured Party with a revised Schedule 3.7 recording the acquisition and particulars of such additional Intellectual Property.

2.7 Transfer of Title

As further continuing security for the due and timely payment and performance by the Debtors of the Obligations, each Debtor, subject to Sections 2.3 and 2.4, hereby grants, bargains, sells, assigns and transfers to the Secured Party all Collateral (specifically excluding trade-marks and trade names) such that title thereto and ownership therein shall belong to and be vested in the Secured Party, provided that the Secured Party shall not thereby assume or be liable for any obligations or payments in respect of any of the Collateral and provided further that, upon the sale of any Collateral by a Debtor in accordance with Section 4.8, or upon the receipt of dividends or interest in accordance with Section 5.2(a)(ii), title thereto and ownership therein shall be divested automatically from the Secured Party and provided further that, upon the termination of this Agreement in accordance with Section 11.4(b), title to and ownership in the Collateral shall be re-vested automatically in such Debtor without any further act of the Secured Party or such Debtor.

2.8 Grant of Licence to Use Intellectual Property

At such time as the Secured Party is lawfully entitled to exercise its rights and remedies under Article 7, each Debtor grants (to the extent permitted by the terms of any licence, if applicable) to the Secured Party an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to each Debtor) to use, assign or sublicense any Intellectual Property in which each Debtor has rights wherever the same may be located, including in such licence access to (i) all media in which any of the licensed items may be recorded or stored, and (ii) all software and computer programs used for compilation or print-

out. The licence granted under this Section is to enable the Secured Party to exercise its rights and remedies under Article 7 and for no other purpose.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

Each Debtor represents and warrants to the Secured Party that as at the date hereof:

3.1 Representations and Warranties in the Loan Agreement

(a) For F&F only, the representations and warranties of F&F set forth in the Loan Agreement are true and correct.

(b) For the Guarantors, the representations and warranties set forth in the Guarantee Agreement and relating to the Guarantors are true and correct.

3.2 French Name

Each Debtor does not have or use a combined French and English name.

3.3 Business Names, Former Names and Predecessor Names

All business names, former names and names of all predecessors of the Debtors are set forth in Schedule 3.3.

3.4 Location of Debtor

Schedule 3.4 lists:

- (a) The Debtor's laws of incorporation or formation.
- (b) The registered office or head office of the Debtor.
- (c) The Debtor's place of business or, if it has more than one place of business, its chief executive office.
- (d) The location of the Debtor's books and records.
- (e) The location from which the Debtor's accounts and invoices are issued.

3.5 Location of Collateral

With the exception of Inventory in transit, all tangible assets comprising the Collateral are situate at the addresses set out in Schedule 3.5.

3.6 Investment Property

- (a) Schedule 3.6(a) lists all Securities or LLC Interests owned by the Debtor.

(b) Schedule 3.6(b) lists all Investment Property (other than Securities or LLC Interests) which are owned or maintained by or in which any Debtor otherwise has an interest or rights.

(c) Schedule 3.6(c) sets out:

- (i) for all Collateral which is Certificated Securities, the location of the certificate;
- (ii) for all Collateral which is Uncertificated Securities, the location of the issuer's jurisdiction;
- (iii) for all Collateral which is Securities Entitlements or Securities Accounts, the Security Intermediary's jurisdiction; and
- (iv) for all Collateral which is Futures Contracts or Futures Accounts, the Futures Intermediary's jurisdiction.

3.7 Intellectual Property

Schedule 3.7 lists all Registered Intellectual Property owned or used by the Debtor.

3.8 Designation of Partnership and LLC Interests

The terms of each partnership interest or limited liability company interest held by the Debtor, as set out in the applicable partnership agreement, limited liability company agreement or other constating documents and any certificate representing such interest, expressly provide that such interest is a “**security**” for the purposes of the STA.

3.9 Financial Assets

With respect to any Securities Account, the relevant Securities Intermediary has expressly agreed with the Debtors that all credit balances maintained therein shall not be treated as a Financial Asset.

ARTICLE 4 COVENANTS OF THE DEBTOR

So long as any of the Obligations exist, the Debtors covenant and agree as follows:

4.1 Maintain Collateral

The Debtors shall keep all Equipment comprising part of the Collateral (other than obsolete Equipment) in good order and repair, subject to normal wear and tear, and shall not use such Equipment in violation of the provisions of this Agreement or any other agreement between a Debtor and the Secured Party relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance.

4.2 No Accessions

The Debtors shall prevent any Collateral from being or becoming an accession to property.

4.3 Fixtures

The Debtors acknowledge and agree that no Collateral acquired by the Debtors after the date hereof shall become affixed to any real property except with the prior written consent of the Secured Party.

4.4 Delivery of Documents

In addition to the requirements set out in Section 2.5, the Debtors shall deliver to the Secured Party from time to time promptly upon request:

- (a) all statements of account, bills, invoices and books of account relating to Accounts and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same;
- (b) all policies and certificates of insurance relating to Collateral; and
- (c) such information concerning the Collateral, a Debtor and its business and affairs as the Secured Party may reasonably request.

4.5 Change of Name, Jurisdiction or Location

No Debtor shall change its name or add any new business name, change its jurisdiction of incorporation or formation, or change any of the locations referred to in Section 3.4 without providing at least fifteen Business Days' advance written notice to the Secured Party of such change or addition. The Debtors shall not change their business structure or identity except in accordance with the Loan Agreement.

4.6 Creating and Preserving the Security Interest

The Debtors shall, from time to time at the request of the Secured Party, make and do all such acts and things and execute and deliver all such instruments, agreements, financing statements and documents as the Secured Party reasonably requests by notice in writing given to the Debtors in order to create, preserve, perfect, validate or otherwise protect the Security Interest, to enable the Secured Party to exercise and enforce its rights and remedies hereunder and generally to carry out the provisions and purposes of this Agreement and, for greater certainty, the Debtors shall, from time to time at the request of the Secured Party, execute a power of attorney in such form as may be reasonably satisfactory to the Secured Party.

4.7 Restrictions on Dealings with Collateral

Except as provided in Section 4.8, each Debtor agrees that it shall not, without the prior written consent of the Secured Party or as specifically provided in the Loan Agreement:

- (a) sell, assign, transfer, exchange, lease, consign or otherwise dispose of any Collateral;
- (b) locate any Collateral at any location other than those set out in Section 3.5;
- (c) create, assume or suffer to exist any Liens upon the Collateral ranking or purporting to rank in priority to or pari passu with the Security Interest other than Permitted Liens; and
- (d) deliver or grant control over any Investment Property to any Person other than the Secured Party.

4.8 Permitted Dealings with Collateral

Other than as provided in the Loan Agreement, unless and until an Event of Default has occurred and is continuing, each Debtor may, without the consent of the Secured Party:

- (a) sell, assign, transfer, exchange, lease, consign or otherwise dispose of Inventory in the ordinary course of its business;
- (b) sell or otherwise dispose of such part of its Equipment which is no longer necessary or useful in connection with its business or which has become worn out or obsolete or unsuitable for the purpose for which it was intended;
- (c) collect Accounts in the ordinary course of its business; and
- (d) carry out any other acts permitted by the Loan Agreement;

provided that no permitted action by a Debtor, nor any consent provided by the Secured Party, shall be construed as a subordination or postponement of the Security Interest to or in favour of any other Liens, whether or not such Liens is a Permitted Liens.

4.9 Verification of Collateral

The Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any reasonable manner the Secured Party may consider appropriate, and each Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where Collateral may be located and to all premises occupied by such Debtor.

4.10 ULC/Partnership Interests

Notwithstanding the grant of the Security Interest set out in Section 2.1 and the transfer of title set out in Section 2.7, each Debtor shall remain registered as the sole registered and beneficial owner of all ULC/Partnership Interests and will remain as registered and beneficial owner until such time as such ULC/Partnership Interests are effectively transferred into the name of the Secured Party or any other Person on the books and records of such ULC/Partnership upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of an Event of Default hereunder.

Nothing in this Agreement is intended to or shall constitute the Secured Party or any other Person other than a Debtor as a shareholder, partner or member of any ULC/Partnership until such time as notice is given to such ULC/Partnership and further steps are taken thereunder so as to register the Secured Party or any other Person as the holder of the ULC/Partnership Interests of such ULC/Partnership upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of an Event of Default hereunder. To the extent any provision hereof would have the effect of constituting the Secured Party or any other Person as a shareholder, partner or member of a ULC/Partnership prior to such time, such provision shall be severed therefrom and ineffective with respect to the ULC/Partnership Interests of such ULC/Partnership without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to Securities which are not ULC/Partnership Interests. Except upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of an Event of Default hereunder, a Debtor shall not cause or permit, or enable any ULC/Partnership in which it holds ULC/Partnership Interests to cause or permit, the Secured Party to: (a) be registered as a shareholder, partner or member of such ULC/Partnership; (b) have any notation entered in its favour in the share register of such ULC/Partnership; (c) be held out as a shareholder, partner or member of such ULC/Partnership; (d) receive, directly or indirectly, any dividends, property or other distributions from such ULC/Partnership by reason of the Secured Party holding a security interest in such ULC/Partnership; or (e) act as a shareholder, partner or member of such ULC/Partnership, or exercise any rights of a shareholder, partner or member of such ULC/Partnership including the right to attend a meeting of shareholders, partners or members of such ULC/Partnership, or to vote such ULC/Partnership Interests.

4.11 Designation of Partnership and LLC Interests

No Debtor shall become a partner of any partnership or a member of any limited liability company unless the terms of the partnership interest or limited liability company interest, as set out in the applicable partnership agreement, limited liability company agreement or other constating documents and any certificate representing such interest, expressly provide that such interest is a “**security**” for the purposes of the STA.

4.12 Defend

The Debtors shall promptly notify the Secured Party of any Liens or other claim made or asserted against any of the Collateral and shall defend the Secured Party's security interest in the Collateral against any and all claims and demands whatsoever including any adverse claim as defined in the STA.

4.13 Securities Accounts

The Debtors shall, with respect to any Securities Account owned, opened, acquired or maintained by or on behalf of any Debtor on or after the date hereof, prior to opening or acquiring any such Securities Account expressly agree with the relevant Securities Intermediary that any credit balance maintained therein shall not be treated as a Financial Asset.

ARTICLE 5 INVESTMENT PROPERTY

5.1 Registration in Secured Party's Name

In addition to the rights granted to the Secured Party pursuant to Section 2.5(b) in respect of Uncertificated Securities, if the Collateral at any time includes Investment Property or LLC Interests, upon the occurrence and during the continuance of an Event of Default, each Debtor authorizes the Secured Party to transfer the same or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear as the sole owner of record thereof.

5.2 Voting and Other Rights

- (a) Subject to the terms of the Loan Agreement, so long as no Event of Default has occurred and is continuing:
 - (i) each Debtor may exercise all rights to vote and to exercise all rights of conversion or retraction or other similar rights with respect to any Securities or LLC Interests; provided that no such exercise, in the reasonable opinion of the Secured Party, will have an adverse effect on the value of such Securities or LLC Interests and all expenses of the Secured Party in connection therewith have been paid in full and provided further that, upon the exercise of the conversion right or retraction right, the additional Securities, LLC Interests or Money resulting therefrom shall be paid or delivered to the Secured Party; and
 - (ii) each Debtor shall, subject to Section 2.5, be entitled to receive all dividends (whether paid or distributed in cash, securities or other property), interest and other distributions declared and paid or distributed in respect of the Securities or LLC Interests.
- (b) Upon the occurrence of an Event of Default and during the continuance thereof:
 - (i) no proxy granted by the Secured Party or its nominee to a Debtor or its nominee in respect of any Securities or LLC Interests shall thereafter be effective;
 - (ii) each Debtor shall have no rights to vote or take any other action with respect to any Securities or LLC Interests;
 - (iii) the Secured Party may, but shall not be obligated to, vote and take all other actions with respect to any Securities or LLC Interests; and
 - (iv) each Debtor shall cease to be entitled to receive any dividends, interest or other distributions, whether declared or payable before or after the occurrence of an Event of Default, in respect of the Securities or LLC Interests and such dividends, interest or other distributions shall be received by such Debtor in trust and paid to the Secured Party in accordance with Section 6.2.

ARTICLE 6 COLLECTION OF PROCEEDS AND ACCOUNTS

6.1 Control of Proceeds and Accounts

After the occurrence of an Event of Default and during the continuance thereof, the Secured Party may, acting reasonably, at any time take control of any Proceeds and Accounts, and the Secured Party may notify, acting reasonably, any account debtor of the Debtors or any debtor under any instrument held by the Debtors or the Secured Party in satisfaction *pro tanto* of the Obligations hereunder to make payment directly to the Secured Party whether or not the Debtors have theretofore been making collections on the Collateral. From time to time after the occurrence of an Event of Default and during the continuance thereof and upon the reasonable request in writing of the Secured Party, the Debtors shall also so notify such Persons to make payment directly to the Secured Party and the Secured Party may, in its discretion, apply such in satisfaction *pro tanto* of the Obligations or hold such payments as further Collateral hereunder.

6.2 Money Received by Debtor in Trust

After the occurrence of an Event of Default and during the continuance thereof, if a Debtor shall collect or receive any payments in respect of any Accounts or any dividends, interest or other distributions in respect of any Securities or LLC Interests, or shall be paid for any of the other Collateral, or shall receive any Proceeds, all Money so collected or received by such Debtor shall be received by such Debtor as trustee for the Secured Party and shall be paid to the Secured Party forthwith upon demand and the Secured Party may, in its discretion, apply such in satisfaction *pro tanto* of the Obligations or hold such payments as further Collateral hereunder.

ARTICLE 7 DEFAULT AND THE SECURED PARTY'S REMEDIES

7.1 Remedies Upon Default

Upon the occurrence of any Event of Default and during the continuance thereof, all of the Obligations shall without any further notice or any other action on the part of the Secured Party be due and payable forthwith by the Debtors to the Secured Party and the Security Interest hereby granted shall immediately become enforceable and the Secured Party may, forthwith or at any time thereafter and without notice to the Debtors, except as provided in the Act or this Agreement:

- (a) declare any or all of the Obligations not then due and payable to be immediately due and payable by giving notice in writing thereof to the Debtors and, in such event, such Obligations shall be due and payable forthwith by the Debtors to the Secured Party;
- (b) commence legal action to enforce payment or performance of the Obligations;
- (c) require the Debtors, at the Debtors' expense, to assemble the Collateral at a place or places designated by notice in writing given by the Secured Party to the Debtors, and the Debtors agrees to so assemble the Collateral;

- (d) require the Debtors, by notice in writing given by the Secured Party to the Debtors, to disclose to the Secured Party the location or locations of the Collateral and the Debtors agrees to make such disclosure when so required by the Secured Party;
- (e) without legal process, enter any premises where the Collateral may be situated and take possession of the Collateral by any method permitted by law;
- (f) repair, process, complete, modify or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Debtors or otherwise and in connection with any such action utilize any of the Debtors' property without charge;
- (g) dispose of the Collateral by private or public sale, lease or otherwise upon such terms and conditions as the Secured Party may determine and whether or not the Secured Party has taken possession of the Collateral;
- (h) carry on all or any part of the business or businesses of the Debtors and, to the exclusion of all others including the Debtors, enter upon, occupy and, subject to any requirements of law and subject to any leases or agreements then in place, use all or any of the premises, buildings, plant, undertaking and other property of, or used by, the Debtors for such time and in such manner as the Secured Party sees fit, free of charge, and except to the extent required by law, the Secured Party shall not be liable to the Debtors for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages or other amount incurred in connection therewith or resulting therefrom;
- (i) file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtors;
- (j) borrow money for the purpose of carrying on the business of the Debtors or for the maintenance, preservation or protection of the Collateral and mortgage, charge, pledge or grant a security interest in the Collateral, whether or not in priority to the Security Interest hereby created and granted, to secure repayment of any money so borrowed or any interest or fees payable in connection herewith;
- (k) where the Secured Party has taken possession of the Collateral as herein provided, retain the Collateral irrevocably, to the extent not prohibited by law, by giving notice thereof to the Debtors and to any other Persons required by law in the manner provided by law provided that such retention reduces the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party of the Collateral so retained;
- (l) appoint, by an instrument in writing delivered to the Debtors, a receiver, manager or a receiver and manager (a "**Receiver**") and remove any Receiver so appointed and appoint another or others in its stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

- (i) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
 - (ii) such appointment may be made at any time after an Event of Default either before or after the Secured Party shall have taken possession of the Collateral;
 - (iii) the Secured Party may from time to time fix the reasonable remuneration of the Receiver and direct the payment thereof out of the Collateral or Proceeds; and
 - (iv) the Receiver shall be deemed to be the agent of the Debtors for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtors hereby agree to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (m) pay or discharge any Liens claimed by any Person and reasonably established to the satisfaction of the Secured Party in the Collateral and the amount so paid shall be added to the Obligations and shall bear interest calculated from the date of payment at the Default Rate until payment thereof; and
- (n) take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the Loan Agreement, the other Loan Documents, the Act, the STA or at law or in equity.

7.2 Sale of Collateral

(a) The parties hereto acknowledge and agree that any sale referred to in Section 7.1(g) may be a sale of either all or any portion of the Collateral and may be by way of public auction, public tender, private contract or otherwise without notice, advertisement or any other formality, except as required by law, all of which are hereby waived by each Debtor to the extent permitted by law. To the extent not prohibited by law, any such sale may be made with or without any special condition as to the upset price, reserve bid, title or evidence of title or other matter and from time to time as the Secured Party in its sole discretion thinks fit with power to vary or rescind any such sale or buy in at any public sale and resell. The Secured Party may sell the Collateral for a consideration payable by instalments either with or without taking security for the payment of such instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against each Debtor and all those claiming an interest in the Collateral by, from, through or under each Debtor.

(b) Without limiting Section 7.2(a), the parties hereto further acknowledge and agree that in connection with any sale by the Secured Party of any Investment Property or LLC Interest forming part of the Collateral, the Secured Party is authorized to comply with any limitation or restriction as it may be advised by counsel or otherwise considers is necessary to

comply with applicable law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Collateral. Each Debtor further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party will not be liable or accountable to the Debtors for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

7.3 Reference to Secured Party Includes Receiver

For the purposes of Sections 7.1 and 7.2, a reference to “**the Secured Party**” shall, where the context permits, include any Receiver.

7.4 Payment of Expenses

The amount of the Expenses shall be paid by the Debtors to the Secured Party from time to time forthwith after demand therefor is given by the Secured Party to the Debtors, together with interest thereon calculated from the date of such demand at the Default Rate, and payment of such Expenses together with such interest shall be secured by the Security Interest.

7.5 No Obligation to Enforce

The Secured Party shall not be under any obligation to, or liable or accountable for any failure to, enforce payment or performance of the Obligations or to seize, realize, take possession of or dispose of the Collateral and shall not be under any obligation to institute proceedings for any such purpose.

7.6 Waiver and Acknowledgment by Debtors

To the fullest extent permitted by law, each Debtor waives all of the rights, benefits and protections given by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of a secured party or upon the methods of realization of security, including any seize or sue or anti deficiency statute or any similar provisions of any other statute. Each Debtor acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Secured Party and any Receiver against each Debtor, its business and the Collateral upon the occurrence of an Event of Default, are commercially reasonable and not manifestly unreasonable.

ARTICLE 8 POSSESSION OF COLLATERAL BY THE SECURED PARTY

8.1 Possession of Collateral

Where any Collateral is in the possession of or controlled by the Secured Party:

- (a) the Secured Party may, at any time following the occurrence of an Event of Default which is continuing, grant or otherwise create a security interest in such

Collateral upon any terms, whether or not such terms impair a Debtor's right to redeem such Collateral;

- (b) the Secured Party may, at any time following the occurrence of an Event of Default which is continuing, use such Collateral in any manner and to such extent as it deems necessary or desirable; and
- (c) the Secured Party shall have no obligation to keep fungible Collateral in its possession identifiable.

8.2 Duty of the Secured Party

The Secured Party shall have no duty with respect to any of the Collateral in its possession other than the duty to use the same degree of care in the safe custody of the Collateral in its possession as it uses with respect to property which it owns.

ARTICLE 9 CONTINUING OBLIGATIONS

9.1 Continuing Obligations

Notwithstanding any other term or condition of this Agreement, this Agreement shall not relieve the Debtors or any other party to any of the Collateral from the observance or performance of any term, covenant, condition or agreement on its part to be observed or performed thereunder or from any liability to any other party or parties thereto or impose any obligation on the Secured Party to observe or perform any such term, covenant, condition or agreement to be so observed or performed, and the Debtors hereby agree to indemnify and hold harmless the Secured Party from and against any and all losses, liabilities (including liabilities for penalties), costs and expenses which may be incurred by the Secured Party under the Collateral and from all claims, demands, actions, suits and judgments which may be asserted against the Secured Party by reason of any alleged obligation or undertaking on their part to observe, perform or discharge any of the terms, covenants, conditions and agreements contained in the Collateral. The Secured Party may, at its option, perform any term, covenant, condition or agreement on the part of the Debtors to be performed under or in respect of the Collateral (and/or enforce any of the rights of the Debtors thereunder) without thereby waiving any rights to enforce this Agreement. Nothing contained in this Section 9.1 shall be deemed to constitute the Secured Party the mortgagee in possession of the Collateral or the lessee under any lease or agreement to lease unless the Secured Party has agreed to become such mortgagee in possession or to be a lessee.

ARTICLE 10 ACKNOWLEDGEMENT BY THE DEBTOR

10.1 Acknowledgements

Each Debtor:

- (a) acknowledges receipt of a true copy of this Agreement;
- (b) waives the right to receive a copy of the verification statement in respect of the financing statement registered under the Act evidencing the Security Interest,

and of any verification statement in respect of any financing change statement registered under the Act in respect of such financing statement, in accordance with subsection 46(6.1) of the Act; and

- (c) acknowledges and agrees that, subject to the terms of the Loan Agreement, this Agreement may be assigned by the Secured Party to any Person, as the Secured Party may determine and, in such event, such assignee shall be entitled to all of the rights and remedies of the Secured Party as set forth in this Agreement or otherwise and the Secured Party shall be released and discharged from its further obligations hereunder upon the assumption of same by the assignee.

ARTICLE 11 MISCELLANEOUS

11.1 Remedies Cumulative

The rights and remedies of the Secured Party under this Agreement are cumulative and not alternative. Any single or partial exercise by the Secured Party of any right or remedy for a default of any term, covenant, condition or agreement in this Agreement shall not be deemed to be a waiver of or to alter, affect or prejudice any other rights or remedies to which the Secured Party may be lawfully entitled for the same default. Such rights and remedies are in addition to and not in substitution for any rights or remedies provided by applicable laws.

11.2 Notices

(a) All notices, requests, demands and other communications provided for hereunder shall be in writing (including email communication) and transmitted to the following address or email address:

- (i) if to the Secured Party, at:

c/o 4204 Industriel Boulevard
Laval, Québec
H7L 0E3

Attention: Valéry Zamuner
E-mail: valery.zamuner@couche-tard.com

with a copy (which shall not constitute notice) to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue, 26th Floor
Montréal, Québec
H3A 3N9

Attention: Sébastien Thériault
E-mail: stheriault@dwpv.com

- (ii) if to the Debtors, at:

130 King Street West, Suite 2500
Toronto, Ontario
M5X 1C8

Attention: Stéphane Trudel
Email: strudel@fireandflower.com

with a copy (which shall not constitute notice) to:

Dentons Canada LLP
Suite 400, Toronto-Dominion Centre
77 King Street West
Toronto, ON M5K 0A1

Attention: Eric Foster
Email: eric.foster@dentons.com

or, as to each party, at such other address or number as shall be designated by such party in a written notice to the other. All notices, requests, demands or other communications to or upon the respective parties shall be in writing (including by e-mail), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made: (a) when delivered by hand, upon receipt; (b) when delivered by e-mail, upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment), provided that if such notice, request, demand or communication transmitted by e-mail is not sent during the normal business hours of the recipient, such notice, request or demand shall be deemed to have been sent at the opening of business on the next Business Day for the recipient; (c) on the Business Day immediately following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to a reputable national overnight air courier service; or (d) on the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid.

11.3 Waiver

(a) No amendment or waiver of any provision of this Agreement shall be binding on the Secured Party unless consented to in writing by the Secured Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

(b) No waiver by the Secured Party of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained shall be deemed to be a waiver of any subsequent default. No waiver shall be inferred from or implied by any failure to act or delay in acting by the Secured Party in respect of any default or by anything done or omitted to be done by a Debtor.

(c) The Secured Party may, at any time, grant extensions of time or other indulgences to, accept compositions from or grant releases and discharges to a Debtor in respect of the Collateral or otherwise deal with such Debtor or with the Collateral and other security held by the Secured Party, all as the Secured Party may see fit, and each Debtor

agrees that any such act or any failure by the Secured Party to exercise any of its rights or remedies, whether provided for herein or otherwise, shall in no way affect or impair the Security Interest or the rights and remedies of the Secured Party, whether provided for in this Agreement or otherwise.

11.4 Effective Date and Termination

(a) This Agreement shall become effective according to its terms immediately upon the execution hereof by the Secured Party and each Debtor.

(b) This Agreement may be terminated by:

- (i) written agreement made between the Secured Party and the Debtors; or
- (ii) notice in writing given by the Debtors to the Secured Party at any time when all of the Obligations have been fully satisfied and performed by the Debtors and the Loan Agreement has been terminated in accordance with its terms.

(c) Upon termination of this Agreement in accordance with the provisions of Section 11.4(b), the Secured Party shall, at the request and expense of the Debtors, make and do all such acts and things and execute and deliver all such financing statements, instruments, agreements and documents as the Debtors consider necessary or desirable to discharge the Security Interest, to release and discharge the Collateral therefrom and to record such release and discharge in all appropriate offices of public record.

11.5 Other Security

This Agreement and the Security Interest are in addition to and not in substitution for any other agreement made between the Secured Party and a Debtor or any other security granted by a Debtor to the Secured Party, whether before or after the execution of this Agreement.

11.6 Power of Attorney

(a) Each Debtor hereby appoints the Secured Party, or a Receiver as the agent of such Debtor, as such Debtor's attorney, with full power of substitution, in the name and on behalf of such Debtor, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as such Debtor has herein agreed to execute, deliver and do as may be required by the Secured Party to give effect to the Loan Agreement and/or this Agreement or in the exercise of any rights, powers or remedies hereby or thereby conferred on the Secured Party, and generally to use the name of such Debtor in the exercise of all or any of the rights, powers or remedies hereby or thereby conferred on the Secured Party including the right to bring actions for and in the name of such Debtor, the right to collect Accounts, and the right to exercise the rights of such Debtor under all agreements or contracts to which it is a party and to cure any defaults thereunder.

(b) The Secured Party shall only exercise its rights pursuant to Section 11.6(a) after the occurrence of and during the continuance of, an Event of Default except that the Secured Party may exercise its rights under Section 11.6(a) from the date of this Agreement with respect

to preparation and filing of financing statements or mortgages and such other documents and instruments as may be required to register or give notice of or perfect or preserve the Security Interest or to give effect to Section 11.7.

(c) The appointment in Section 11.6(a) is coupled with an interest and shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of a Debtor or for any other reason.

11.7 Registrations

Each Debtor will, from time to time at the request of the Secured Party, promptly effect all registrations, filings, recordings and all re-registrations, re-filings and re-recordings of or in respect of this Agreement and the Security Interest in such offices of public record and at such times as may be necessary or of advantage in perfecting, maintaining and protecting the validity, effectiveness and priority of this Agreement and/or of the Security Interest.

11.8 Application of Payments

Subject to the provisions of the Loan Agreement, any and all payments made by a Debtor to the Secured Party in respect of the Obligations from time to time and any and all moneys realized by the Secured Party whether hereunder or otherwise may be applied by the Secured Party to such part or parts of the Obligations as the Secured Party shall in its sole discretion determine. The Secured Party shall at all times and from time to time have the right to change any application so made.

11.9 Notice of Loan Agreement

This Agreement has been executed and delivered pursuant to the provisions of the Loan Agreement, and notice of the terms and conditions of the Loan Agreement, including the covenants of F&F therein, is hereby acknowledged by each Debtor.

11.10 Assignment

Except as permitted under the Loan Agreement, a Debtor may not assign any of its rights or benefits under this Agreement or delegate any of its duties or obligations without the prior written consent of the Secured Party.

11.11 Successors and Assigns

This Agreement shall:

- (a) be binding upon and enforceable against each Debtor and the successors and permitted assigns of each Debtor; and
- (b) enure to the benefit of and be enforceable by the Secured Party and its successors and assigns.

11.12 Further Assurances

Each Debtor shall, from time to time hereafter and upon any reasonable request of the Secured Party, promptly do, execute, deliver or cause to be done, executed and

delivered, at the expense of such Debtor, all further acts, documents and things as may be required or necessary for the purposes of giving effect to this Agreement or to more fully state the obligations of such Debtor as set out herein or to make any recording, file any notice or obtain any consents, all as may be necessary or appropriate in connection therewith.

11.13 Counterparts

(a) This Agreement and any document contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts (including in electronic form and/or with electronic signatures), with the same effect as if all parties had executed and delivered the same Agreement or document, and all counterparts shall be construed together to be an original and will constitute one and the same Agreement or document.

(b) To evidence the fact that it has executed this Agreement or any other document contemplated by or delivered under or in connection with this Agreement, a party may transmit an executed copy to the other party by fax or by electronic mail, or may use an electronic signature system to execute this Agreement or such other document and transmit its signature. The transmitting party shall be deemed to have delivered this Agreement or such other document on the date it so transmitted such executed copy or electronic signature, unless the parties agree to some other date as the date of delivery.

(c) The signature of an individual executing this Agreement or such other document on behalf of a party, if sent and received by electronic mail or fax transmission or applied and transmitted by an electronic signature system, will be deemed to be genuine in the absence of evidence to the contrary and thus effective in the hands of the recipient, and binding upon the individual whose signature it reproduces and upon the party on whose behalf that individual signed, for all purposes and with the same effect as if it were the original signature of that individual.

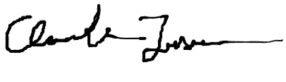
11.14 Survival

It is the express intention and agreement of the parties hereto that all covenants, representations, warranties and waivers and indemnities made by each Debtor herein shall survive the execution and delivery of this Agreement until all Obligations have been fully satisfied and performed by each Debtor and the Loan Agreement has been terminated in accordance with its terms.

(The remainder of this page is intentionally left blank; signature page follows.)

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

2707031 ONTARIO INC.

by 

Name: Claude Tessier
Title: Director

FIRE & FLOWER HOLDINGS CORP.

by _____

Name: Donald Wright
Title: Director

FIRE & FLOWER INC.

by _____

Name: Donald Wright
Title: Director

**FRIENDLY STRANGER HOLDINGS
CORP.**

by _____

Name: Donald Wright
Title: Director

10926671 CANADA LTD.

by _____

Name: Donald Wright
Title: Director

HIFYRE INC.

by _____

Name: Donald Wright
Title: Director

11180703 CANADA INC.

by _____

Name: Donald Wright
Title: Director

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

2707031 ONTARIO INC.

by _____
Name: Claude Tessier
Title: Director

FIRE & FLOWER HOLDINGS CORP.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

FIRE & FLOWER INC.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

**FRIENDLY STRANGER HOLDINGS
CORP.**

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

10926671 CANADA LTD.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

HIFYRE INC.

DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

11180703 CANADA INC.

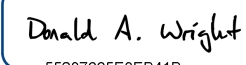
DocuSigned by:
by Donald A. Wright
55287665E8EB41B
Name: Donald Wright
Title: Director

13318184 CANADA INC.

by 

55287665E8EB41B...
Name: Donald Wright
Title: Director

PINEAPPLE EXPRESS DELIVERY INC.

by 

55287665E8EB41B...
Name: Donald Wright
Title: Director

**SCHEDULE 3.3
NAMES**

Business Names

Fire & Flower Cannabis Co.

Former Names

For Fire & Flower Holdings Corp., Cinaport Acquisition Corp. II

Predecessor Names

For Fire & Flower Holdings Corp., Cinaport Acquisition Corp. II

SCHEDULE 3.4 LOCATIONS

Laws of incorporation or formation:

Fire & Flower Holdings Corp., Canada
Fire & Flower Inc., Canada
Friendly Stranger Holdings Corp., Ontario
10926671 Canada Ltd., Canada
Hifyre Inc., Ontario
11180703 Canada Inc., Canada
13318184 Canada Inc., Canada
Pineapple Express Delivery Inc., Canada

Registered office or head office:

130 King Street, West, Suite 2500
Toronto, Ontario M5X 1C8

Place of business or, if there is more than one place of business, the chief executive office:

130 King Street, West, Suite 2500
Toronto, Ontario M5X 1C8

Location of the books and records:

130 King Street, West, Suite 2500
Toronto, Ontario M5X 1C8

Location from which accounts and invoices are issued:

130 King Street, West, Suite 2500
Toronto, Ontario M5X 1C8

SCHEDULE 3.5
LOCATION OF COLLATERAL

Alberta, British Columbia, Ontario, Saskatchewan, Manitoba, Yukon

SCHEDULE 3.6(A)
SECURITIES AND LLC INTEREST

Fire & Flower Holdings Corp. owns of all the issued and outstanding shares of Fire & Flower Inc.

Fire & Flower Inc. owns all of the issued and outstanding shares of each of Friendly Stranger Holdings Corp., 10926671 Canada Ltd., Hifyre Inc., 11180703 Canada Inc. and 13318184 Canada Inc.

Hifyre Inc. owns all of the issued and outstanding shares of Pineapple Express Delivery Inc.

**SCHEDULE 3.6(B)
OTHER INVESTMENT PROPERTY**













N/A

SCHEDULE 3.6(C)
LOCATION OF INVESTMENT PROPERTY COLLATERAL

N/A

SCHEDULE 3.7 INTELLECTUAL PROPERTY

The following trademarks registered at the Canadian Intellectual Property Office:

Trademark 	Type(s)	CIPO Status 	Nice class	Representation(s)
FIRE & FLOWER	Standard Characters	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Logo	Design	REGISTERED	5, 9, 16, 18, 25, ...	
FIRE & FLOWER Stylized Design (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Logo (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Horizontal Logo	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Icon Design (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Cannabis Co. Logo (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Cannabis Co. Reverse Logo (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Horizontal Logo (colour)	Design	REGISTERED	5, 9, 16, 18, 25, ...	
FIRE & FLOWER Stylized Design	Design	REGISTERED	3, 5, 9, 18, 25, ...	
SPARK	Word	REGISTERED	34	
Fire & Flower Cannabis Co. logo	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Cannabis Co. Reverse Logo	Design	REGISTERED	5, 9, 16, 18, 25, ...	
Fire & Flower Icon Design	Design	REGISTERED	5, 9, 16, 18, 25, ...	

The following trademarks registered at the United States Patent and Trademark Office:

Trademark	Type	Serial Number	Registration No.
	Design	88785840	
FIRE & FLOWER	Word	88778648	
	Design	88785863	
	Design	88785859	
	Word	90452830	
REVITY CBD	Word	90452613	
REVITY	Word	90452607	
SPARK FASTLANE	Word	79283105	6398708
SPARK LIFESTYLE	Word	79281937	6366655
SPARK PERKS	Word	79280954	6366638
SPARK REWARDS	Word	79280935	6366636

The following trademark registered at WIPO:

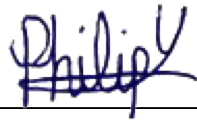
Trademark	Type	Registration No.
SPARK FASTLANE	Word	1 524 918

EXHIBIT "L"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits



PPSA HD Summary Report

BC Prepared for

Search Criteria **FIRE & FLOWER HOLDINGS CORP.**
Type Business Debtor
Date 2023-05-30 09:30:06
Main ID
Province British Columbia
Results 3 Registrations
Exact Count 3 Registrations

Disclaimer

CENTRO's Search Summary ("CENTRO's PPSA HD Summary Report") has been produced based on the search criteria you specified using data provided in the PPSA Electronic Response retrieved from the database maintained by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). CENTRO cannot be held responsible for the accuracy, reliability, or currency of the information provided by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). You agree with consideration at the time of purchasing CENTRO's PPSA HD Summary Report to assume all liability and you further indemnify CENTRO for any and all damages and costs resulting from any matter related to the content of CENTRO's PPSA HD Summary Report. Users wishing to rely upon this information should consult directly with a PPRS Search Result as there may be registrations that were made subsequent to the currency date of the search, but prior to the date the search was conducted. Please also note that the order in which the registrations are listed, and their dates of registration, are not necessarily indicative of the order of priority. No liability is undertaken by CENTRO regarding the completeness, correctness, or the interpretation or use which may be made of CENTRO's PPSA HD Summary Report.

REGISTRATION 1

Base Information

Reg. #: 159066M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-07
Expiry: 2030-04-07
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP
Debtor, Add, Reg #: 167154M, Party Code: 1359502

FIRE & FLOWER HOLDINGS CORP
Debtor, Remove, Reg #: 167154M, Party Code: 1356549

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5105714

General Collateral

Reg. #	Block #	Status	Description
159066M	566917	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Change History

Reg. #	Date	Type	Amendment Reason
167154M	2020-04-14	AMENDMENT	ADDITION OF DEBTOR D0002 TO REFLECT DEBTOR D0001 NAME/ADDRESS CHANGE. Add debtor party. Remove debtor party.

REGISTRATION 2

Base Information

Reg. #: 181954M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-23
Expiry: 2030-04-23
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Active, Party Code: 1368257

FIRE & FLOWER HOLDINGS CORP
Debtor, Active, Party Code: 1368258

HIFYRE INC
Debtor, Active, Party Code: 1368259

10926671 CANADA LTD
Debtor, Active, Party Code: 1368260

11180703 CANADA INC
Debtor, Active, Party Code: 1368261

Secured Party List

COMPUTERSHARE TRUST COMPANY OF CANADA
Secured Party, Active, Party Code: 5112588

2727765 ONTARIO INC
Debtor, Active, Party Code: 1368262

2676053 ONTARIO LIMITED
Debtor, Active, Party Code: 1368263

General Collateral

Reg. #	Block #	Status	Description
181954M	570891	Active	ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 3

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details

Type	Name	Address
------	------	---------

Registration Details

Reg. #	Reg. Date	See Reg. #
--------	-----------	------------

Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	159066M	2020-04-07	1
Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	2676053 ONTARIO LIMITED	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	2727765 ONTARIO INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	159066M	2020-04-07	1
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA	100 UNIVERSITY AVE, 11TH FLOOR, TORONTO, ON, M5J 2Y1	181954M	2020-04-23	2
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	3

LIST OF EXACT OR SIMILAR MATCHES

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	FIRE & FLOWER HOLDINGS CORP	159066M	Security Agreement

Exact	FIRE & FLOWER HOLDINGS CORP	181954M	Security Agreement
Exact	FIRE & FLOWER HOLDINGS CORP.	422297N	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **FIRE & FLOWER INC.**
Type Business Debtor
Date 2023-05-30 09:32:15
Main ID
Province British Columbia
Results 4 Registrations
Exact Count 4 Registrations

Disclaimer

CENTRO's Search Summary ("CENTRO's PPSA HD Summary Report") has been produced based on the search criteria you specified using data provided in the PPSA Electronic Response retrieved from the database maintained by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). CENTRO cannot be held responsible for the accuracy, reliability, or currency of the information provided by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). You agree with consideration at the time of purchasing CENTRO's PPSA HD Summary Report to assume all liability and you further indemnify CENTRO for any and all damages and costs resulting from any matter related to the content of CENTRO's PPSA HD Summary Report. Users wishing to rely upon this information should consult directly with a PPRS Search Result as there may be registrations that were made subsequent to the currency date of the search, but prior to the date the search was conducted. Please also note that the order in which the registrations are listed, and their dates of registration, are not necessarily indicative of the order of priority. No liability is undertaken by CENTRO regarding the completeness, correctness, or the interpretation or use which may be made of CENTRO's PPSA HD Summary Report.

REGISTRATION 1

Base Information

Reg. #: 159067M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-07
Expiry: 2030-04-07
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Add, Reg #: 167144M, Party Code: 1359489

FIRE & FLOWER INC
Debtor, Remove, Reg #: 167144M, Party Code: 1349961

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5101749

General Collateral

Reg. #	Block #	Status	Description
159067M	566918	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Change History

Reg. #	Date	Type	Amendment Reason
167144M	2020-04-14	AMENDMENT	ADDITION OF DEBTOR D0002 TO REFLECT DEBTOR D0001 NAME/ADDRESS CHANGE. Add debtor party. Remove debtor party.

REGISTRATION 2

Base Information

Reg. #: 181954M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-23
Expiry: 2030-04-23
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Active, Party Code: 1368257

FIRE & FLOWER HOLDINGS CORP
Debtor, Active, Party Code: 1368258

HIFYRE INC
Debtor, Active, Party Code: 1368259

10926671 CANADA LTD
Debtor, Active, Party Code: 1368260

11180703 CANADA INC
Debtor, Active, Party Code: 1368261

Secured Party List

COMPUTERSHARE TRUST COMPANY OF CANADA
Secured Party, Active, Party Code: 5112588

2727765 ONTARIO INC
Debtor, Active, Party Code: 1368262

2676053 ONTARIO LIMITED
Debtor, Active, Party Code: 1368263

General Collateral

Reg. #	Block #	Status	Description
181954M	570891	Active	ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 3

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REGISTRATION 4

Base Information	Debtor List	Secured Party List
Reg. #: 415073P Type: CROWN CHARGE FILED PURSUANT TO PROVINCIAL SALES TAX ACT Date: 2023-03-15 Match: Exact Status: Active	FIRE & FLOWER INC. Debtor, Active, Party Code: 7977646	RECEIVABLES MANAGEMENT OFFICE - SONJA SHAW Secured Party, Active, Party Code: 7977645

General Collateral

Reg. #	Block #	Status	Description
415073P	1212574	Active	All the debtor's present and after acquired personal property, including but not restricted to machinery, equipment, furniture, fixtures and receivables.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	159067M	2020-04-07	1
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FIRE & FLOWER INC.	115-11025 JASPER AVE NW, EDMONTON, AB, T5K 0K7	415073P	2023-03-15	4

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	2676053 ONTARIO LIMITED	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	2727765 ONTARIO INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	159067M	2020-04-07	1
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA	100 UNIVERSITY AVE, 11TH FLOOR, TORONTO, ON, M5J 2Y1	181954M	2020-04-23	2
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	3
Secured Party	RECEIVABLES MANAGEMENT OFFICE - SONJA SHAW	6TH FLOOR - 1802 DOUGLAS ST., VICTORIA, BC, V8T 4K6	415073P	2023-03-15	4

LIST OF EXACT OR SIMILAR MATCHES

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	FIRE & FLOWER INC	159067M	Security Agreement
Exact	FIRE & FLOWER INC	181954M	Security Agreement
Exact	FIRE & FLOWER INC.	422297N	Security Agreement
Exact	FIRE & FLOWER INC.	415073P	

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **13318184 CANADA INC.**

Type Business Debtor

Date 2023-05-30 09:33:34

Main ID

Province British Columbia

Results 1 Registration

Exact Count 1 Registration

Disclaimer

CENTRO's Search Summary ("CENTRO's PPSA HD Summary Report") has been produced based on the search criteria you specified using data provided in the PPSA Electronic Response retrieved from the database maintained by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). CENTRO cannot be held responsible for the accuracy, reliability, or currency of the information provided by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). You agree with consideration at the time of purchasing CENTRO's PPSA HD Summary Report to assume all liability and you further indemnify CENTRO for any and all damages and costs resulting from any matter related to the content of CENTRO's PPSA HD Summary Report. Users wishing to rely upon this information should consult directly with a PPRS Search Result as there may be registrations that were made subsequent to the currency date of the search, but prior to the date the search was conducted. Please also note that the order in which the registrations are listed, and their dates of registration, are not necessarily indicative of the order of priority. No liability is undertaken by CENTRO regarding the completeness, correctness, or the interpretation or use which may be made of CENTRO's PPSA HD Summary Report.

REGISTRATION 1

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

FIRE & FLOWER INC.
Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.
Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412526

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

10926671 CANADA LTD.
Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.
Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #

Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	1

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	1

LIST OF EXACT OR SIMILAR MATCHES

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	13318184 CANADA INC.	422297N	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **11180703 CANADA INC.**
Type Business Debtor
Date 2023-05-30 09:34:12
Main ID
Province British Columbia
Results 3 Registrations
Exact Count 3 Registrations

Disclaimer

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REGISTRATION 1

Base Information

Reg. #: 159064M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-07
Expiry: 2030-04-07
Period: 10
Match: Exact
Status: Active

Debtor List

11180703 CANADA INC
Debtor, Add, Reg #: 167148M, Party Code: 1359496

11180703 CANADA INC
Debtor, Remove, Reg #: 167148M, Party Code: 1349970

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5101759

General Collateral

Reg. #	Block #	Status	Description
159064M	566916	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Change History

Reg. #	Date	Type	Amendment Reason
167148M	2020-04-14	AMENDMENT	ADDITION OF DEBTOR D0002 TO REFLECT DEBTOR D0001 NAME/ADDRESS CHANGE. Add debtor party. Remove debtor party.

REGISTRATION 2

Base Information

Reg. #: 181954M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-23
Expiry: 2030-04-23
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Active, Party Code: 1368257

FIRE & FLOWER HOLDINGS CORP
Debtor, Active, Party Code: 1368258

HIFYRE INC
Debtor, Active, Party Code: 1368259

10926671 CANADA LTD
Debtor, Active, Party Code: 1368260

11180703 CANADA INC
Debtor, Active, Party Code: 1368261

Secured Party List

COMPUTERSHARE TRUST COMPANY OF CANADA
Secured Party, Active, Party Code: 5112588

2727765 ONTARIO INC
Debtor, Active, Party Code: 1368262

2676053 ONTARIO LIMITED
Debtor, Active, Party Code: 1368263

General Collateral

Reg. #	Block #	Status	Description
181954M	570891	Active	ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 3

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details

Type	Name	Address
------	------	---------

Registration Details

Reg. #	Reg. Date	See Reg. #
--------	-----------	------------

Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	159064M	2020-04-07	1
Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	2676053 ONTARIO LIMITED	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	2727765 ONTARIO INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	159064M	2020-04-07	1
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA	100 UNIVERSITY AVE, 11TH FLOOR, TORONTO, ON, M5J 2Y1	181954M	2020-04-23	2
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	3

LIST OF EXACT OR SIMILAR MATCHES

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Match Type	Name	Reg. #	Reg. Type
Exact	11180703 CANADA INC	159064M	Security Agreement

Exact	11180703 CANADA INC	181954M	Security Agreement
Exact	11180703 CANADA INC.	422297N	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **10926671 CANADA LTD.**

Type Business Debtor

Date 2023-05-30 09:34:55

Main ID

Province British Columbia

Results 3 Registrations

Exact Count 3 Registrations

Disclaimer

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REGISTRATION 1

Base Information

Reg. #: 159061M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-07
Expiry: 2030-04-07
Period: 10
Match: Exact
Status: Active

Debtor List

10926671 CANADA LTD
Debtor, Add, Reg #: 167147M, Party Code: 1359491

10926671 CANADA LTD
Debtor, Remove, Reg #: 167147M, Party Code: 1349966

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5101755

General Collateral

Reg. #	Block #	Status	Description
159061M	566915	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Change History

Reg. #	Date	Type	Amendment Reason
167147M	2020-04-14	AMENDMENT	ADDITION OF DEBTOR D0002 TO REFLECT DEBTOR D0001 NAME/ADDRESS CHANGE. Add debtor party. Remove debtor party.

REGISTRATION 2

Base Information

Reg. #: 181954M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-23
Expiry: 2030-04-23
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Active, Party Code: 1368257

FIRE & FLOWER HOLDINGS CORP
Debtor, Active, Party Code: 1368258

HIFYRE INC
Debtor, Active, Party Code: 1368259

10926671 CANADA LTD
Debtor, Active, Party Code: 1368260

11180703 CANADA INC
Debtor, Active, Party Code: 1368261

Secured Party List

COMPUTERSHARE TRUST COMPANY OF CANADA
Secured Party, Active, Party Code: 5112588

2727765 ONTARIO INC
Debtor, Active, Party Code: 1368262

2676053 ONTARIO LIMITED
Debtor, Active, Party Code: 1368263

General Collateral

Reg. #	Block #	Status	Description
181954M	570891	Active	ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 3

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

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Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

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LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

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Debtor Party Details

Type	Name	Address
------	------	---------

Registration Details

Reg. #	Reg. Date	See Reg. #
--------	-----------	------------

Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	159061M	2020-04-07	1
Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF REMAINING ACTIVE DEBTORS

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Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
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Debtor	2676053 ONTARIO LIMITED	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	2727765 ONTARIO INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	159061M	2020-04-07	1
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA	100 UNIVERSITY AVE, 11TH FLOOR, TORONTO, ON, M5J 2Y1	181954M	2020-04-23	2
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	3

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Match Type	Name	Reg. #	Reg. Type
Exact	10926671 CANADA LTD	159061M	Security Agreement

Exact	10926671 CANADA LTD	181954M	Security Agreement
Exact	10926671 CANADA LTD.	422297N	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **FRIENDLY STRANGER HOLDINGS CORP.**
Type Business Debtor
Date 2023-05-30 09:36:14
Main ID
Province British Columbia
Results 2 Registrations
Exact Count 2 Registrations

Disclaimer

CENTRO's Search Summary ("CENTRO's PPSA HD Summary Report") has been produced based on the search criteria you specified using data provided in the PPSA Electronic Response retrieved from the database maintained by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). CENTRO cannot be held responsible for the accuracy, reliability, or currency of the information provided by the Government of British Columbia by the Minister of Citizens' Services through B.C. Registries and Online Services Personal Property Registry (PPRS). You agree with consideration at the time of purchasing CENTRO's PPSA HD Summary Report to assume all liability and you further indemnify CENTRO for any and all damages and costs resulting from any matter related to the content of CENTRO's PPSA HD Summary Report. Users wishing to rely upon this information should consult directly with a PPRS Search Result as there may be registrations that were made subsequent to the currency date of the search, but prior to the date the search was conducted. Please also note that the order in which the registrations are listed, and their dates of registration, are not necessarily indicative of the order of priority. No liability is undertaken by CENTRO regarding the completeness, correctness, or the interpretation or use which may be made of CENTRO's PPSA HD Summary Report.

REGISTRATION 1

Base Information

Reg. #: 653727M
Type: PPSA SECURITY AGREEMENT
Date: 2020-12-14
Expiry: 2030-12-14
Period: 10
Match: Exact
Status: Active

Debtor List

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Active, Party Code: 1712257

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5303415

General Collateral

Reg. #	Block #	Status	Description
653727M	676206	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 2

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.

Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412523

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	FRIENDLY STRANGER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	653727M	2020-12-14	1
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	2

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	653727M	2020-12-14	1
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	2

LIST OF EXACT OR SIMILAR MATCHES

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	FRIENDLY STRANGER HOLDINGS CORP	653727M	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **PINEAPPLE EXPRESS DELIVERY INC.**
Type Business Debtor
Date 2023-05-30 09:36:58
Main ID
Province British Columbia
Results 1 Registration
Exact Count 1 Registration

Disclaimer

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REGISTRATION 1

Base Information

Reg. #: 773965L
Type: PPSA SECURITY AGREEMENT
Date: 2019-09-18
Match: Exact
Status: Active

Debtor List

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Active, Party Code: 1130655

Secured Party List

NAMASTE TECHNOLOGIES INC.
Secured Party, Active, Party Code: 4973072

General Collateral

Reg. #	Block #	Status	Description
773965L	496235	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR INCLUDING, WITHOUT LIMITATION, ALL INVENTORY, EQUIPMENT, MACHINERY, FURNITURE, FIXTURES, VEHICLES, ALL INTELLECTUAL PROPERTY OWNED, LICENSED OR USED BY THE DEBTOR, MONEY, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, SECURITIES, ALL OTHER FINANCIAL ASSETS AND ALL, ACCOUNTS DUE, OWING OR ACCRUING TO THE DEBTOR.WITHOUT LIMITING THE FOREGOING, THE SECURED PARTY'S SECURITY INTEREST ALSO INCLUDES A PLEDGE BY THE DEBTOR OF ALL PRESENT AND FUTURE SHARES, STOCK, UNITS AND OTHER SECURITIES AND INTERESTS NOW OR HEREAFTER HELD BY THE DEBTOR AND ANY DOCUMENTS, CERTIFICATES AND INSTRUMENTS WHICH CONFIRM OR, EVIDENCE SUCH SECURITIES OR OTHER INTERESTS, TOGETHER WITH ANY SHARE RIGHTS, STOCK RIGHTS, UNIT RIGHTS, RIGHTS TO SUBSCRIBE, LIQUIDATING DIVIDENDS OR DISTRIBUTIONS, DISTRIBUTIONS OF INCOME, PROFITS OR CAPITAL, UNIT DIVIDENDS, STOCK DIVIDENDS, CASH DIVIDENDS, NEW SECURITIES OR OTHER INTERESTS WHICH THE DEBTOR IS OR MAY HEREAFTER, BECOME ENTITLED TO RECEIVE ON ACCOUNT OF ANY OF THE FOREGOING, WHETHER BY WAY OF (WITHOUT LIMITATION) SUBSCRIPTION, PURCHASE, CONSOLIDATION, SUBDIVISION, CONVERSION, EXCHANGE OR OTHERWISE. THE SECURITY INTEREST OF THE SECURED PARTY DOES NOT EXTEND TO CONSUMER GOODS. ., ALL PROCEEDS, IN ANY FORM, DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH ALL OR ANY OF THE PROPERTY DESCRIBED ABOVE. . TERMS USED HEREIN HAVE THE MEANING GIVEN TO THEM IN THE PERSONAL PROPERTY SECURITY ACT (BRITISH COLUMBIA) AND, REFERENCES TO, \SECURITIES\ INCLUDE REINVESTMENT PROPERTY. REFERENCE TO ANY PERSON (INCLUDING ANY CORPORATION OR PARTNERSHIP) INCLUDE SUCH PERSON AND ITS SUCCESSORS AND ASSIGNS.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details

Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	PINEAPPLE EXPRESS DELIVERY INC.	1193 NORTH SERVICE ROAD WEST, OAKVILLE, ON, L6M 2V8	773965L	2019-09-18	1

Registration Details**LIST OF ACTIVE SECURED PARTIES**

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details

Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	NAMASTE TECHNOLOGIES INC.	#3400 - 100 KING STREET WEST, TORONTO, ON, M5X 1G5	773965L	2019-09-18	1

Registration Details**LIST OF EXACT OR SIMILAR MATCHES**

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	PINEAPPLE EXPRESS DELIVERY INC.	773965L	Security Agreement

**** END OF SUMMARY REPORT ****



PPSA HD Summary Report

BC Prepared for

Search Criteria **HIFYRE INC.**
Type Business Debtor
Date 2023-05-30 09:37:53
Main ID
Province British Columbia
Results 3 Registrations
Exact Count 3 Registrations

Disclaimer

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REGISTRATION 1

Base Information

Reg. #: 159068M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-07
Expiry: 2030-04-07
Period: 10
Match: Exact
Status: Active

Debtor List

HIFYRE INC
Debtor, Add, Reg #: 167146M, Party Code: 1359490

HIFYRE INC
Debtor, Remove, Reg #: 167146M, Party Code: 1349964

Secured Party List

ATB FINANCIAL
Secured Party, Active, Party Code: 5101753

General Collateral

Reg. #	Block #	Status	Description
159068M	566919	Active	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Change History

Reg. #	Date	Type	Amendment Reason
167146M	2020-04-14	AMENDMENT	ADDITION OF DEBTOR D0002 TO REFLECT DEBTOR D0001 NAME/ADDRESS CHANGE. Add debtor party. Remove debtor party.

REGISTRATION 2

Base Information

Reg. #: 181954M
Type: PPSA SECURITY AGREEMENT
Date: 2020-04-23
Expiry: 2030-04-23
Period: 10
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER INC
Debtor, Active, Party Code: 1368257

FIRE & FLOWER HOLDINGS CORP
Debtor, Active, Party Code: 1368258

HIFYRE INC
Debtor, Active, Party Code: 1368259

10926671 CANADA LTD
Debtor, Active, Party Code: 1368260

11180703 CANADA INC
Debtor, Active, Party Code: 1368261

Secured Party List

COMPUTERSHARE TRUST COMPANY OF CANADA
Secured Party, Active, Party Code: 5112588

2727765 ONTARIO INC
Debtor, Active, Party Code: 1368262

2676053 ONTARIO LIMITED
Debtor, Active, Party Code: 1368263

General Collateral

Reg. #	Block #	Status	Description
181954M	570891	Active	ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

REGISTRATION 3

Base Information

Reg. #: 422297N
Type: PPSA SECURITY AGREEMENT
Date: 2021-12-10
Expiry: 2025-12-10
Period: 4
Match: Exact
Status: Active

Debtor List

FIRE & FLOWER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299711

FIRE & FLOWER INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299712

HIFYRE INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299713

FRIENDLY STRANGER HOLDINGS CORP.
Debtor, Add, Reg #: 149394P, Party Code: 7299714

10926671 CANADA LTD.
Debtor, Add, Reg #: 149394P, Party Code: 7299715

11180703 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299716

13318184 CANADA INC.
Debtor, Add, Reg #: 149394P, Party Code: 7299718

PINEAPPLE EXPRESS DELIVERY INC.
Debtor, Remove, Reg #: 149394P, Party Code: 7299717

FIRE & FLOWER HOLDINGS CORP.
Debtor, Remove, Reg #: 149394P, Party Code: 2412523

Secured Party List

2707031 ONTARIO INC.
Secured Party, Active, Party Code: 5683821

FIRE & FLOWER INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412524

HIFYRE INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412525

FRIENDLY STRANGER HOLDINGS CORP.

Debtor, Remove, Reg #: 149394P, Party Code: 2412526

10926671 CANADA LTD.

Debtor, Remove, Reg #: 149394P, Party Code: 2412527

11180703 CANADA INC.

Debtor, Remove, Reg #: 149394P, Party Code: 2412528

General Collateral

Reg. #	Block #	Status	Description
422297N	877930	Active	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Change History

Reg. #	Date	Expiry Date	Type	Amendment Reason
525012P	2023-05-09		AMENDMENT	Remove debtor party.
149404P	2022-10-19	2025-12-10	RENEWAL	Extend registration period.
149394P	2022-10-19		AMENDMENT	Add debtor party. Remove debtor party.

REFERENCE LISTS

The following reference lists are generated from the registrations above and provided for convenience to assist in locating parties by name or serial collateral item by serial number. Only Active, Added, or Updated items are included. Please note that parties are categorized here as "Debtors" and "Secured Parties" for visual reference but not all provinces conform to this duality. Please validate any other party types listed here against the originating registration type.

LIST OF ACTIVE DEBTORS MATCHING SEARCH CRITERIA

This is a list of debtor parties that are exact matches to the search criteria by name. The list is sorted alphanumerically by name.

Debtor Party Details

Type	Name	Address
------	------	---------

Registration Details

Reg. #	Reg. Date	See Reg. #
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Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	159068M	2020-04-07	1
Debtor	HIFYRE INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	HIFYRE INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF REMAINING ACTIVE DEBTORS

This is a list of the remaining debtor parties that are not exact matches to the search criteria. Some similar matches may be listed included. The list is sorted alphanumerically by name.

Debtor Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Debtor	10926671 CANADA LTD	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	10926671 CANADA LTD.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	11180703 CANADA INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	11180703 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	13318184 CANADA INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	2676053 ONTARIO LIMITED	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	2727765 ONTARIO INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FIRE & FLOWER INC	400, 5241 CALGARY TRAIL NW, EDMONTON, AB, T6H 5G8	181954M	2020-04-23	2
Debtor	FIRE & FLOWER INC.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3
Debtor	FRIENDLY STRANGER HOLDINGS CORP.	130 KING STREET, WEST, SUITE 2500, TORONTO, ON, M5X 1C8	422297N	2021-12-10	3

LIST OF ACTIVE SECURED PARTIES

This list of secured parties is sorted by chronologically by registration date.

Secured Party Details			Registration Details		
Type	Name	Address	Reg. #	Reg. Date	See Reg. #
Secured Party	ATB FINANCIAL	600, 585 - 8 AVENUE SW, CALGARY, AB, T2P 1G1	159068M	2020-04-07	1
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA	100 UNIVERSITY AVE, 11TH FLOOR, TORONTO, ON, M5J 2Y1	181954M	2020-04-23	2
Secured Party	2707031 ONTARIO INC.	400 305 AVE MILNER, TORONTO, ON, M1B 3V4	422297N	2021-12-10	3

LIST OF EXACT OR SIMILAR MATCHES

This list of matches has been provided for your reference by the ministry, based on your Search Criteria.

Similar matches not closely related to your search criteria may be excluded from this search result.

In BC, the "Included" and "Match Type" fields are derived from the parsed registrations and search criteria matching. These values may not match the ministry provided list.

Match Type	Name	Reg. #	Reg. Type
Exact	HIFYRE INC	159068M	Security Agreement

Exact	HIFYRE INC	181954M	Security Agreement
Exact	HIFYRE INC.	422297N	Security Agreement

**** END OF SUMMARY REPORT ****



Paul W. Lackowicz
pl@yukonlaw.com
File: 36989

29 May 2023

BY EMAIL & REGULAR MAIL
blorusso@stikeman.com

Stikeman Elliott LLP
199 Bay Street
5300 Commerce Court West
Toronto, Ontario
M5L 1B9

Attention: Beatrice Lorusso

Dear Sir/Madam:

Re: Fire & Flower Inc. (the "Corporation")

We have attended to the searches in the Yukon Personal Property Security Registry with respect to the above noted entity:

1. Searches performed online at the Personal Property Security Registry (the "PPSR Registry") regarding the Corporation revealed as of May 29, 2023, there were the following registrations indexed in the PPSR Registry:

Registration #9215789 by Computershare Trust Company of Canada, to expire April 23, 2030 for all debtors present and after acquired property, against:

Fire & Flower Inc.
Fire & Flower Holdings Corp.
Hifyre Inc.
10926671 Canada Ltd.
11180703 Canada Inc.
2727765 Ontario Inc.
2676053 Ontario Limited

Registration #9369462 by 2707031 Ontario Inc., to expire October 18, 2025, for all debtors present and after acquired property, against:

Fire & Flower Inc.
Fire & Flower Holdings Inc.
Friendly Stranger Holdings Corp.
10926671 Canada Ltd.
Hifyre Inc.
11180703 Canada Inc.
13318184 Canada Inc.
Pineapple Express Delivery Inc.

Registration #9213745 by ATB Financial, to expire April 7, 2030, for all debtors present and after acquired property, against the Corporation.

We enclose copies of the search results for your records.

Yours truly,

TUCKER CARRUTHERS



Paul W. Lackowicz
/jd

This report lists registrations in the Personal Property Registry that match the following search criteria:

Province or Territory Searched: Yukon
Type of Search: Debtors (Enterprise)
Search Criteria: Fire & Flower Inc
Date and Time of Search (YYYY-MM-DD hh:mm): 2023-05-29 18:14 (Atlantic)
Transaction Number: 24400845
Searched By: D191859

The following table lists records that match the Debtors (Enterprise) you specified.

Exact	Included	Original Registration Number	Enterprise Name	Place
	*	9213736	Fire & Flower Holdings Corp.	Edmonton
	*	9215789	Fire & Flower Holdings Corp.	Edmonton
	*	9369462	Fire & Flower Holdings Corp.	Toronto
	*	9213745	FIRE & FLOWER INC.	Edmonton
	*	9215789	Fire & Flower Inc.	Edmonton
	*	9369462	Fire & Flower Inc.	Toronto

An '*' in the 'Exact' column indicates that the Debtor (Enterprise) exactly matches the search criteria.

Included Column Legend

- An asterisk (*) in the 'Included' column indicates that the registration's details are included within the Search Result Report.

Registration Counts

- 0 registration(s) contained information that **exactly** matched the search criteria you specified.

- 6 registration(s) contained information that **closely** matched the search criteria you specified.

When reviewing the registrations below, note that a registration which has expired or been discharged within the last 30 days can still be re-registered by the secured party.

All registration date/time values are stated in Atlantic Time.

For more information concerning the Personal Property Registry, go to www.acol.ca

Registration Details for Registration Number: 9213736

Province or Territory: Yukon
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	9213736	2020-04-07 17:32	2030-04-07	
Amendment	9214655	2020-04-14 17:52	2030-04-07	

As listed in the Registration History section above, this registration has been the subject of an Amendment or Global Change to add or delete information. The following registration details provide the registration number for the Amendment that added or deleted information. If no "added by" or "deleted by" registration number is

provided, the information was added by the original registration and has not been deleted.

Debtors

The Debtor below was deleted by registration number 9214655

Type: Enterprise
~~Fire & Flower Holdings Corp.~~
~~420, 5241 Calgary Trail NW~~
~~Edmonton AB T6H 5G8~~
~~Canada~~

The Debtor below was added by registration number 9214655

Type: Enterprise
 Fire & Flower Holdings Corp.
 400, 5241 Calgary Trail NW
 Edmonton AB T6H 5G8
 Canada

Secured Parties

Type: Enterprise
 ATB Financial
 600, 585-8 Avenue SW
 Calgary AB T2P 1G1
 Canada

General Collateral

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration Details for Registration Number: 9215789

Province or Territory: Yukon
 Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	9215789	2020-04-23 15:25	2030-04-23	

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
 Fire & Flower Inc.
 400, 5241 Calgary Trail NW

Edmonton AB T6H 5G8
Canada

Type: Enterprise
Fire & Flower Holdings Corp.
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Type: Enterprise
Hifyre Inc.
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Type: Enterprise
10926671 Canada Ltd.
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Type: Enterprise
11180703 Canada Inc.
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Type: Enterprise
2727765 Ontario Inc
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Type: Enterprise
2676053 Ontario Limited
400, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada

Secured Parties

Type: Enterprise
Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto ON M5J 2Y1
Canada

General Collateral

All present and after acquired personal property of the Debtor.

Registration Details for Registration Number: 9369462

Province or Territory: Yukon
 Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	9369462	2022-10-18 13:20	2025-10-18	581388-1

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
 Fire & Flower Holdings Corp.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 Canada

Type: Enterprise
 Fire & Flower Inc.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 Canada

Type: Enterprise
 Friendly Stranger Holdings Corp.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 CANADA

Type: Enterprise
 10926671 Canada Ltd.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 Canada

Type: Enterprise
 Hifyre Inc.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 Canada

Type: Enterprise
 11180703 Canada Inc.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8
 Canada

Type: Enterprise
 13318184 Canada Inc.
 30 King Street, West, Suite 2500
 Toronto ON M5X 1C8

Canada

Type: Enterprise
Pineapple Express Delivery Inc.
30 King Street, West, Suite 2500
Toronto ON M5X 1C8
Canada

Secured Parties

Type: Enterprise
2707031 Ontario Inc.
400-305 Milner Avenue
Toronto ON M1B 3V4
Canada

General Collateral

All present and after-acquired property of the debtors and proceeds thereof

Registration Details for Registration Number: 9213745

Province or Territory: Yukon
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	9213745	2020-04-07 17:36	2030-04-07	
Amendment	9214593	2020-04-14 17:42	2030-04-07	

As listed in the Registration History section above, this registration has been the subject of an Amendment or Global Change to add or delete information. The following registration details provide the registration number for the Amendment that added or deleted information. If no "added by" or "deleted by" registration number is provided, the information was added by the original registration and has not been deleted.

Debtors

The Debtor below was deleted by registration number 9214593
~~Type: Enterprise
FIRE & FLOWER INC.
420, 5241 Calgary Trail NW
Edmonton AB T6H 5G8
Canada~~

The Debtor below was added by registration number 9214593
Type: Enterprise
FIRE & FLOWER INC.
400, 5241 Calgary Trail NW

Edmonton AB T6H 5G8
Canada

Secured Parties

Type: Enterprise
ATB Financial
600, 585-8 Avenue SW
Calgary AB T2P 1G1
Canada

General Collateral

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

END OF REPORT

Toronto Memorandum

The purpose of this memorandum is to summarize the results of the various searches we have caused to be conducted in the Province of Ontario against the entities listed below.

This memorandum has been prepared for internal purposes only, and we refer you to the "Limitation" at the end of this memorandum with respect to its scope. Only the addressee(s) of this memorandum may rely on it.

- Fire & Flower Holdings Corp.
- Fire & Flower Inc.
- 13318184 Canada Inc.
- 11180703 Canada Inc.
- 10926671 Canada Ltd.
- Friendly Stranger Holdings Corp.
- Pineapple Express Delivery Inc.
- Hifyre Inc.
- Hifyre US, Inc.
- PGED Corp.

(The "**Searched Entities**")

PERSONAL PROPERTY SECURITY ACT (ONTARIO) (THE "PPSA")

The purpose of this search is to determine whether any secured party has perfected, by registration of a financing statement, any security interest in respect of any of the personal property of the Searched Entity in respect of which the PPSA applies. The registration system established under the PPSA is a province-wide system and our search would therefore disclose any registrations effected under the PPSA in the Province of Ontario.

Our search revealed the PPSA registrations outlined in Schedule "A" appearing against the Searched Entities as of May 28, 2023.

* * * * *

LIMITATION

This memorandum summarizes the searches of the public record that you have requested and that we have conducted or caused to be conducted and the results of such searches. However, the public records, certificates and documents supplied by or otherwise conveyed to us by public officials or their authorized service providers and summarized in this memorandum may be incomplete or contain inaccuracies. This memorandum is merely a summary report of the results obtained pursuant to the searches conducted, and does not represent, and we do not express, an opinion with respect to the existence or non-existence of any security interests, liens or other interests affecting the Searched Entity or any of its property, or with respect to any other matters referred to herein.

/bl

SCHEDULE "A"

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

FIRE & FLOWER HOLDINGS CORP.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		

Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.					
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	778955805 PPSA	20211210 1725 9234 0289 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20211215 1218 9234 0386 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor) FIRE & FLOWER INC.		
Reason for Amendment: AMENDMENT TO CORRECT THE DEBTOR NAME REFLECTED ON LINE 06, PAGE 1, OF REGISTRATION NUMBER 20211210 1725 9234					

0289.					
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
3.	761580468 PPSA	20200423 1409 1862 2818 Reg. 10 year(s)	FIRE & FLOWER HOLDINGS CORP FIRE & FLOWER INC HIFYRE INC 10926671 CANADA LTD 11180703 CANADA INC 2727765 ONTARIO INC 2676053 ONTARIO LIMITED	COMPUTERSHARE TRUST COMPANY OF CANADA	Inventory Equipment Accounts Other Motor Vehicle Included
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
4.	761418522 PPSA	20200407 1410 1590 1132 Reg. 10 year(s)	FIRE & FLOWER HOLDINGS CORP.	ATB FINANCIAL	Inventory Equipment Accounts Other Motor Vehicle Included
		20200414 0854 1590 1396 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		

			<p>_____</p> <p>FIRE & FLOWER HOLDINGS CORP.</p>		
<p>Reason for Amendment: TO AMEND THE ADDRESS OF THE DEBTOR.</p>					

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

FIRE & FLOWER INC.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	788520807 PPSA	20221116 1503 1031 4666 Reg. 05 year(s)	FIRE & FLOWER INC.	HER MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE	Inventory Equipment Accounts Other
Amount Secured: \$5765 Maturity Date: November 16, 2027					
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included

			PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.		
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
3.	778955805 PPSA	20211210 1725 9234 0289 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20211215 1218 9234 0386 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		

			<hr/> FIRE & FLOWER INC.		
Reason for Amendment: AMENDMENT TO CORRECT THE DEBTOR NAME REFLECTED ON LINE 06, PAGE 1, OF REGISTRATION NUMBER 20211210 1725 9234 0289.					
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
4.	761580468 PPSA	20200423 1409 1862 2818 Reg. 10 year(s)	FIRE & FLOWER HOLDINGS CORP FIRE & FLOWER INC HIFYRE INC 10926671 CANADA LTD 11180703 CANADA INC 2727765 ONTARIO INC 2676053 ONTARIO LIMITED	COMPUTERSHARE TRUST COMPANY OF CANADA	Inventory Equipment Accounts Other Motor Vehicle Included
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
5.	761418648	20200407 1415 1590 1141	FIRE & FLOWER INC.	ATB FINANCIAL	Inventory

	PPSA	Reg. 10 year(s)			Equipment Accounts Other Motor Vehicle Included
		20200414 0856 1590 1401 A AMENDMENT	FIRE & FLOWER INC. (Reference Debtor) _____ FIRE & FLOWER INC.		
		Reason for Amendment: TO AMEND THE ADDRESS OF THE DEBTOR.			
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
6.	759863277 PPSA	20200204 1746 1626 5436 Reg. 5 year(s)	FIRE & FLOWER INC.	ALTERNA SAVINGS & CREDIT UNION LIMITED	Consumer Goods Inventory Equipment Accounts Other
		Amount Secured: \$5000000			
		No Fixed Maturity Date			
		General Collateral Description:			

		LETTER OF CREDIT ISSUED TO FIRE & FLOWER INC. IAO \$5,000,000.00. CASH SECURITY HELD IN ALTERNA TERM DEPOSIT #358451
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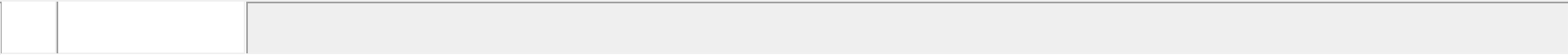
PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

13318184 CANADA INC.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			



PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

11180703 CANADA INC.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	778955805 PPSA	20211210 1725 9234 0289 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20211215 1218 9234 0386 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor) <hr/> FIRE & FLOWER INC.		
		Reason for Amendment: AMENDMENT TO CORRECT THE DEBTOR NAME REFLECTED ON LINE 06, PAGE 1, OF REGISTRATION NUMBER 20211210 1725 9234 0289.			

		Reason for Amendment: TO AMEND THE ADDRESS OF THE DEBTOR.			

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

10926671 CANADA LTD.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			

		Reason for Amendment: TO AMEND THE ADDRESS OF THE DEBTOR.			

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

FRIENDLY STRANGER HOLDINGS CORP.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	778955805 PPSA	20211210 1725 9234 0289 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20211215 1218 9234 0386 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor) <hr/> FIRE & FLOWER INC.		
		Reason for Amendment: AMENDMENT TO CORRECT THE DEBTOR NAME REFLECTED ON LINE 06, PAGE 1, OF REGISTRATION NUMBER 20211210 1725 9234 0289.			

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
3.	768565539 PPSA	20201215 1045 1590 9151 Reg. 10 year(s)	FRIENDLY STRANGER HOLDINGS CORP.	ATB FINANCIAL	Inventory Equipment Accounts Other Motor Vehicle Included

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

PINEAPPLE EXPRESS DELIVERY INC.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC. FRIENDLY STRANGER HOLDINGS CORP. 10926671 CANADA LTD. HIFYRE INC. 11180703 CANADA INC. PINEAPPLE EXPRESS DELIVERY INC. 13318184 CANADA INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other Motor Vehicle Included
		20230509 1536 1793 7470 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	776905839 PPSA	20211001 1005 1532 3739 Reg. 02 year(s)	PINEAPPLE EXPRESS DELIVERY INC.	FORD CREDIT CANADA COMPANY	Equipment Other Motor Vehicle Included
		No Fixed Maturity Date 2022 FORD TRAN C (VIN: NM0LS7T27N1506999)			
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
3.	774964314 PPSA *** THIS REGISTRATION HAS BEEN DISCHARGED **	20210730 1432 9237 5593 Reg. 03 year(s)	PINEAPPLE EXPRESS DELIVERY INC.	2355097 ALBERTA LTD.	Accounts Other
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY AS DEFINED BY THE PPSA INCLUDING ACCOUNTS RECEIVABLE			
		20230510 1421 1465 7650 C DISCHARGE	PINEAPPLE EXPRESS DELIVERY INC. (Reference Debtor)		
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
4.	761333211 PPSA	20200331 1712 9234 1086 Reg. 4 year(s)	PINEAPPLE EXPRESS DELIVERY INC.	WORLD CLASS EXTRACTIONS INC.	Inventory Equipment Accounts

					Other Motor Vehicle Included
File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification	
5.	755613738 PPSA	20190919 0951 9234 8170 Reg. 99 (PERPETUAL) year(s)	PINEAPPLE EXPRESS DELIVERY INC.	NAMASTE TECHNOLOGIES INC.	Inventory Equipment Accounts Other Motor Vehicle Included
<p>General Collateral Description: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR INCLUDING, WITHOUT LIMITATION, ALL INVENTORY, EQUIPMENT, MACHINERY, FURNITURE, FIXTURES, VEHICLES, MONEY, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, SECURITIES, ALL OTHER FINANCIAL ASSETS AND ALL ACCOUNTS DUE, OWING OR ACCRUING TO THE DEBTOR. WITHOUT LIMITING THE FOREGOING, THE SECURED PARTY'S SECURITY INTEREST ALSO INCLUDES A PLEDGE BY THE DEBTOR OF ALL PRESENT AND FUTURE SHARES, STOCK, UNITS AND OTHER SECURITIES AND INTERESTS NOW OR HEREAFTER HELD BY THE DEBTOR AND ANY DOCUMENTS, CERTIFICATES AND INSTRUMENTS WHICH CONFIRM OR EVIDENCE SUCH SECURITIES OR OTHER INTERESTS, TOGETHER WITH ANY SHARE RIGHTS, STOCK RIGHTS, UNIT RIGHTS, RIGHTS TO SUBSCRIBE, LIQUIDATING DIVIDENDS OR DISTRIBUTIONS, DISTRIBUTIONS OF INCOME, PROFITS OR CAPITAL, UNIT DIVIDENDS, STOCK DIVIDENDS, CASH DIVIDENDS, NEW SECURITIES OR OTHER INTERESTS WHICH THE DEBTOR IS OR MAY HEREAFTER BECOME ENTITLED TO RECEIVE ON ACCOUNT OF ANY OF THE FOREGOING, WHETHER BY WAY OF (WITHOUT LIMITATION) SUBSCRIPTION, PURCHASE, CONSOLIDATION, SUBDIVISION, CONVERSION, EXCHANGE OR OTHERWISE. THE SECURITY INTEREST OF THE SECURED PARTY DOES NOT EXTEND TO CONSUMER GOODS. PROCEEDS - ALL PROCEEDS, IN ANY FORM, DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH ALL OR ANY OF THE PROPERTY DESCRIBED ABOVE. TERMS USED HEREIN HAVE THE MEANING GIVEN TO THEM IN THE PERSONAL PROPERTY SECURITY ACT (ONTARIO) AND, REFERENCES TO "SECURITIES" INCLUDE REINVESTMENT PROPERTY. REFERENCE TO ANY PERSON (INCLUDING ANY CORPORATION OR PARTNERSHIP) INCLUDE SUCH PERSON AND ITS SUCCESSORS AND ASSIGNS</p>					

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

SEARCH SUMMARY WITH RESPECT TO:

HIFYRE INC.

File Currency: 28MAY 2023

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
1.	788184153 PPSA *** THIS REGISTRATION HAS BEEN DISCHARGED **	20221104 0835 1031 4371 Reg. 05 year(s)	HIFYRE INC.	HER MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE	Inventory Equipment Accounts Other
		Amount Secured: \$3982			
		Maturity Date: November 4, 2027			
		20230524 1129 1031 8684 C DISCHARGE	HIFYRE INC. (Reference Debtor)		
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
2.	787645287 PPSA	20221018 0925 9234 5008 Reg. 3 year(s)	FIRE & FLOWER HOLDINGS CORP. FIRE & FLOWER INC.	2707031 ONTARIO INC.	Inventory Equipment Accounts Other

			<p>FRIENDLY STRANGER HOLDINGS CORP.</p> <p>10926671 CANADA LTD.</p> <p>HIFYRE INC.</p> <p>11180703 CANADA INC.</p> <p>PINEAPPLE EXPRESS DELIVERY INC.</p> <p>13318184 CANADA INC.</p>		Motor Vehicle Included
		20230509 1536 1793 7470	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor)		
		A AMENDMENT			
		Reason for Amendment: DELETE PINEAPPLE EXPRESS DELIVERY INC. AS DEBTOR.			
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
3.	778955805 PPSA	2021 1210 1725 9234 0289 Reg. 3 year(s)	<p>FIRE & FLOWER HOLDINGS CORP.</p> <p>FIRE & FLOWER INC</p> <p>FRIENDLY STRANGER HOLDINGS CORP.</p> <p>10926671 CANADA LTD.</p> <p>HIFYRE INC.</p>	2707031 ONTARIO INC.	<p>Inventory</p> <p>Equipment</p> <p>Accounts</p> <p>Other</p> <p>Motor Vehicle Included</p>

			11180703 CANADA INC.		
		20211215 1218 9234 0386 A AMENDMENT	FIRE & FLOWER HOLDINGS CORP. (Reference Debtor) _____ FIRE & FLOWER INC.		
		Reason for Amendment: AMENDMENT TO CORRECT THE DEBTOR NAME REFLECTED ON LINE 06, PAGE 1, OF REGISTRATION NUMBER 20211210 1725 9234 0289.			
	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
4.	761580468 PPSA	20200423 1409 1862 2818 Reg. 10 year(s)	FIRE & FLOWER HOLDINGS CORP FIRE & FLOWER INC HIFYRE INC 10926671 CANADA LTD 11180703 CANADA INC 2727765 ONTARIO INC 2676053 ONTARIO LIMITED	COMPUTERSHARE TRUST COMPANY OF CANADA	Inventory Equipment Accounts Other Motor Vehicle Included

	File No.	Reg. No.	Debtors	Secured Parties	Collateral Classification
5.	761418639 PPSA	20200407 1414 1590 1140 Reg. 10 year(s)	HIFYRE INC.	ATB FINANCIAL	Inventory Equipment Accounts Other Motor Vehicle Included
		20200414 0854 1590 1395 A AMENDMENT	HIFYRE INC. (Reference Debtor) _____ HIFYRE INC.		
Reason for Amendment: TO AMEND THE ADDRESS OF THE DEBTOR.					

Saskatchewan Search Results

We have conducted the searches in respect of the names set out herein in the public registers and registration systems on the dates as set out. The tables summarizing the results of our searches follow. Please advise if you wish to have a copy of complete search results, which will provide full particulars of the registrations.

The order or dates of security indicated on the tables are not determinative of the rank of any security. Certain rights do not require registration and will not appear in the public registers.

In preparing this report, we have relied on the currency and accuracy of the public records and registration systems, including the on-line systems and where applicable, certificates of public officials.

1. FIRE & FLOWER HOLDINGS CORP.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 3 exact matches.

#1	Registration Date	April 7, 2020
	Expiry Date	April 7, 2030
	Registration #	302021118
	Debtor Party	Fire & Flower Holdings Corp.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#2	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.
#3	Registration Date	April 23, 2020
	Expiry Date	April 24, 2030

	Registration #	302025255
	Debtor Party	Fire & Flower Inc Fire & Flower Holdings Corp Hifyre Inc 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited
	Secured Party	Computershare Trust Company of Canada
	Collateral	All present and after acquired personal property of the debtor.

2. FIRE & FLOWER INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 4 exact matches.

#1	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.
#2	Registration Date	April 7, 2020
	Expiry Date	April 7, 2030
	Registration #	302021101
	Debtor Party	Fire & Flower Inc.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#3	Registration Date	April 23, 2020
	Expiry Date	April 24, 2030
	Registration #	302025255
	Debtor Party	Fire & Flower Inc Fire & Flower Holdings Corp

		Hifyre Inc 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited
	Secured Party	Computershare Trust Company of Canada
	Collateral	All present and after acquired personal property of the debtor.
#4	Registration Date	May 17, 2023
	Expiry Date	March 2, 2033
	Registration #	302397846 - Enforcement Charge - Provincial Judgment
	Debtor Party	Fire & Flower Inc
	Secured Party	Saskatchewan Finance - Revenue Division
	Amount	\$528,179.52
	Collateral	All of the personal property and lands of the debtor within Saskatchewan.

3. 13318184 CANADA INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 1 exact match.

#1	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.

4. 11180703 CANADA INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 3 exact matches.

#1	Registration Date	April 7, 2020
	Expiry Date	April 7, 2030
	Registration #	302021113
	Debtor Party	11180703 Canada Inc.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#2	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.
#3	Registration Date	April 23, 2020
	Expiry Date	April 24, 2030
	Registration #	302025255
	Debtor Party	Fire & Flower Inc Fire & Flower Holdings Corp Hifyre Inc 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited
	Secured Party	Computershare Trust Company of Canada
	Collateral	All present and after acquired personal property of the debtor.

5. 10926671 CANADA LTD.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 3 exact matches.

#1	Registration Date	April 7, 2020
	Expiry Date	April 7, 2030
	Registration #	302021112
	Debtor Party	10926671 Canada Ltd.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#2	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.
#3	Registration Date	April 23, 2020
	Expiry Date	April 24, 2030
	Registration #	302025255
	Debtor Party	Fire & Flower Inc Fire & Flower Holdings Corp Hifyre Inc 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited
	Secured Party	Computershare Trust Company of Canada
	Collateral	All present and after acquired personal property of the debtor.

6. FRIENDLY STRANGER HOLDINGS CORP.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 2 exact matches.

#1	Registration Date	December 15, 2020
	Expiry Date	December 15, 2030
	Registration #	302114477
	Debtor Party	Friendly Stranger Holdings Corp.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#2	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.

7. PINEAPPLE EXPRESS DELIVERY INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 1 exact match.

#1	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc.

		13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.

8. HIFYRE INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 3 exact matches.

#1	Registration Date	April 7, 2020
	Expiry Date	April 7, 2030
	Registration #	302021111
	Debtor Party	Hifyre Inc.
	Secured Party	ATB Financial
	Collateral	All present and after-acquired personal property of the debtor.
#2	Registration Date	October 18, 2022
	Expiry Date	October 17, 2025
	Registration #	302349175
	Debtor Party	Fire & Flower Holdings Corp. Fire & Flower Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
	Secured Party	2707031 Ontario Inc.
	Collateral	All present and after-acquired property of the debtors and proceeds thereof.
#3	Registration Date	April 23, 2020
	Expiry Date	April 24, 2030
	Registration #	302025255
	Debtor Party	Fire & Flower Inc Fire & Flower Holdings Corp Hifyre Inc 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited

	Secured Party	Computershare Trust Company of Canada
	Collateral	All present and after acquired personal property of the debtor.

9. HIFYRE US, INC.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 0 exact or similar matches.

10. PGED CORP.

Saskatchewan Personal Property Registry for security interests in personal property registered under *The Personal Property Security Act, 1993* (Saskatchewan) with a currency date of May 29, 2023.

Result: 0 exact or similar matches.

MLT Aikins LLP
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Winnipeg, MB R3C 4G1
T: (204) 957-0050
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May 30, 2023

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Corporate Paralegal
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Katerina Ferreira
Legal Assistant
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**Re: Manitoba Search Results - Fire & Flower
Your File No.**
File No.: 0006906.00942

As requested, we have conducted searches at the Manitoba Personal Property Registry (the “PPR”) with regard to the following names (the “Names”):

Fire & Flower Holdings Corp.
Fire & Flower Inc.
13318184 Canada Inc.
11180703 Canada Inc.
10926671 Canada Ltd.
Friendly Stranger Holdings Corp.
Pineapple Express Delivery Inc.
Hifyre Inc.
Hifyre US, Inc.
PGED Corp.
(hereinafter referred to as the “Names”)

Business Debtor Search Result from the Manitoba Personal Property Registry printed pursuant to section 48 of *The Personal Property Security Act* (Manitoba), disclosed no registrations against the Names as at 3:37 p.m. on May 29, 2023, except for the registrations noted below:

Registration No. 202217496600 (2022-10-18 11:19:41 AM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2025-10-18
Debtor	Fire & Flower Holdings Corp.
Jointly Registered with	Fire & Flower Inc. Friendly Stranger Holdings Corp.

	10926671 Canada Ltd. Hifyre Inc. 11180703 Canada Inc. 13318184 Canada Inc. Pineapple Express Delivery Inc.
Secured Party	2707031 Ontario Inc.
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PROPERTY OF THE DEBTORS AND PROCEEDS THEREOF

Registration No. 202005345601 (2020-04-07 4:08:09PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-07
Debtor	Fire & Flower Holdings Corp.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration No. 202006028804 (2020-04-23 2:25:26PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-24
Debtor	Fire & Flower Holdings Corp.
Jointly Registered with	FIRE & FLOWER INC HIFYRE INC 10926671 CANADA LTD 11180703 CANADA INC 2727765 ONTARIO INC 2676053 ONTARIO LIMITED
Secured Party	COMPUTERSHARE TRUST COMPANY OF CANADA
General Security Description	*The security interest is taken in all of the debtor's present and after-acquired personal property.

Registration No. 202005344508 (2020-04-07 3:58:19 PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-07
Debtor	FIRE & FLOWER INC.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration No. 202005345105 (2020-04-07 4:03:10 PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-07
Debtor	11180703 CANADA INC.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration No. 202005345008 (2020-04-07 4:01:42 PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-07
Debtor	10926671 CANADA LTD.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration No. 202020971403 (2020-12-15 2:59:03 PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-12-15
Debtor	FRIENDLY STRANGER HOLDINGS CORP.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Registration No. 202005344907 (2020-04-07 4:00:07 PM)	
Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2030-04-07
Debtor	HIFYRE INC.
Secured Party	ATB FINANCIAL
General Security Description	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Search results received from the above offices are enclosed for your records.

If you have any questions or require our assistance further, please do not hesitate to contact us.

Yours truly,

MLT AIKINS LLP

Per:

NADINE SYDOR
Corporate Paralegal

NPS/kf
Encls.

Calgary Memorandum

The purpose of this memorandum is to summarize the results of the various searches we have caused to be conducted in the Province of Alberta at your request against the names set forth in Schedule "A" (the "**Specified Names**"). This memorandum has been prepared for internal purposes only, and we refer you to the "Limitation" at the end of this memorandum with respect to its scope. Only the addressee(s) of this memorandum may rely on it.

PERSONAL PROPERTY SECURITY ACT (ALBERTA) (THE "PPSA")

The purpose of this search is to determine whether any secured party has perfected, by registration of a financing statement, any security interest in respect of any of the personal property of the Specified Names in respect of which the PPSA applies. The registration system established under the PPSA is a province-wide system and our search would therefore disclose any registrations effected in the Province of Alberta.

Our search of the Alberta Personal Property Registry against the Specified Names revealed the registrations outlined in Schedule "B".

* * * * *

LIMITATION

This memorandum summarizes the searches of the public record that you have requested and that we have conducted or caused to be conducted and the results of such searches. However, the public records, certificates and documents supplied by or otherwise conveyed to us by public officials or their authorized service providers and summarized in this memorandum may be incomplete or contain inaccuracies. This memorandum is merely a summary report of the results obtained pursuant to the searches conducted, and does not represent, and we do not express, an opinion with respect to the existence or non-existence of any security interests, liens or other interests affecting the Specified Names or any of their property, or with respect to any other matters referred to herein.

SCHEDULE "A" SPECIFIED NAMES

Fire & Flower Holdings Corp.
Fire & Flower Inc.
13318184 Canada Inc.
11180703 Canada Inc.
10926671 Canada Ltd.
Friendly Stranger Holdings Corp.
Pineapple Express Delivery Inc.
Hifyre Inc.
Hifyre US, Inc.
PGED Corp.

SCHEDULE "B"
PERSONAL PROPERTY REGISTRY (ALBERTA) SEARCH
CONDUCTED AGAINST THE SPECIFIED NAMES
CURRENCY: May 29, 2023

*This summary of search results is provided for convenience only and is not intended to be relied upon.
We are pleased to provide complete raw PPSA search results upon request.*

SEARCHES CONDUCTED AGAINST: Fire & Flower Holdings Corp.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description¹</u>	<u>Registration No.</u>	<u>Expiry Date</u>
1. Fire & Flower Holdings Corp.	ATB Financial	All present and after-acquired personal property of the debtor.	20040714266 20041322187	2030-Apr-07
2. Fire & Flower Holdings Corp.	ATB Financial	Land Charge	20040714295 20041322248	Infinity
3. Fire & Flower Holdings Corp.	ATB Financial	All right, title and interest that the Debtor now has, or may hereafter have, be possessed of, be entitled to, or acquire, by way of amalgamation or otherwise, in the following property (collectively, the "Collateral"): (a) such account of the Debtor maintained with the Secured Party and designated as the cash collateral account by the Secured Party and the Debtor (and each other account of the Debtor maintained with the Secured Party as may from time to time be designated as a cash collateral account by the Secured Party and the Debtor, collectively, the "Accounts"), including all amounts, claims, deposits, money or other property on deposit with or held by the Secured Party or any of its affiliates, or due or accruing due by the Secured Party or any of its affiliates, and standing to the credit of the Debtor in each such Account (each, a "Deposit" and collectively, the "Deposits"); (b) all accounts and other intangibles, securities accounts, securities, securities entitlements and other financial assets standing to the credit thereof which comprise, represent or relate to any Deposits or Accounts; (c) all books, instruments, accounts, receipts, certificates, invoices, letters,	20042110819	2030-Apr-21

¹ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description¹</u>	<u>Registration No.</u>	<u>Expiry Date</u>
		papers, documents and other records in any form evidencing or relating to any of the Collateral; (d) all replacements of, substitutions for, interest on and increases, additions and accessions to any of the property described in (a) to (c) inclusive herein; and (e) all proceeds (including interest, dividends, cash, property or other distributions) of the property described in (a) to (d) inclusive above, including all personal property in any form derived directly or indirectly from any dealing with such property or that indemnifies or compensates for the loss of or damage to such property. Proceeds: goods, investment property, documents of title, chattel paper, instruments, money and intangibles.		
4. Hifyre Inc Fire & Flower Inc Fire & Flower Holdings Corp 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited	Computershare Trust Company of Canada	All present and after acquired personal property of debtor.	20042315430	2030-Apr-23
5. Fire & Flower Holdings Corp. Fire & Flower Inc. Hifyre Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.	2707031 Ontario Inc.	All present and after acquired personal property of debtor.	21121027171 22101906630 23050925109	2025-Dec-10

SEARCHES CONDUCTED AGAINST: Fire & Flower Inc.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description²</u>	<u>Registration No.</u>	<u>Expiry Date</u>
6. Fire & Flower Inc.	ATB Financial	All present and after acquired personal property of debtor.	20040713266 20041321628	2030-Apr-07
7. Fire & Flower Inc.	ATB Financial	Land Charge	20040715957 20041321694	Infinity
8. Hifyre Inc Fire & Flower Inc Fire & Flower Holdings Corp 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited	Computershare Trust Company of Canada	All present and after acquired personal property of debtor.	20042315430	2030-Apr-23
9. Fire & Flower Holdings Corp. Fire & Flower Inc. Hifyre Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.	2707031 Ontario Inc.	All present and after-acquired property of the debtors and proceeds thereof	21121027171 22101906630 23050925109	2025-Dec-10

² *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

SEARCHES CONDUCTED AGAINST: 13318184 Canada Inc.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description</u> ³	<u>Registration No.</u>	<u>Expiry Date</u>
10. Fire & Flower Holdings Corp. Fire & Flower Inc Hifyre Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.	2707031 Ontario Inc.	All present and after-acquired property of the debtors and proceeds thereof.	21121027171 22101906630 23050925109	2025-Dec-10

SEARCHES CONDUCTED AGAINST: 11180703 Canada Inc.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description</u> ⁴	<u>Registration No.</u>	<u>Expiry Date</u>
11. 11180703 Canada Inc.	ATB Financial	All present and after-acquired personal property of the debtor.	20040713646 20041321898	2030-Apr-07
12. 11180703 Canada Inc.	ATB Financial	Land Charge	20040716277 20041321954	Infinity
13. Hifyre Inc Fire & Flower Inc Fire & Flower Holdings Corp 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited	Computershare Trust Company of Canada	All present and after-acquired personal property of the debtor.	20042315430	2030-Apr-23
14. Fire & Flower Holdings	2707031 Ontario Inc.	All present and after-acquired personal property of the	21121027171	2025-Dec-10

³ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

⁴ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description⁴</u>	<u>Registration No.</u>	<u>Expiry Date</u>
Corp.		debtor.	22101906630	
Fire & Flower Inc.			23050925109	
Hifyre Inc.				
Friendly Stranger Holdings Corp.				
10926671 Canada Ltd.				
11180703 Canada Inc.				
13318184 Canada Inc.				

SEARCHES CONDUCTED AGAINST: 10926671 Canada Ltd.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description⁵</u>	<u>Registration No.</u>	<u>Expiry Date</u>
15. 10926671 Canada Ltd.	ATB Financial	All present and after-acquired personal property of the debtor.	20040713639 20041321819	2030-Apr-07
16. 10926671 Canada Ltd.	ATB Financial	Land Charge	20040716217 20041321858	Infinity
17. Hifyre Inc Fire & Flower Inc Fire & Flower Holdings Corp 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited	Computershare Trust Company of Canada	All present and after-acquired personal property of the debtor.	20042315430	2030-Apr-23
18. Fire & Flower Holdings Corp. Fire & Flower Inc. Hifyre Inc. Friendly Stranger Holdings	2707031 Ontario Inc.	All present and after-acquired personal property of the debtor.	21121027171 22101906630 23050925109	2025-Dec-10

⁵ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description</u> ⁵	<u>Registration No.</u>	<u>Expiry Date</u>
Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.				

SEARCHES CONDUCTED AGAINST: Friendly Strangers Holdings Corp.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description</u> ⁶	<u>Registration No.</u>	<u>Expiry Date</u>
19. Friendly Stranger Holdings Corp.	ATB Financial	All present and after-acquired personal property of the debtor.	20121427796	2030-Dec-14
20. Friendly Stranger Holdings Corp.	ATB Financial	Land Charge	20121427804	Infinity
21. Fire & Flower Holdings Corp. Fire & Flower Inc. Hifyre Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.	2707031 Ontario Inc.	All present and after-acquired personal property of the debtor.	21121027171 22101906630 23050925109	2025-Dec-10

SEARCHES CONDUCTED AGAINST: Hifyre Inc.

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description</u> ⁷	<u>Registration No.</u>	<u>Expiry Date</u>
22. Hifyre Inc.	ATB Financial	All present and after-acquired personal property of the debtor.	20040713581 20041321737	2030-Apr-07

⁶ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

⁷ *The Collateral Descriptions contained in this Schedule "B" are summaries only and the actual search results should be reviewed for the full and exact particulars.*

<u>Debtor(s)</u>	<u>Secured Party(ies)</u>	<u>Collateral/Description²</u>	<u>Registration No.</u>	<u>Expiry Date</u>
23. Hifyre Inc.	ATB Financial	Land Charge	20040716021 20041321753	Infinity
24. Hifyre Inc Fire & Flower Inc Fire & Flower Holdings Corp 10926671 Canada Ltd 11180703 Canada Inc 2727765 Ontario Inc 2676053 Ontario Limited	Computershare Trust Company of Canada	All present and after-acquired personal property of the debtor.	20042315430	2030-Apr-23
25. Fire & Flower Holdings Corp. Fire & Flower Inc. Hifyre Inc. Friendly Stranger Holdings Corp. 10926671 Canada Ltd. 11180703 Canada Inc. 13318184 Canada Inc.	2707031 Ontario Inc.	All present and after-acquired personal property of the debtor.	21121027171 22101906630 23050925109	2025-Dec-10

SEARCHES CONDUCTED AGAINST:

Pineapple Express Delivery Inc.

Hifyre US, Inc.

PGED Corp.

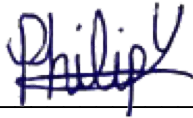
***No registrations are reported against these entities.**

EXHIBIT "M"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that reads "Philip". The signature is written in a cursive style with a horizontal line through the middle of the letters.

Commissioner for Taking Affidavits

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA
INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER
HOLDINGS CORP., HIFYRE INC. AND PINEAPPLE EXPRESS DELIVERY INC.
(collectively, the "Applicants" or "Fire & Flower")**

CONSENT TO ACT AS MONITOR

FTI CONSULTING CANADA INC. hereby consents to act as Monitor of the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, in respect of these proceedings.

Dated at Toronto, Ontario this 5th day of June, 2023

FTI CONSULTING CANADA INC.

Per: 

Name: Jeffrey Rosenberg

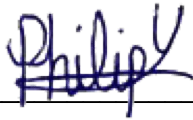
Title: Senior Managing Director

EXHIBIT "N"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 5, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is written in a cursive style with a horizontal line through the middle of the letters.

Commissioner for Taking Affidavits

DIP FACILITY TERM SHEET**Dated: June 5, 2023**

WHEREAS Fire & Flower Holdings Corp. has requested that the DIP Lender (as defined below) provide funding in order to assist with restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") (the "**CCAA Proceedings**");

WHEREAS, subject to the terms and conditions contained herein (this "**Agreement**"), the DIP Lender is prepared to establish the DIP Facility (as defined below) in favour of the Borrower on the terms and conditions set out below;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

DEFINITIONS	Capitalized terms not otherwise defined herein shall have the meanings given to them on Schedule "A" hereto.
BORROWER	Fire & Flower Holdings Corp. (the " Borrower ").
GUARANTORS	All of the Canadian subsidiaries of the Borrower namely Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc. and Hifyre Inc. (collectively, the " Guarantors ").
DIP LENDER	2707031 Ontario Inc. (the " DIP Lender ").
DIP FACILITY	A non-revolving loan (the " DIP Facility ") up to the maximum principal amount of \$9,800,000 (" Maximum Amount ") including an initial advance in an amount of \$2,700,000 (the " Initial Advance ").
MATURITY DATE	The earlier of (such earlier date, the " Maturity Date "): <ol style="list-style-type: none"> 1. the date on which the stay of proceedings under the CCAA Proceedings is lifted or terminated; 2. September 15, 2023 (or such later date as may be agreed to in writing by the DIP Lender, in its sole discretion); and 3. the date on which the DIP Lender elects to terminate the DIP Facility as a result of an Event of Default that is continuing.

The DIP Lender's commitment in respect of the DIP Facility shall expire on the Maturity Date and all

amounts outstanding under the DIP Facility including accrued Interest and Legal Fees (collectively, the “**Obligations**”) shall be repaid in full on the Maturity Date without the DIP Lender being required to make demand upon the Borrower or to give notice that the DIP Facility has expired and the Obligations are due and payable, subject to the order of the Ontario Superior Court of Justice (Commercial Division) (the “**Court**”).

ACCOUNT

All DIP Advances (as defined below) shall be deposited into an account acceptable to the Borrower, the Monitor and the DIP Lender (the “**Account**”) and withdrawn to pay contemplated expenses under the Cash Flow Projections (as defined below) and otherwise in accordance with the terms hereof.

USE OF PROCEEDS AND PROJECTED CASH FLOWS

The Initial Advance under the DIP Facility shall be used in accordance with the cash flow projections attached herewith as Schedule “B” (the “**Initial Cash Flow Projections**”). Any other advance under the DIP Facility (the “**Additional Advances**” and collectively with the Initial Advance, the “**DIP Advances**”) shall be used in accordance with the Amended Cash Flow Projections (as defined below and collectively with the Initial Cash Flow Projections, the “**Cash Flow Projections**”).

No proceeds of the DIP Advances may be used for any purpose other than in accordance with the Cash Flow Projections except with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld.

Notwithstanding anything to the contrary herein, none of the proceeds of the DIP Advances may be used in connection with (a) any investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against or involving the DIP Lender, or (b) the initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against or involving the DIP Lender in such capacity in respect of this Agreement, except in each case of (a) and (b), to the extent relating to the CCAA Proceedings.

INTEREST RATE

Interest (“**Interest**”) on the principal outstanding amount of the DIP Advances (including the compounded interest referenced below) from the date each such DIP Advance is made (or, in the case of the compounded interest referenced below, the date that such interest is compounded), both before and

after maturity, demand, default, or judgment until payment in full at a rate of 12% per annum, compounded and calculated weekly shall accrue and be added to the principal amount of the DIP Advances on the first day of each month.

All interest shall be calculated on the basis of a 365-day (or 366 day, as applicable) year, in each case for the actual number of days elapsed in the period during which it accrues.

All payments under or in respect of the DIP Facility shall be made free and clear of any withholding, set-off or other deduction.

FEES

On the earlier of the Maturity Date and the repayment in full of the DIP Advances, the Borrower shall pay to the DIP Lender an exit fee of \$400,000.

COSTS AND EXPENSES

The Borrower shall pay all reasonable and documented costs and expenses of the DIP Lender for all out-of-pocket due diligence and travel costs and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant in connection with the implementation and administration of the DIP Facility, including any reasonable and documented costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available hereunder.

DIP SECURITY

The Guarantors hereby guarantees in favour of the DIP Lender the payment and performance of all Obligations of the Borrower under or in connection with the DIP Facility. All Obligations of the Obligors under or in connection with the DIP Facility and any of the DIP Credit Documentation shall be secured by a Court Ordered Charge on all present and after-acquired personal and real property of the Obligors, in each case of any kind or nature whatsoever and wheresoever situated (the "**DIP Lender's Charge**") without the need for any further loan or security documentation or any filings or registrations in any public register or system.

CONDITIONS PRECEDENT TO THE DISBURSEMENT OF THE INITIAL ADVANCE

The DIP Lender's obligation to make the Initial Advance hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. The Borrower' application materials in connection with its application for the issuance of an initial order under the CCAA (the "**Initial Order**") shall be satisfactory to the DIP Lender and such

application shall be brought before the Court no later than June 5, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;

2. The Initial Order, in form and substance, and on notice to such parties acceptable to the DIP Lender, acting reasonably, shall have been executed by the Court authorizing and approving the Initial Advance under the DIP Facility and granting the DIP Lender's Charge shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect materially adversely affecting the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, unless otherwise agreed by the DIP Lender, acting reasonably;
3. As permitted by the CCAA, the DIP Lender's Charge shall have priority over all Liens granted by the Obligors against any of the undertaking, property or assets of the Obligors subject in priority only to an administrative charge on the collateral of the Borrower in an aggregate amount not to exceed \$2.7 million.

**CONDITIONS
PRECEDENT TO THE
DISBURSEMENT OF
DIP ADVANCES
(OTHER THEN THE
INITIAL ADVANCE)**

The DIP Lender's obligation to make any Additional Advance hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. The Borrower' application materials in connection with its application for the extension of the Initial Order shall be satisfactory to the DIP Lender, acting reasonably, and such application shall be brought before the Court no later than June 5, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;
2. An order amending and restating the Initial Order, in form and substance acceptable to the DIP Lender, acting reasonably, shall have been executed by the Court authorizing and approving the DIP Facility and granting the DIP Lender's Charge (the "**Restated Initial Order**") shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect materially adversely affecting the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, unless otherwise agreed by the DIP

Lender, acting reasonably;

3. The DIP Lender's Charge shall have priority over all Liens granted by the Obligors against any of the undertaking, property or assets of the Obligors subject in priority only to an administrative charge on the collateral of the Obligors in an aggregate amount not to exceed \$9.8 million;
4. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on the terms and conditions of a mutually acceptable Sale and Investment Solicitation Process (the "**SISP** ") including the various relevant milestones of such SISP and an outside date for the completion of the SISP (the "**SISP Milestones**");
5. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on the length of the stay period provided to the Obligors in the Restated Initial Order;
6. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on new cash flow projections for the length of the stay period provided for in the Restated Initial Order (the "**Amended Cash Flow Projections**");
7. The Borrower shall have delivered a request for such Additional Advance at least two (2) Business Days before such Additional Advance is requested;
8. The amount of such Additional Advance shall be made no earlier than every four (4) weeks in accordance with Schedule "B", in the line titled "Dip Advances/(Repayments)" line;
9. The representations and warranties contained herein shall be true and correct; and
10. No Default or Event of Default shall have occurred and be continuing.

Each of the Obligors agrees to indemnify and hold harmless the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, and its Affiliates and officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the "**Indemnified Persons**") from and against any and all actions, lawsuits, proceedings

(including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, this Agreement, or the DIP Credit Documentation, except to the extent that such actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Persons.

REPRESENTATIONS AND WARRANTIES

Each of the Obligors represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement and the other DIP Credit Documentation, that:

1. The transactions contemplated by this Agreement and the other DIP Credit Documentation:
 - a. upon the granting of either the Initial Order or the Restated Initial Order, are within the powers of the Obligors;
 - b. have been duly authorized, executed and delivered by or on behalf of the Obligors;
 - c. upon the granting of either the Initial Order or the Restated Initial Order, constitute legal, valid and binding obligations of the Obligors;
 - d. upon the granting of either the Initial Order or the Restated Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Lender's Charge or any DIP Security granted pursuant to the DIP Credit Documentation;
2. The business operations of the Obligors have been and will continue to be conducted in material compliance with all Applicable Laws of each jurisdiction in which each such business has been or is being carried on;
3. The Obligors obtained all material licenses and permits required for the operation of its business, which licenses and permits remain, and after the date of the Initial Advance will remain in full force and effect and in good standing unless such licenses and permits are abandoned or terminated in connection with a Permitted Restructuring (as defined below).

No proceedings have been commenced to revoke or amend any of such licenses or permits and no notices advising of a breach or potential breach of the conditions of such licenses has been received;

4. Except as reflected in the Cash Flow Projections, the Obligors have paid where due their obligations for payroll, employee source deductions, sales taxes, value added taxes and are not in arrears in respect of these obligations;
5. The Obligors do not have any defined benefit pension plans or similar plans; and
6. All factual information provided by or on behalf of the Borrower to the DIP Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is, to the best of the Borrower' knowledge, true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. In particular, and without limiting the generality of the foregoing, to the best of the Borrower' knowledge, all information regarding the Borrower' corporate structure is true and complete, all public filings and financial reports are complete and true in all material respects as of the date thereof. As used in this section "to the best of the Borrower' knowledge" refers to the actual knowledge of the Stéphane Trudel and John Chou after reasonable inquiry;

**AFFIRMATIVE
COVENANTS**

Each of the Obligors covenants and agrees to do the following:

1. Subject to the variance permitted in #3 of the "Events of Default" section below, comply with the Cash Flow Projections;
2. Subject to any Court ordered limitations relating to the SISF, allow the DIP Lender, its designated representatives and financial advisors full access to the books and records of the Obligors on one (1) Business Day's notice and during normal business hours and cause management thereof to fully cooperate with any advisors to the DIP Lender;
3. Use the proceeds of the DIP Facility only for the

purposes set out herein;

4. Comply with the provisions of the Court orders made in the CCAA Proceedings;
5. Comply with the SISP and the SISP Milestones;
6. Provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceedings at least three (3) days prior to any service of such materials or, where it is not practically possible to do so at least three days prior to any such service, as soon as possible;
7. Maintain all licenses required for the operation of their business in good standing, other than any licenses abandoned or terminated in connection with a Permitted Restructuring;
8. Provide the DIP Lender with all material correspondence between the Obligors and any governmental authority in respect of their cannabis licenses from and after the date of the Initial Order;
9. The Initial Order, the Restated Initial Order and any other Court orders which are being sought by the Borrower shall be submitted to the Court in a form confirmed in advance to be satisfactory to the DIP Lender, acting reasonably, subject to any amendments that are required by the Court or otherwise acceptable to the DIP Lender, acting reasonably;
10. Subject to any Court ordered limitations, use all reasonable efforts to keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Obligors and with respect to the SISP;
11. Deliver on the following Thursday of the week due to the DIP Lender any Updated Bi-Weekly Budgets and Bi-Weekly Budget Variance Reports and such other reporting and information from time to time as is reasonably requested by the DIP Lender in form and substance satisfactory to the DIP Lender;
12. Maintain all insurance with respect to the

Collateral in existence as of the date hereof;

13. Forthwith notify the DIP Lender of any event or circumstance that, with the passage of time, may constitute an Event of Default;
14. Forthwith notify the DIP Lender of the occurrence of any Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Projections;
15. Duly and punctually pay or cause to be paid to the DIP Lender all principal and interest payable by it under this Agreement and under any other DIP Credit Documentation on the dates, at the places and in the amounts and manner set forth herein;
16. Comply in all material respects with all Applicable Laws; and
17. Comply in all material respects with all of their obligations under all other agreements with the DIP Lender and its Affiliates.

**NEGATIVE
COVENANTS**

Each of the Obligors covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld:

1. Other than pursuant to a Permitted Restructuring, sell, assign, transfer, lease or otherwise dispose of all or any part of its assets outside the ordinary course of business, except for the disposition of any obsolete equipment or other assets;
2. Make any payment of principal or interest in respect of existing (pre-filing date) indebtedness or declare or pay any dividends except as contemplated by the Cash Flow Projections;
3. Create or permit to exist indebtedness for borrowed money other than existing (pre-filing date) debt and debt contemplated by this DIP Facility;
4. Create or permit to exist any Liens on any of its properties or assets other than Permitted Liens;
5. Enter into or agree to enter into any investments other than cash equivalents or acquisitions of any

kind, direct or indirect, in any business;

6. Incur, assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
7. Enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of any Obligor would become the property of any other Person or Persons;
8. Seek or support a motion by another party to provide to a third party a charge upon any of the Borrower' assets (including, without limitation, a critical supplier's charge) without the prior consent of the DIP Lender, except to the extent such motion or charge will result in a repayment in full of all Obligations owing to the DIP Lender under the DIP Facility;
9. Amend or seek to amend the Initial Order, Restated Initial Order, the SISP or the SISP Milestones;
10. Other than (i) for cause or (ii) in connection with a Permitted Restructuring, terminate the employment of any personnel required to maintain its cannabis licenses in good standing unless replaced in due course;
11. Terminate or repudiate any agreement with the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, or any of its Affiliates;
12. Seek or obtain any order from the Court that materially adversely affects the DIP Lender, except with the prior written consent of the DIP Lender; and
13. Deliver any lease disclaimer notice pursuant to section 32 CCAA, except with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld, and provided that upon the Borrower providing a copy of any such proposed lease disclaimer notice, the DIP Lender promptly (and in any event within two (2) Business Days) advises the Borrower if it has any objections

to the proposed disclaimer.

EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Agreement:

1. failure of the Borrower to pay principal or interest when due under this Agreement or any other DIP Credit Documentation;
2. any other breach by any Obligor in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than three (3) Business Days;
3. A negative variance of the net cash flows calculated in accordance with the methodology set out in Schedule "B" of more than 10% compared to the Cash Flow Projections on a cumulative basis since the beginning of the period covered thereby, provided that the payment of the DIP Lender's fees and expenses pursuant to this Agreement (if paid prior to Maturity Date) shall be excluded from such calculation. This test starts in week 5 and does not apply to weeks 1-4;
4. (i) any order shall be entered reversing, amending, varying, supplementing, staying, vacating or otherwise modifying in any respect in a manner materially affecting the DIP Lender without the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld, (ii) either the Initial Order or the Restate Initial Order shall cease to be in full force and effect in a manner that has a material adverse effect on the interests of the DIP Lender, or (iii) Borrower shall fail to comply in any material respect that has an adverse effect on the interests of the DIP Lender with any Order granted by the Court in the CCAA Proceedings;
5. this Agreement or any other DIP Credit Documentation shall cease to be effective or shall be contested by a Borrower;
6. any order is issued by the Court (or any other court of competent jurisdiction) that materially adversely affects the DIP Lender, in its capacity as DIP Lender, without the prior written consent of

the DIP Lender, which consent shall not be unreasonably withheld;

7. the CCAA Proceedings are terminated or converted to bankruptcy proceeding or any order is granted by the Court (or any court of competent jurisdiction) granting relief from the stay of proceedings during the CCAA Proceedings (as extended from time to time until the Maturity Date), unless agreed by the DIP Lender, acting reasonably;
8. any Plan is filed or sanctioned by the Court in a form and in substance that is not acceptable to the DIP Lender if such Plan does not either provide for the repayment of the obligations under the DIP Facility in full by the Maturity Date or designate the DIP Lender as unaffected by such Plan;
9. if any of the Borrower's cannabis licenses are revoked or the Borrower fails to comply with a material condition required to keep such licenses in good standing, other than as a result of a Permitted Restructuring, and such license is not reinstated or the Borrower's failure to comply with such material condition continues for a period of five (5) Business Days;
10. any of the Borrower makes any material payments of any kind not permitted by this Agreement, the Cash Flow Projections or any order of the Court;
11. if the Monitor, counsel to the Monitor, or counsel to the Borrower withdraws its services on behalf of the Borrower and/or terminates its engagement with the Borrower and a replacement professional acceptable to the DIP Lender is not appointed or engaged, as applicable, or if alternative arrangements acceptable to the DIP Lender are not made within 5 Business Days;
12. borrowings under the DIP Facility exceed the Maximum Amount.

REMEDIES

Upon the occurrence and continuance of an Event of Default, the DIP Lender may, upon written notice to the Borrower and the Monitor:

1. terminate the DIP Facility;
2. on prior notice to the Borrower and the service list of no less than three (3) Business Days, apply to

the Court for the appointment of an interim receiver or a receiver and manager of the undertaking, property and assets of the Borrower or for the appointment of a trustee in bankruptcy of the Borrower;

3. exercise the powers and rights of a secured party under any legislation; and
4. exercise all such other rights and remedies under the DIP Credit Documentation and Orders of the Court in the CCAA Proceedings.

DIP LENDER APPROVALS

All consents of the DIP Lender hereunder shall be in writing. Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail.

FURTHER ASSURANCES

The Obligors shall at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this Agreement and the DIP Lender's Charge, perfecting, protecting and maintaining the Liens created by the DIP Lender's Charge or establishing compliance with the representations, warranties and conditions of this Agreement or any other DIP Credit Documentation.

ENTIRE AGREEMENT

This Agreement, including the Schedules hereto and the DIP Credit Documentation, constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement and any of the other DIP Credit Documentation, this Agreement shall govern.

AMENDMENTS, WAIVERS, ETC.

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Credit Documentation will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender. Any consent to be provided by the DIP Lender shall be granted or withheld solely in its capacity as and having regard to its interests as DIP Lender.

ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Borrower may not assign its rights and obligations under this Agreement

without the written consent of the DIP Lender. The DIP Lender's rights and obligations under this Agreement are fully assignable, to an affiliate of the DIP Lender or with the consent of the Borrower, acting reasonably, before an Event of Default to any other entity and are freely assignable after an Event of Default has occurred and is continuing. Each of the Obligors hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee agrees in writing to keep such information confidential.

SEVERABILITY

Any provision in any DIP Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

PRESS RELEASES

The Borrower shall not issue any press releases or other public disclosure, other than Court documents approved in the manner set out herein, naming the DIP Lender without its prior approval, acting reasonably unless the Borrower is required to do so by applicable securities laws or other applicable law.

**COUNTERPARTS AND
FACSIMILE
SIGNATURES**

This Agreement may be executed in any number of counterparts and by facsimile or e-mail transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

NOTICES

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the DIP Lender:

With a copy to:

Davies Ward Philips & Vineberg LLP
155 Wellington Street West
Toronto, ON M5V 3J7

Attention: Sébastien Thériault, Christian Lachance and
Natalie Renner
Email: stheriault@dwpv.com, clachance@dwpv.com and
nrenner@dwpv.com

In the case of the Borrower:

With a copy to:

Stikeman Elliott LLP
5300 Commerce Court West
Toronto, Ontario M5L 1B9

Attention: Maria Konyukhova
Email: mkonyukhova@stikeman.com

In either case, with a copy to the Monitor:

FTI Consulting Inc.
Toronto Dominion Centre, Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Jeffrey Rosenberg
Email: jeffrey.rosenberg@fticonsulting.com

In either case, with a copy to the Monitor's counsel:

Thornton Grout Finnigan LLP
Suite 3200, TD West Tower
100 Wellington Street West
Toronto, Ontario M5K 1K7

Attention: Leanne Williams
Email: lwilliams@tgf.ca

ENGLISH LANGUAGE

The parties hereto confirm that this Agreement and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande.*

**GOVERNING LAW
AND JURISDICTION**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Obligors irrevocably submits to the non-exclusive courts of the Province of Ontario, waives any objections on the ground of venue or *forum non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS HEREOF, the parties hereby execute this Agreement as of the date first written above.

FIRE & FLOWER HOLDINGS CORP.

By: _____
Name:
Title:

FIRE & FLOWER INC.

By: _____
Name:
Title:

13318184 CANADA INC.

By: _____
Name:
Title:

11180703 CANADA INC.

By: _____
Name:
Title:

10926671 CANADA LTD.

By: _____
Name:
Title:

FRIENDLY STRANGER HOLDINGS CORP.

By: _____
Name:
Title:

PINEAPPLE EXPRESS DELIVERY INC.

By: _____
Name:
Title:

HIFYRE INC.

By: _____
Name:
Title:

2707031 ONTARIO INC.

By: _____
Name:
Title:

SCHEDULE "A"

Additional Definitions

"Affiliate" means, in respect of any Person at any date, (a) any corporation, company, limited liability company, association, joint venture or other business entity of which securities, membership interests or other ownership interests representing fifty percent (50%) or more of the voting power of all equity interests are owned or held, directly or indirectly, by such Person, (b) any partnership, limited liability company or joint venture wherein the general partner, managing partner or operator is, directly or indirectly, such Person, or (c) any other Person that is otherwise directly or indirectly controlled by such Person.

"Applicable Laws" means all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of the Obligors, the operation of their business or their property, as the case maybe, including Cannabis Laws.

"Bi-Weekly Budget Variance Report" means a variance report showing on a line-by-line basis actual receipts and disbursements and the total available liquidity for the last day of the prior week for the cumulative period since the commencement of the CCAA Proceedings and for a cumulative period once the CCAA Proceedings have been pending for four weeks and noting therein all variances on a line-by-line basis from the amounts in the Updated Bi-Weekly Budget and shall include explanations for all material variances and shall be certified by the Chief Financial Officer of the Borrower.

"Business Day" means a day on which banks in Toronto, Ontario and Montréal, Québec are open for business.

"Cannabis Laws" means the Cannabis Licence Act, 2018, S.O. 2018, c.12, Sched. 2, the Cannabis Act, S.C. 2018, c. 16 (Canada), the Cannabis Control Act, 2017, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of Cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with Cannabis and/or related cannabinoid products.

"Court Ordered Charges" means the charges granted by the Court over the assets, properties and undertakings of the Obligors in the CCAA Proceedings, which shall include, without limitation, an administration charge and the DIP Lender's Charge.

"Default" means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

"DIP Credit Documentation" means this Agreement, the Order of the Court approving it and any other definitive documentation in respect of the DIP Facility that are in form and substance satisfactory to the DIP Lender.

"DIP Security" means the contractual security and contractual hypothecary documents granted by the Borrower providing for a security interest/hypothec in and lien on all now-owned and hereafter-acquired assets and property of the Borrower, real and personal, tangible or intangible and all proceeds therefrom (the **"Collateral"**), but excluding (i)

such assets, if any, as the DIP lender in its discretion determines to be immaterial or to be assets for which the cost and other burdens of establishing and perfecting a security interest outweigh the benefits of establishing and perfecting a security interest, and (ii) other exceptions to be mutually agreed.

“Legal Fees” means all reasonable and documented legal fees that the DIP Lender will have to pay to its legal counsel in connection with any and all tasks related to this Agreement, the Order, the DIP Facility or the DIP Credit.

“Liens” means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

“Monitor” means FTI Consulting Inc.

“Obligors” means the Borrower and the Guarantors.

“Permitted Restructuring” shall mean any restructuring and/or closure of stores or other premises used by any Obligor approved by the DIP Lender, acting reasonably.

“Permitted Liens” means (i) Court Ordered Charges; (ii) the liens registered against the Obligors in the Provinces of Ontario, British Columbia, Saskatchewan, Manitoba, Alberta, and Yukon Territory, as more particularly described in the search summaries attached to Exhibit “L” of the Affidavit of Stephane Trudel sworn on June 5, 2023 in connection with the CCAA Proceedings, and (iii) liens in respect of amounts payable by an Obligor for wages, vacation pay, deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada), income tax and workers compensation claims.

“Person” means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or governmental authority.

“Plan” means the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majorities of the Borrower’s creditors and by order entered by the Court and by the DIP Lender.

“Updated Bi-Weekly Budget” means a revised 13-week period detailed budget which is in form and substance satisfactory to the DIP Lender, which revised budget shall be reviewed by the Monitor.

SCHEDULE "B"

Initial Cash Flow Projections

(see attached)

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

AFFIDAVIT OF STEPHANE TRUDEL

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
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Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)
) MONDAY, THE 5TH DAY
JUSTICE STEELE) OF JUNE, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE &
FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703
CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP.,
PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC

Applicants

INITIAL ORDER

THIS APPLICATION, made by Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("**133 Canada**"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "**Applicants**"), for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day by judicial videoconference via Zoom.

ON READING the affidavit of Stephane Trudel sworn June 5, 2023 (the "**Trudel Affidavit**") and the Exhibits thereto, the pre-filing report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as proposed monitor of the Applicants (in such capacity, the "**Monitor**") dated June 5, 2023 (the "**Pre-Filing Report**"), the consent of FTI to act as the Monitor, on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for FTI, counsel for 2707031 Ontario Inc. ("**ACT Investor**") and ACT Investor in its capacity as the DIP Lender (as defined below), and such other parties as listed on the Counsel Slip, with no one else appearing although duly served as appears from the affidavit of service of Philip Yang sworn June 5, 2023,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Trudel Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each of the Applicants are companies to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize their existing central cash management system currently in place or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management

System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of arrangement or compromise under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time, but not required to pay all reasonable expenses incurred by the Applicants in carrying on their Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be

deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, monthly in equal payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) terminate the employment of such its employees or temporarily lay off such of its employees as it deems appropriate;
- (b) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing; and

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against

the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including June 15, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,800,000, as security for the indemnity provided in paragraph 20 of this Order. The D&O Charge shall have the priority as set out in paragraphs 39 and 41 herein.

22. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination of financial and other information to the DIP Lender and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender, or as may reasonably be requested by the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as may reasonably be requested by the DIP Lender;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and*

Substances Act, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation, and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or take Possession of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, 1999*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, the *Ontario Mining Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis. In addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Monitor, retainers in the amounts of \$50,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Applicants' counsel, the Monitor and its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs 39 and 41 hereof.

DIP FACILITY

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in order to finance the Applicants' working capital requirements, and other general corporate purposes and capital expenditures.

33. **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Facility Loan Agreement between the Applicants and the DIP

Lender dated as of June 5, 2023, appended as **Exhibit “N”** to the Trudel Affidavit (the “**DIP Facility Agreement**”).

34. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$2,700,000 during the Stay Period.

35. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the “**Definitive Documents**”), as may be contemplated by the DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the “**DIP Obligations**”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property as security for the DIP Obligations, which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority as set out in paragraphs 39 and 41 hereof.

37. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon three business days’ notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts

owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

38. **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise under the CCAA, or any proposal filed under the BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge, and the Directors' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of \$2,000,000; and

Third - Directors' Charge (to the maximum amount of \$2,800,000).

40. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

41. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any

Person, provided that the Charges shall rank behind Encumbrances in favor of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.

42. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

43. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal, provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Definitive Documents, and the granting of the Charges, do not and will not constitute

preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

44. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

46. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.cfcanada.fticonsulting.com/Fire&Flower

47. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

48. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

COMEBACK MOTION

49. **THIS COURT ORDERS** that the Comeback Motion shall be heard on June 15, 2023.

GENERAL

50. **THIS COURT ORDERS** that the Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

51. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

52. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

53. **THIS COURT ORDERS** that each of the Applicants and the Monitor shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative

in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

54. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

55. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

STIKEMAN ELLIOTT LLP

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5300 Commerce Court West
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Lawyers for the Applicants

TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE
JUSTICE

)))

WEEKDAY MONDAY, THE #5TH
DAY OF MONTH, 20YR

JUSTICE STEELE

)
)

OF JUNE, 2023

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
[APPLICANT'S NAME] (the "Applicant") FIRE & FLOWER HOLDINGS CORP., FIRE &
FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD.,
FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and
HIFYRE INC

Applicants

INITIAL ORDER

THIS APPLICATION, made by ~~the Applicant~~, Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("133 Canada"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "Applicants"), for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day ~~at 330 University Avenue, Toronto, Ontario~~ by judicial videoconference via Zoom.

ON READING the affidavit of [NAME] Stephane Trudel sworn [DATE] June 5, 2023 (the "Trudel Affidavit") and the Exhibits thereto, ~~and the pre-filing report of FTI Consulting Canada Inc. ("FTI")~~, in its capacity as proposed monitor of the Applicants (in such capacity, the "**Monitor**") dated June 5, 2023 (the "**Pre-Filing Report**"), the consent of FTI to act as the Monitor, on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for [NAMES], ~~no one the Applicants~~, counsel for FTI, counsel for 2707031 Ontario Inc. ("ACT Investor") and ACT Investor in its capacity as the DIP Lender (as defined below), and such other parties as listed on the

Counsel Slip, with no one else appearing ~~for [NAME]~~¹ although duly served as appears from the affidavit of service of ~~[NAME] sworn [DATE] and on reading the consent of [MONITOR'S NAME] to act as the Monitor~~ Philip Yang sworn June 5, 2023,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. THIS COURT ORDERS that capitalized terms used but not defined in this Order shall have the meanings given to them in the Trudel Affidavit.

APPLICATION

3. ~~2.~~ THIS COURT ORDERS AND DECLARES that ~~the Applicant is a company~~ each of the Applicants are companies to which the CCAA applies.

~~PLAN OF ARRANGEMENT~~

~~3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall remain in possession and control of ~~its~~ their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the ~~Applicant~~ Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its~~ their business (the "**Business**") and Property. The

~~1 Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

~~2 If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

~~Applicant is~~ Applicants are authorized and empowered to continue to retain and employ ~~the~~ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by ~~it~~ them, with liberty to retain such further Assistants as ~~it deems~~ they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **[THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall be entitled to continue to utilize ~~the~~ their existing central cash management system³ currently in place ~~as described in the Affidavit of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~ Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the ~~Applicant~~ Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under ~~the Plan~~ any plan of arrangement or compromise under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]

6. **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

~~³ This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter-company transfers of cash.~~

- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~ Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~ Applicants shall be entitled ~~-, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time,~~ but not required to pay all reasonable expenses incurred by the ~~Applicant~~ Applicants in carrying on ~~the~~ their Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors-~~'~~ and officers-~~'~~ insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the ~~Applicant~~ Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall ~~remit~~, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ~~Applicant~~ Applicants in connection with the sale of goods and services by the ~~Applicant~~ Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order~~;~~ and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, ~~twice-~~monthly in equal payments on the first ~~and fifteenth~~ day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant is Applicants are~~ hereby directed, until further Order of this Court: ~~(a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c)~~

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) ~~to~~ to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

~~4 The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

~~(a) — permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$• in any one transaction or \$• in the aggregate]5~~

(a) ~~(b)~~ terminate the employment of such ~~of~~ its employees or temporarily lay off such of its employees as it deems appropriate; ~~and;~~

(b) ~~(e)~~ pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of ~~its~~ their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing; and

all of the foregoing to permit the ~~Applicant~~ Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

12. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims ~~{or resiliates}~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period

~~5 Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

provided for in Section 32(5) of the CCAA), and the disclaimer ~~for resiliation~~ of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer ~~for resiliation~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~for resiliation~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for resiliation~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~ APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including ~~[DATE—MAX. 30 DAYS]~~ June 15, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting ~~the their~~ Business or ~~the their~~ Property, except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~ Applicants or affecting ~~the their~~ Business or ~~the their~~ Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting ~~the their~~ Business or ~~the their~~ Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~ Applicants to carry on any business which the ~~Applicant is~~ Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory

body as are permitted by Section 11.1 of the CCAA, (~~iii~~c) prevent the filing of any registration to preserve or perfect a security interest, or (~~iv~~d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the ~~Applicant~~Applicants are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants, whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

~~6 This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

~~7 The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

21. **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~ Applicants shall be entitled to the benefit of and are hereby granted a charge (the "~~Directors'~~ D&O Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~2,800,000~~, as security for the indemnity provided in paragraph ~~{20}~~ 20 of this Order. The ~~Directors'~~ D&O Charge shall have the priority as set out in paragraphs ~~{38}~~ 39 and ~~{40}~~ 41 herein.

22. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the ~~Directors'~~ D&O Charge, and (b) the ~~Applicant's~~ Applicants' directors and officers shall only be entitled to the benefit of the ~~Directors'~~ D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~ 20 of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that ~~{MONITOR'S NAME}~~ FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~ Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;

~~8 Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, in ~~its~~their dissemination, ~~of financial and other information~~ to the DIP Lender and its counsel on a ~~[TIME INTERVAL]~~periodic basis of financial and other information as agreed to between the ~~Applicant~~Applicants and the DIP Lender ~~which may be used in these proceedings including reporting on a basis to be agreed with,~~ or as may reasonably be requested by the DIP Lender;
- (d) advise the ~~Applicant in its~~Applicants in their preparation of the ~~Applicant's~~Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, ~~but not less than [TIME INTERVAL], or as otherwise agreed to~~ or as may reasonably be requested by the DIP Lender;
- ~~(e) advise the Applicant in its development of the Plan and any amendments to the Plan;~~
- ~~(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~
- (e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not ~~take possession of the Property~~ occupy or take control, care, charge, possession or management (separately and/or collectively, "Possession") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the Cannabis Act, S.C. 2018, c. 16, the Controlled Drugs and Substances Act, S.C. 1996, c. 19, the Excise Tax Act, R.S.C. 1985, c. E. 15, Excise Act, 2001, S.C. 2002, c.22 the British Columbia Cannabis Control and Licensing Act, S.B.C. 2018, c. 29, the British Columbia Cannabis Distribution Act, S.B.C. 2018, c. 28, the Ontario Cannabis Control Act, 2017, S.O. 2017, c. 26, Sched. 1, Ontario Cannabis Retail Corporation Act, 2017, S.O. 2017, c. 26, the Cannabis License Act, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation, and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or ~~to take control, care, charge, possession or management (separately and/or collectively, "take Possession")~~ of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian Environmental Protection Act, 1999, the Ontario Environmental Protection Act, the Ontario Water Resources Act, the Ontario Mining Act, or the Ontario Occupational Health and Safety Act and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order ~~or anything done in pursuance of the Monitor's duties and powers under this Order,~~ be deemed to be in Possession

of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant~~ Applicants and the DIP Lender with information provided by the ~~Applicant~~ Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~ Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~ Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, ~~by the Applicant~~ whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The ~~Applicant is~~ Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant on a [TIME INTERVAL] basis and, in~~ Applicants on a weekly basis. In addition, the ~~Applicant is~~ Applicants are hereby authorized to pay to the Monitor, ~~and~~ and counsel to the Monitor, ~~and counsel to the Applicant,~~ retainers in the ~~amount[s] of \$● [-, respectively,]~~ amounts of \$50,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the ~~Monitor,~~ Applicants' counsel ~~to,~~ the Monitor, ~~if any,~~ and ~~the Applicant's~~ its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$●600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs ~~[38]~~ 39 and ~~[40]~~ 41 hereof.

DIP ~~FINANCING~~ FACILITY

32. **THIS COURT ORDERS** that the ~~Applicant is~~ Applicants are hereby authorized and empowered to obtain and borrow under ~~a credit facility from [DIP LENDER'S NAME] (the "DIP Lender")~~ the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in order to finance the ~~Applicant's~~ Applicants' working capital requirements, ~~and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~

33. **THIS COURT ORDERS** ~~THAT that~~ such ~~credit facility~~ DIP Facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~ DIP Facility Loan Agreement between the ~~Applicant~~ Applicants and the DIP Lender dated as of ~~[DATE] (the "Commitment Letter")~~, filed June 5, 2023, appended as Exhibit "N" to the Trudel Affidavit (the "DIP Facility Agreement").

34. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$2,700,000 during the Stay Period.

34. **THIS COURT ORDERS** that the ~~Applicant is~~ Applicants are hereby authorized and empowered to execute and deliver such ~~credit~~ agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the "**Definitive Documents**"), as ~~are~~ may be contemplated by the ~~Commitment Letter~~ DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant is~~ Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP

Lender under and pursuant to the ~~Commitment Letter and the~~ Definitive Documents (collectively, the "DIP Obligations") as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the DIP Obligations, which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority as set out in paragraphs ~~{38}~~ 39 and ~~{40}~~ 41 hereof.

37. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ~~●~~ three business days' notice to the ~~Applicant~~ Applicants and the Monitor, may exercise any and all of its rights and remedies against the ~~Applicant~~ Applicants or the Property under or pursuant to the ~~Commitment Letter,~~ Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the ~~Applicant~~ Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~ Applicants against the obligations of the ~~Applicant~~ Applicants to the DIP Lender under ~~the Commitment Letter,~~ the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~ Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~ Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~ Applicants or the Property.

38. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise ~~filed by the Applicant~~ under the CCAA, or any proposal filed ~~by the Applicant~~ under the ~~Bankruptcy and Insolvency Act of Canada (the "BIA")~~ BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge ~~and~~, the DIP Lender's Charge, and the Directors' Charge (collectively, the "Charges"), as among them, shall be as follows⁹:

First ~~—~~ Administration Charge (to the maximum amount of \$~~●~~600,000);

Second – DIP Lender's ~~Charge; and~~ ~~Third —~~ Directors' Charge (to the maximum amount of \$~~●~~2,000,000; ~~and~~

Third - Directors' Charge (to the maximum amount of \$2,800,000).

40. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~, shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

41. ~~40.~~ **THIS COURT ORDERS** that ~~each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~ the Charges shall constitute a charge on the Property and ~~such Charges~~ shall rank in priority to all other security interests,

~~9 The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, provided that the Charges shall rank behind Encumbrances in favor of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.

42. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, ~~or as may be approved by this Court, the Applicant~~ the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors’ Charge, the Administration Charge or the DIP Lender’s Charge~~ Charges, unless the ~~Applicant~~ Applicants also ~~obtains~~ obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors’ Charge and the Administration Charge, or further Order of this Court.

43. ~~42.~~ **THIS COURT ORDERS** that the Directors’ Charge, the Administration Charge, ~~the Commitment Letter~~, the Definitive Documents and the DIP Lender’s Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal ~~or~~ provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the ~~Applicant~~ Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter or the~~ Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~ Applicants of any Agreement to which ~~it is~~ they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~

Applicants entering into the ~~Commitment Letter~~ DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the ~~Applicant~~ Applicants pursuant to this Order, ~~the Commitment Letter or~~ the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

44. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~ Applicants' interest in such real property leases.

SERVICE AND NOTICE

45. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (ia) without delay, publish in ~~[newspapers specified by the Court]~~ The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ib) within five days after the date of this Order, (Ai) make this Order publicly available in the manner prescribed under the CCAA, (Bii) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~ Applicants of more than \$1000, and (Ciii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

46. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05-1, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further

orders that a Case Website shall be established in accordance with the Protocol with the following URL ~~<@>~~: www.cfcanada.fticonsulting.com/Fire&Flower

47. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

48. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~ Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~ Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~ Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

COMEBACK MOTION

49. **THIS COURT ORDERS** that the Comeback Motion shall be heard on June 15, 2023.

GENERAL

50. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of ~~its~~ their powers and duties hereunder.

51. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~ Applicants, the Business or the Property.

52. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

53. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor shall be at liberty and ~~is~~are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

54. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

55. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

Court File No. ●

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

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Lawyers for the Applicants

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**APPLICATION RECORD OF THE
APPLICANTS**

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