Choom™ Cannabis Co.

Consolidated Financial Statements

For the years ended June 30, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise stated)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHOOM HOLDINGS INC.

Opinion

We have audited the consolidated financial statements of Choom Holdings Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the 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 June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as at June 30, 2021, the Company has an accumulated deficit of $157,812,605, a working capital deficiency of $10,095,516 and a net loss and comprehensive loss of $21,633,518 for the year ended June 30, 2021. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis and Annual Information Form.

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 audits 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 and the Annual Information Form prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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.

Auditors' 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 auditors' 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 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 auditors' 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 auditors' report is Sukjhit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
October 21, 2021

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes		2021		2020
ASSETS (Note 17)					
Current					
Cash and cash equivalents	6	$	**268,507**	$	461,100
Marketable securities	10		**-**		1,133
Short-term investments	7		**46,000**		46,000
Trade and accounts receivable	8,12		**356,860**		351,249
Notes receivable	9		**485,245**		-
Inventory	11		**909,478**		1,002,217
Prepaid expenses and deposits	28		**225,272**		469,411
Assets held for sale	12		**-**		600,558
			2,291,362		2,931,668
Non-Current					
Prepaid expenses and lease deposits	28		**575,292**		540,274
Property and equipment	12		**4,477,387**		7,131,547
Right-of-use assets	14		**7,366,878**		8,096,315
Intangible assets	13		**10,433,974**		7,934,688
Investment	25		**715,282**		1,904,947
Notes receivable	9		**-**		927,261
Goodwill	5,13		**346,091**		3,154,571
Total assets		$	**26,206,266**	$	32,621,271
LIABILITIES					
Current					
Trade and other payables	15,17,22,31	$	**6,035,477**	$	4,197,034
Current portion of convertible debentures	17		**3,907,348**		-
Lease liabilities	14		**2,242,435**		1,350,201
Notes payable	16		**-**		1,092,500
Government assistance	32		**201,618**		-
			12,386,878		6,639,735
Non-Current					
Lease liabilities	14		**6,652,660**		6,589,536
Notes payable	16		**1,250,000**		-
Government assistance	32		**240,000**		240,000
Convertible debentures	17		**15,871,343**		17,606,912
Deferred tax liability	5,31		**961,740**		961,740
Total liabilities		$	**37,362,621**		32,037,923
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital	18		**131,147,686**		121,460,291
Obligation to issue shares	18		**-**		771,900
Equity portion of convertible debenture	17		**5,739,326**		5,739,326
Contributed surplus	5,19		**9,779,911**		8,801,591
Accumulated other comprehensive loss			**(10,673)**		-
Accumulated deficit			**(157,812,605)**		(136,189,760)
Total shareholders' equity (deficit)			**(11,156,355)**		583,348
Total liabilities and shareholders' equity (deficit)		$	**26,206,266**	$	32,621,271

Approved on behalf of the Board of Directors by:

"Stephen Tong" *"Christopher Bogart"*

Stephen Tong Christopher Bogart

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

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes		2021		2020
REVENUES					
Revenue		$	**22,048,333**	$	7,357,807
Cost of sales			**(13,912,171)**		(5,107,219)
GROSS PROFIT			**8,136,162**		2,250,588
EXPENSES					
General and administrative	20,22	$	**4,040,713**	$	5,851,001
Salary, wages, and benefits	22, 32		**4,218,495**		2,529,700
Depreciation and amortization	12,13,14		**3,912,230**		1,710,903
Share-based payments	19,22		**843,935**		1,320,603
Operating expenses			**(13,015,373)**		(11,412,207)
Loss from operations			**(4,879,211)**		(9,161,619)
OTHER ITEMS					
Other income	21		**141,533**		918,713
Gain/(loss) on sale of property and equipment	12		**2,342**		(2,134,623)
Gain on derecognition of lease agreements	14		**147,795**		-
Fair value loss and impairment of investments	10,25		**(1,190,798)**		(45,822)
Impairment of intangible assets	13		**(1,974,993)**		(5,340,511)
Impairment of property and equipment	12,14		**(3,271,797)**		(602,089)
Impairment of goodwill	13		**(1,835,430)**		-
Financing costs	14,16,17		**(5,078,060)**		(3,654,144)
Gain/(loss) on modification and settlement of debt	17,18		**(30,116)**		86,777
Loss on write-off of notes receivable	8,9,28		**(833,626)**		(253,904)
Other expenses	21		**(1,326,664)**		-
Loss before income tax			**(20,129,025)**		(20,187,222)
Current income tax expense	31		**(86,431)**		-
Deferred tax recovery	31		**-**		166,524
Loss from continuing operations			**(20,215,456)**		(20,020,698)
Loss from discontinued operations	24		**(1,407,389)**		(325,728)
Net loss for the year			**(21,622,845)**		(20,346,426)
Other comprehensive loss			**(10,673)**		-
NET LOSS AND COMPREHENSIVE LOSS		$	**(21,633,518)**	$	(20,346,426)
Net loss per share					
Continuing operations, basic and diluted	23	$	**(0.07)**	$	(0.10)
Discontinued operations, basic and diluted	23	$	**(0.00)**	$	(0.00)

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

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

	Notes	Share Capital		Obligation to Issue Shares	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
		Shares	Amount						
June 30, 2019		191,666,813	$ 115,673,380	$ 1,929,750	$ 5,419,751	$ 7,418,488	-	$ (115,843,334)	$ 14,598,035
Net loss and comprehensive loss			-	-	-	-	-	(20,346,426)	(20,346,426)
Shares issued for acquisition		30,089,900	3,659,032	-	-	-	-	-	3,659,032
Convertible debentures		-	-	-	319,575	-	-	-	319,575
Shares issued for cash		2,500,000	937,500	-	-	62,500	-	-	1,000,000
Share commitments issued		1,124,127	1,157,850	(1,157,850)	-	-	-	-	-
Shares issued for consulting fees		60,000	25,800	-	-	-	-	-	25,800
Shares issued for debt		313,030	47,870	-	-	-	-	-	47,870
Share-based payments		-	-	-	-	1,320,603	-	-	1,320,603
Share issue costs		-	(41,141)	-	-	-	-	-	(41,141)
June 30, 2020		225,753,870	$ 121,460,291	$ 771,900	$ 5,739,326	$ 8,801,591	-	$ (136,189,760)	$ 583,348
Net loss and comprehensive loss		-	-	-	-	-	(10,673)	(21,622,845)	(21,633,518)
Share commitments issued	18,25	749,416	771,900	(771,900)	-	-	-	-	-
Shares issued for debt	18	6,285,757	574,686	-	-	-	-	-	574,686
Shares issued for acquisition	5	64,608,187	6,460,819	-	-	134,384	-	-	6,595,203
Shares issued for private placement	18	27,857,143	1,950,000	-	-	-	-	-	1,950,000
Shares issued for finder's fees	18	249,900	17,493	-	-	-	-	-	17,493
Share-based payments	19	-	-	-	-	843,936	-	-	843,936
Share issue costs	18	-	(87,503)	-	-	-	-	-	(87,503)
June 30, 2021		**325,504,273**	**$ 131,147,686**	**$ -**	**$ 5,739,326**	**$ 9,779,911**	**$ (10,673)**	**$(157,812,605)**	**$ (11,156,355)**

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
As at June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes		2021		2020
OPERATING ACTIVITIES					
Net loss for the year from continuing operations		$	**(20,215,456)**	$	(20,020,698)
Items not affecting cash:					
Depreciation and amortization	12,13,14		**3,910,141**		1,710,903
Share-based payments	19(c)		**843,935**		1,320,603
Shares issued for services	18		**212,083**		25,800
Financing costs	14,16,17		**3,195,970**		3,654,144
Fair value loss and impairment of investments	10,25		**1,190,798**		45,822
Impairment of intangible assets	13		**1,974,993**		5,340,511
Impairment of goodwill	13		**1,835,430**		-
Impairment of property and equipment	12,14		**3,271,754**		602,089
Impairment of Bottling Machine	12		**361,826**		-
Loss on sale of inventory	11,21		**100,218**		-
Accrued interest income	9		**(26,250)**		(219,731)
(Gain)/loss on modification and settlement of debt	17,18		**30,116**		(86,777)
Loss on write-off of notes receivable	8,9,28		**833,626**		253,904
Loss/(gain) on sale of property and equipment	12		**(2,342)**		2,134,623
Loss/(gain) on derecognition of lease agreements	14		**(147,795)**		35,417
Foreign exchange loss			**5,390**		-
Deferred tax recovery	31		**-**		(166,524)
Net cash used in operations prior to changes in working capital			**(2,625,563)**		(5,369,914)
Changes in non-cash working capital:					
Trade and accounts receivable	8		**152,573**		707,361
Inventory	11		**157,221**		105,463
Trade and other payables	15,22		**2,621,165**		6,198
Prepaid expenses	28		**214,049**		(186,431)
Net cash provided by/(used in) continuing operations			**519,445**		(4,737,323)
Net cash used in discontinued operations	24		**(47,924)**		(45,350)
Net cash provided by/(used in) operating activities			**471,521**		(4,782,673)
INVESTING ACTIVITIES					
Acquisition of assets			**-**		(108,668)
Capital expenditures	12,13,14		**(1,043,176)**		(4,309,386)
Acquisition of Phivida	5		**1,497,623**		-
Acquisition of Niagara			**-**		(471,110)
Proceeds from sale of assets	12		**469,426**		1,091,780
Loan receivable			**-**		(96,530)
Net cash provided by/(used in) investing activities			**923,873**		(3,893,914)
FINANCING ACTIVITIES					
Proceeds from borrowings, net of repayments	16,18,32		**390,000**		1,122,500
Repayments of loans and borrowings	16,17		**(1,358,381)**		-
Proceeds from convertible debentures, net of issue costs			**-**		3,927,609
Lease payments	14		**(2,478,951)**		(1,627,156)
Private placement	18		**1,950,000**		1,000,000
Share issue costs	18		**(70,010)**		(41,141)
Net cash provided by/(used in) financing activities continuing operations			**(1,567,342)**		4,381,812
Net cash used in financing activities discounted operations			**(20,645)**		(60,289)
Net cash provided by/(used in) financing activities			**(1,587,987)**		4,321,523
Decrease in cash and cash equivalents from continuing operations			**(124,024)**		(4,249,425)
Decrease in cash and cash equivalents from discontinued operations	24		**(68,569)**		(105,639)
Cash and cash equivalents, beginning of the year			**461,100**		4,816,164
Cash and cash equivalents, end of the year		$	**268,507**	$	461,100
Composition of cash and cash equivalents					
Cash		$	**268,507**	$	386,230
Cash equivalents			**-**		74,870
Cash and cash equivalents, end of the year		$	**268,507**	$	461,100

Supplemental cash flow information – Note 27.

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATION INFORMATION

Choom Holdings Inc. (the "Company" or "Choom") was incorporated in the province of British Columbia on September 18, 2006, under the *Business Corporations Act*. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange under the symbol "SGH" as a Tier 2 issuer.

In 2019, the Company changed its focus from the cultivation aspect of the cannabis industry to the retail sector. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "CHOO" and on the OTC Markets Group under the symbol "CHOOF".

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of Compliance and Basis of Presentation

These 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 approved and authorized for issuance by the Board of Directors on October 21, 2021.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Going Concern

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss from continuing operations of $20,215,456 and a loss from discontinued operations of $1,407,389 for the year ended June 30, 2021 (2020 - $20,020,698 loss from continuing operations and $325,728 loss from discontinued operations) and as at that date has accumulated a deficit of $157,812,605 (2020 - $136,189,760) and is expected to continue to incur losses. The Company had working capital deficiency of $10,095,516 as at June 30, 2021 (2020 - $3,708,067). Subsequent to June 30, 2021, the Company completed a series of agreements with the existing debenture holders to restructure the Company's debt (Note 34). The Company will continue to have to raise funds beyond its current working capital balance in order to finance future development of potential retail license acquisitions, meet its debt obligations until such time as future profitable revenues are achieved. Although it has been successful in raising capital in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary approvals and financing to meet the Company's obligations.

Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis. No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements.

COVID-19 Update

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, retail store closures, self-imposed quarantine periods and physical distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Choom continues to maintain business continuity during the COVID-19 pandemic and takes its cues from the government and public health officials to keep employees and customers safe and healthy. During the pandemic, enhanced store procedures including safety shields, more frequent cleaning, curbside pickup of product and delivery services, where permissible, were enacted.

2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

COVID-19 Update (cont'd)

Choom did not experience a decrease in sales for the year ended June 30, 2021 compared to the prior period. However, it is not possible to reliably measure or quantify the impact COVID-19 has had on the financial results of the Company. If the COVID-19 pandemic continues for an extended period, it may materially adversely impact business operations and, consequently, future financial results.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the operating results of the Company and its subsidiaries. A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power over the entity, rights to variable returns from its involvement with the entity, and the ability to use its power to affect the amount of returns. All intercompany transactions and balances are eliminated on consolidation.

As at June 30, 2021 and 2020, the Company's material subsidiaries included the following:

Name of Subsidiary	Jurisdiction	Ownership Interest
2688412 Ontario Inc. ("2688412 Ontario")	Ontario	100%
2151414 Alberta Ltd.	Alberta	100%
Choom BC Retail Holdings Inc.	British Columbia	100%

Functional Currency and Presentation Currency

Except as otherwise noted, these consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its material subsidiaries.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the consolidated statements of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in income or loss. Foreign currency gains and losses are reported on a net basis.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and a cashable guaranteed investment certificate that are readily convertible into known amount of cash and subject to an insignificant risk of change in value.

Inventory

Inventories consists of cannabis and cannabis accessories and are measured at the lower of cost and net realizable value. Cost of inventory is determined using the specific identification method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Costs are comprised of the purchase price of inventory. Shipping costs are recorded in cost of goods sold when incurred.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The cost of property and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The useful lives of property and equipment are reviewed at least once per year. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation for leasehold improvements commences once in use over the remaining lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and Equipment (cont'd)

Property and equipment are depreciated over their estimated useful lives as follows:

Leasehold improvements	Straight-line over lease term
Building	4% per annum
Furniture and fixtures	20% per annum
Right-of-use assets	Straight-line over lease term

Intangible Assets and Goodwill

Intangible assets, either acquired as a result of an acquisition or developed internally, are assets that can be identified, are controlled by the Company and provide future economic benefits to the Company.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired as a result of an acquisition or in a business combination are measured at fair value at the acquisition date.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Intangible assets include store permits, proprietary technology, domains and trademarks. Store permits, domains and trademarks were determined to have an indefinite useful life and are carried at cost less any accumulated impairment losses.

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial Instruments

Financial instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, financial instruments are classified and measured as described below.

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

(i) Financial assets

a. Amortized cost

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and cash equivalents, trade and accounts receivable, and refundable prepaids and deposits are recorded at amortized cost as they meet the required criteria.

b. Financial assets recorded at fair value through income (loss)

Financial assets are classified at fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net income (loss). The Company's marketable securities, short-term

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Investments and notes receivable were classified as financial assets measured at fair value through income (loss).

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

(ii) Financial liabilities

Trade and other payables, loans and borrowings and certain other long-term liabilities are accounted for at amortized cost using the effective interest rate method. The amortization of debt issue costs is calculated using the effective interest rate method.

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.

Leases

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs and, if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The right-of-use asset is presented within "Right-of-use asset" and the lease liability presented in "Lease liability" on the consolidated statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Government Assistance

Government assistance from the Canada Emergency Business Account ("CEBA") loans under federal COVID-19 response programs are recorded as a liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable. Government assistance under the Canada Emergency Wage Subsidy ("CEWS") program is recognized as a reduction in the related expense in the period in which there is reasonable assurance that the grant or assistance has become receivable and all conditions, if any, have been satisfied.

Convertible Debentures

The convertible debentures are separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based on non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue. The residual value is then allocated to the equity component.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. The proceeds from the issue of units are allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market trading price on the date the units are issued and the balance, if any, is allocated to the attached warrants. Share issue costs are recorded against share proceeds.

Contributed Surplus

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options vest and then subsequently expire, no reversal of contributed surplus is recognized.

Earnings/Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. The Company has included total escrow shares as their release is subject to the passage of time. Diluted earnings/loss per common share is computed by dividing the net income or 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, unless the effect is anti-dilutive.

Share-Based Payments

The fair value, at the grant date, of equity-settled share awards is charged to income or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors: exercise price, current market price of the underlying shares, expected life, risk-free interest rate, expected volatility, dividend yield, and forfeiture rate.

For equity-settled share-based payments to non-employees, the Company measures the equity awards issued as the fair value of the goods or services received, and the corresponding increase in equity, unless that fair value cannot be estimated reliably. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the equity award is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

For its major revenue segment - retail sales, the Company recognizes revenue when the control of goods or services is transferred to a customer.

The Company's revenue consists of retail sales of cannabis and cannabis accessories through the Company's network of stores. Retail sales through the stores are recognized at the time of delivery of the goods to the customer at the point of sale, which is when the Company has satisfied its performance obligation.

During the year ended June 30, 2021, the Company also provided healthcare and other services to its patients, through its second major revenue segment – clinic services, which was discontinued during the year (Note 24). The revenue recognized relates to invoiced fees submitted to the British Columbia provincial health authority for healthcare services. The services were provided based on pricing established by the province from time-to-time, the nature of the physician's medical assessment, and the level of specialization of the physician. Revenue was recognized upon completion of the physician's rendered service in line with the conditions listed above. The Company additionally earned patient referral revenue when patients filled their prescriptions with various licensed producers under contract.

The Company also generates rental revenue, which is recorded when persuasive evidence of a contract or similar arrangement exists, the amount is fixed and determinable and is considered collectible. The Company's rental revenue consists primarily of commercial rental revenue on its investment property and small amounts of incidental rent revenue on other undeveloped properties, recorded in other income.

Cost of Sales

Cost of sales expense relating to the Company's retail operations includes costs of inventory and shipping costs. Cost of sales expense relating to the Company's clinic services included salaries and wages paid to doctors and medical supplies included in discontinued operations.

Discontinued Operations and Assets Held for Sales

Non-current assets and disposal groups are classified as assets held for sale ("HFS") if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost to sell. Impairment losses on initial classification as HFS and subsequent gains and losses on re-measurement are recognized in the consolidated statements of loss and comprehensive loss. Once classified as held for sale, property and equipment are no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of loss and comprehensive loss for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statements of financial position.

Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment at least annually, on June 30, regardless of whether an indicator of impairment exists.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment (cont'd)

(i) Non-financial assets (cont'd)

current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those at market. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). This generally results in the Company evaluating its non-financial assets on a store-by-store basis.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The Company derecognizes the carrying amount of assets on disposal or when no future economic benefits are expected from its use. Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.

Impairment losses are recognized in net income or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. An impairment charge is reversed through net income or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized. An impairment loss for goodwill is not reversed.

(ii) Financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, 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.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes (cont'd)

The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Investment

Investments comprise of a 9.8% interest in Sitka Weedworks Inc. through a wholly owned subsidiary of the Company. The Company's investments are measured as fair value through profit and loss, with gains or losses arising from changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Comparative information

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation. Such reclassifications were not considered material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Asset Acquisitions Versus Business Combinations

Management had to apply judgment with respect to whether the acquisitions of Phivida, Niagara, and Clarity (as defined in Note 5), were asset acquisitions or business combinations. The assessments required management to assess the inputs, processes, and outputs of the companies acquired at the time of acquisition. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Pursuant to the assessment, the Phivida Transaction and the Clarity Retail Acquisition were considered to be asset acquisitions and the Niagara Acquisition was considered to be a business combination.

Determination of Purchase Price Allocations

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Income Taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Income Taxes (cont'd)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumptions may be inappropriate.

Convertible Debentures

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Interest Rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures, the fair value of the notes receivable and the fair value of the right-of-use assets and lease liabilities, fair value of assets acquired, and recoverable value of cash-generating units. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

Assets Held for Sale and Discontinued Operations

The Company uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the consolidated statements of financial position date. The Company also uses its judgment to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

Valuation of Share-Based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Impairment of Property and Equipment, Intangible Assets and Goodwill

For assets with finite lives, judgment is required in assessing whether certain factors would be considered an indicator of impairment. The Company considers both external and internal sources of information in assessing whether there are any indications that CGUs are impaired, or reversal of impairment is needed. Factors considered include current and forecast economic conditions, internal projections and the Company's market capitalization relative to its net asset carrying amount.

For assets with indefinite lives, the Company determines the recoverable value of the CGU by assessing the higher of value in use and fair value less cost of disposal. The Company performed its impairment test during the fourth quarter of fiscal 2021. For operating stores, the Company determined the recoverable amount by calculating its value in use using a five-year discounted cash flow ("DCF") model. The cash flows derived from the Company's five-year strategic plan are based on managements' expectations of market growth, industry reports and trends, and past performances. These projections are inherently uncertain due to the evolving impact of the COVID-19 pandemic. The DCF model included projections surrounding revenue, cost of sales, expenses, discount rate, and growth rates. The model used an average annual revenue growth rate of 3%, operating expenses were projected to grow in line with revenue growth. The discount rates used to calculate the recoverable amounts reflect the CGU's specific risks and market conditions and range from 20% to 24%.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Impairment of Property and Equipment, Intangible Assets and Goodwill (cont'd)

A 1% change in discount rates does not have a material impact on the recoverable value estimate. During the year ended June 30, 2021, the carrying amounts of four individual CGUs exceeded the estimated recoverable amounts. The shortfall of the CGU's carrying value of assets over the estimated value in use was recorded as an impairment expense on all the assets of the CGU on a proportionate basis (Notes 12, 13, and 14).

For non-operating stores, the fair value less cost of disposal, a Level 3 input, was used to estimate the recoverable value. Accordingly, the assets within these CGUs were written down to its estimated recoverable value (Notes 12, 13, and 14).

Estimated Useful Lives and Depreciation/Amortization of Property and Equipment and Intangible Assets

Depreciation/amortization of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair Value Measurements

Certain of the Company's assets such as share purchase options, share purchase warrants, marketable securities, short-term investments, notes receivable, investment, and assets held for sale are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

Recoverability of Trade and Accounts Receivable, Deposits, Notes Receivable and Loan Receivable

Estimates and judgments are inherent in the on-going assessment of the recoverability of trade and accounts receivable, deposits, notes receivable and loan receivable. The Company maintains an allowance for doubtful accounts to reflect expected credit losses. The Company is not able to predict changes in financial conditions of its customers and note holders and the Company's judgment related to the recoverability of trade and accounts receivable, notes and loan receivable may be material.

Application of IFRS 16

The Company applies judgment in determining whether a contract contains an identified asset, whether the Company has the right to control the asset, and the 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 right-of-use assets, for which the lease term is the basis for determining useful life.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Modification versus Extinguishment of Financial Liability

Judgment is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the convertible debentures are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original convertible debenture.

Inventory

The Company estimates the net realizable value of inventories, taking into account the most reliable evidence available at each reporting date including obsolescence, future selling prices, and customer behaviour. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross margins.

5. ACQUISITIONS

Phivida Transaction

On June 2, 2020, the Company and Phivida entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Choom will acquire all of the issued and outstanding common shares of Phivida (the "Phivida Shares") in exchange for common shares of Choom (the "Choom Shares") in an arm's length all-share transaction.

On July 23, 2020, in connection with the Arrangement Agreement, Choom received $500,000 in bridge financing (the "Bridge Financing") from Phivida. The Bridge Financing is evidenced by a convertible secured promissory note (the "Promissory Note") bearing interest at a rate of 15% per annum on the outstanding principal sum. The aggregate principal amount of the Bridge Financing and accrued and unpaid interest thereon is, in certain circumstances, convertible into common shares of Choom at a conversion price of $0.115 per share. Certain of Choom's subsidiaries have also agreed to guarantee Choom's obligations under the Bridge Financing. Pursuant to the terms of the Promissory Note, Choom and the guarantor subsidiaries thereof have granted Phivida a third ranking security interest over all of their respective present and after-acquired property.

The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and the guarantors and Phivida, dated July 23, 2020. The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation.

In connection with the Bridge Financing, Choom also granted Phivida 4,347,826 non-transferable common share purchase warrants (the "Warrants"). Each Warrant entitles Phivida to acquire one Choom Share at an exercise price of $0.115 per share for a period of three years from the date of issuance (subject to automatic earlier expiry immediately prior to the consummation of the transactions contemplated by the Arrangement Agreement). The Warrants were only exercisable from and after the termination of the Arrangement Agreement for any reason other than as a result of a breach of the Arrangement Agreement by Phivida. Subsequent to the completion of the Arrangement Agreement on September 16, 2020, the warrants expired.

The parties also amended the Arrangement Agreement in order to provide that the closing condition in favour of Choom that Phivida have not less than $2,000,000 in working capital surplus be reduced to $1,500,000, on account of the funds advanced to Choom under the Bridge Financing.

On September 16, 2020, Choom received the necessary regulatory, court and stock exchange approval to complete the acquisition of Phivida resulting in a total of 64,608,187 Choom Shares issued to the former holders of Phivida Shares, resulting in former Phivida shareholders holding approximately 28.6% of the total number of issued and outstanding Choom Shares (based on 225,753,870 Choom Shares issued and outstanding immediately after closing). In addition, the outstanding options to purchase Phivida Shares have been replaced with 7,881,837 options to purchase Choom Shares on the same terms and conditions, other than necessary adjustments to take into account the Exchange Ratio, as set out in the Plan of Arrangement.

(Expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Phivida Transaction (cont'd)

Under IFRS 3 *Business Combinations* ("IFRS 3"), the substance of the acquisition does not constitute a business combination as no processes were acquired, therefore it was accounted for as an asset acquisition recognized in property and equipment and intangible assets.

The purchase price is based on the fair value of the common shares issued at acquisition, capitalized transaction costs and replacement options issued. The value of the assets and liabilities acquired was based on management's assessment of the fair value at the date of acquisition and applying the initial measurement requirements of each applicable standard to the identifiable assets and liabilities assumed.

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

Fair value of 64,608,187 Choom common shares issued	$	6,460,819
Transaction costs		285,498
Replacement options		134,384
Total purchase price	$	6,880,701
Choom bridge financing loan	$	500,000
Cash		1,232,885
Term deposit		50,236
Prepaid expenses		89,419
Inventory		164,700
Trade and other receivables		110,341
Property and equipment		508,515
Intangible assets		4,776,257
Trade and other payables		(379,837)
Government assistance		(171,815)
Net assets acquired	$	6,880,701

Consideration for the Phivida Transaction included:

a) the issuance of an aggregate 64,608,187 common shares to the former shareholders of Phivida valued at the market rate on the day of closing at $0.10 per share,
b) the Company's professional fees to complete the transaction of $285,498,
c) the adjusted fair value measurement of Phivida options that were replaced with the Company's options. The fair value measurement difference of $134,384 was added to the purchase price and recognized in Contributed Surplus.

The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation. The intangible assets acquired are attributed to the proprietary technology platforms which have been re-purposed and integrated with the Company (Note 13).

Niagara Option and Purchase Agreement

On February 13, 2019, the Company entered into an option and cooperation agreement, as amended and restated on February 26, 2019 and July 19, 2019 (the "Niagara Option") between the Company and a retail cannabis lottery winner (the "Vendor") under the Alcohol and Gaming Commission of Ontario ("AGCO"), pursuant to which the parties agreed to assist and cooperate with each other to, among other things, facilitate the realization of the acquisition of a retail store located in Niagara, Ontario operating under the Choom™ brand (the "Niagara Store") and satisfy the conditions for the Company to be able to realize its option to purchase the assets relating to the Niagara Store subject to all the necessary provincial and municipal governmental approvals.

Consideration for the Niagara Option included:
a) $500,000 upon receipt of a Retailer Operator License issued by the AGCO received on April 29, 2019, (paid),
b) $500,000 upon receipt of a Retail Store Authorization issued by the AGCO received on April 29, 2019 (paid), (collectively the "Option Payment").

(Expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Niagara Option and Purchase Agreement (cont'd)

Additionally, consideration for the exercise of the Niagara Option consisted of $2,000,000 cash payment and $2,000,000 in Choom Shares (the "Choom Payment Shares").

The number of Choom Payment Shares to be determined by dividing $2,000,000 by the 10-day volume weighted average trading price (the "VWAP") preceding date of closing of the purchase. The Choom Payment Shares issued will be held in escrow for a period of twelve months.

Effective November 25, 2019, the parties entered into a share purchase agreement wherein Choom would acquire the issued and outstanding shares of 2688412 Ontario, which was wholly owned by the Vendor and the assets and business of the Niagara Store.

On April 1, 2020, the Company completed the acquisition of 2688412 Ontario (the "Niagara Transaction"). The acquisition of 2688412 Ontario provides the Company with access to an operating cannabis retail store in Niagara Falls, Ontario and furthers the Company's continued nationwide rollout.

As described herein above, consideration for the Niagara Transaction included cash of $2,000,000, of which $1,450,000 was paid from the cumulative operating cash flow from the Niagara Store and the remainder was settled by a promissory note for $550,000 (the "Niagara Note") to the Vendor. Additionally, the Company issued 22,126,066 common shares. Also included in the purchase consideration is the amounts paid for the Niagara Option of $1,000,000.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of 2688412 Ontario 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 purchase price is based on management's estimate of fair value of the common shares issued and cash consideration paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate the fair value of net assets acquired of the Niagara Store.

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

Fair value of 22,126,066 Choom common shares issued	$	2,000,000
Cash payment and promissory note		2,000,000
Option payment		1,000,000
Total purchase price	$	5,000,000
Cash	$	1,528,890
Taxes recoverable and other receivables		33,083
Prepaid expenses		1,257
Inventory		227,213
Property and equipment		754,886
Licenses		3,562,000
Goodwill		2,181,521
Trade payables		(136,239)
Long-term debt		(1,980,576)
Taxes payable		(210,295)
Deferred income tax liability		(961,740)
Net assets acquired	$	5,000,000

Goodwill is attributed to the workforce and profitability of the acquired business. It is not deductible for tax purposes. A pre-tax discount rate of 61% was used in the fair value assumptions for the licenses acquired.

5. ACQUISITIONS (cont'd)

Niagara Option and Purchase Agreement (cont'd)

Effective August 1, 2019, the Company entered into a licensing agreement wherein the Niagara Store utilized the Choom brand "Choom Cannabis Co." for consideration of $25,000 per month effective August 1, 2019. Subsequent to the acquisition, the licensing income became an intercompany transaction and eliminated on consolidation. For the year ended June 30, 2021, the Company recognized licencing income of $Nil (2020 –$200,000), revenues of $7,222,888 (2020 - $1,292,173), and loss of $518,664 (2020 - $235,726).

Aggregate loans and investments in the amount of $1,980,576 advanced in connection with the Niagara Option were included in the net assets acquired. Subsequent to the acquisition, this amount is an intercompany transaction and is eliminated on consolidation. For the year ended June 30, 2021, interest income of $Nil (2020 - $201,105) for the period up to the acquisition date was included in interest revenue.

On May 28, 2020, the Niagara Note was extinguished by way of the proceeds from the sale of property.

Clarity Cooperation and Option Agreement

Pursuant to the terms of a cooperation and option agreement (the "Cooperation Agreement") effective February 26, 2019 and further amended on October 10, 2019, with Clarity Cannabis MD Holdings Inc. ("Clarity") and the shareholders of Clarity (collectively the "Optionors"), the Company agreed to acquire all assets held by Clarity in connection with 9 operating retail cannabis stores and further 18 in-progress retail opportunities including leasehold improvements and deposits, equipment, and retail cannabis municipal development permits issued thereto (the "Retail Opportunities"). On October 1, 2019, the Company exercised its right to acquire the Retail Opportunities. Subsequent to the Company receiving approvals on its applications for the 9 operating locations from the Alberta Gaming, Liquor and Cannabis ("AGLC"), the acquisition was completed on October 28, 2019. The Company submitted and received AGLC approval on a further 4 applications for retail locations forming part of the Retail Opportunities.

Consideration for option included:

a) A cash payment of $2,000,000 (paid),
b) The issuance of 5,000,000 common shares (the "Option Shares") to all of the Optionors, pro-rata (issued), subject to escrow release over two years (Note 18c),
c) The issuance of an additional 1,000,000 common shares to a certain shareholder (issued), and
d) The issuance of 200,000 common shares for Clarity's legal services (the "Counsel Shares"). The Counsel Shares do not form part of the option price or the purchase price.

The Option Shares were valued at $2,880,000 and the Counsel Shares were valued at $96,000 as determined by the market price when issued being $0.48 per share.

Consideration for acquisition of the Retail Opportunities included:

a) A cash payment, subject to a statement of adjustments of $500,000[1] ($250,000 paid) and $100 (paid) to Clarity,
b) The issuance of an aggregate 6,103,608 common shares (the "Acquisition Shares") to the Optionors based on each of the Optionors' pro-rata holdings of Clarity shares (issued) subject to escrow release over two years,
c) $300,000 cash payment and $107,600 in reimbursement of realtor commissions due the earlier of six-months from closing (April 28, 2020 – unpaid as of June 30, 2021, settled subsequent to the year end – see Note 34) or in the event Choom completes one or more equity financings for gross proceeds greater than $6,000,000, and
d) 10% of the first $100,000 in net proceeds plus 50% of all net proceeds in excess of $100,000 in the event Choom should sell certain retail locations included in the Cooperation Agreement.

The Acquisition Shares were valued at $1,342,794 as determined by the market price when issued being $0.22 per share (Note 18).

In connection with acquisition of the Retail Opportunities, the Company had advanced $5,894,836. These advances formed part of the consideration paid for the Retail Opportunities.

(Expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)

Clarity Cooperation and Option Agreement (cont'd)

Under IFRS 3, the substance of the acquisition does not constitute a business combination as no processes were acquired and was accounted for as an asset acquisition recognized in property and equipment and the acquired development permits were recognized in intangible assets (Notes 12 and 13). The Option Shares were included in the purchase price of the Retail Opportunities and the Counsel Shares were included in the consolidated statements of loss and comprehensive loss during the year ended June 30, 2019.

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

Option Payment		
Fair value of 6,000,000 Choom common shares issued	$	2,880,000
Cash payment		2,000,000
Acquisition of Retail Opportunities		
Fair value of 6,103,608 Choom common shares issued		1,342,794
Cash payment, advances, and promissory note		6,802,436
Transaction costs		176,527
Total purchase price	$	13,201,757
Deposits	$	86,245
Inventory		860,488
Property and equipment		3,616,512
Store permits		8,638,512
Right-of-use assets		5,067,815
Lease liabilities		(5,067,815)
Net assets acquired	$	13,201,757

[1] Pursuant to the acquisition of the Retail Opportunities, certain advances made to Clarity in connection with leasehold improvements and inventory may be adjusted against remaining amounts due to Clarity. As at June 30, 2021, the final adjustment statement remained outstanding, however it was settled subsequent to the year end – see Note 34.

6. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

7. SHORT-TERM INVESTMENTS

At June 30, 2021, the Company held $46,000 (2020 - $46,000) in guaranteed investment certificates ("GIC's") and term deposits as follows:

i) $39,100 earning interest at prime less 2.20% per annum, withdrawable on demand, maturing on October 29, 2021,
ii) $6,900 earning interest at prime less 2.25% per annum, maturing on July 29, 2022.

The GIC's are held as security for corporate credit cards and automatically renewed each year, as such it has been reported as a short-term investment on the consolidated statements of financial position.

(Expressed in Canadian Dollars)

8. TRADE AND ACCOUNTS RECEIVABLE

The Company's trade and other receivables were comprised of the following:

		2021		2020
Trade accounts receivable	$	**92,050**	$	143,009
Sales tax receivable		**169,675**		129,434
Other receivables		**95,135**		78,806
Total trade and other receivables	$	**356,860**	$	351,249

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Subsequent to the year end, on August 11, 2021, Choom entered into a settlement agreement, pursuant to which the Company agreed to settle debt obligations in the aggregate amount of $550,000 and release all obligations of the debtholder to the Company (Note 34). As a result of this settlement, $353,311 in short-term receivables owed to the Company by the debtholder were extinguished. An impairment for the full amount of $353,311 was recorded in the year ended June 30, 2021 (2020 - $Nil) and included in loss on write-off of notes receivable on the consolidated statements of loss and comprehensive loss.

9. NOTES RECEIVABLE

Current		**2021**		2020
Promissory notes receivable	$	**485,245**	$	-
Total notes receivable	$	**485,245**	$	-

Non-current		**2021**		2020
Promissory notes receivable	$	**-**	$	556,550
Discount on promissory notes receivable		**-**		356,401
Interest receivable		**-**		14,310
Total notes receivable	$	**-**	$	927,261

In connection with certain agreements in pursuing other retail opportunities, as at June 30, 2021, the Company had made advances of $875,000 (2020 - $875,000) which were to be used in developing a specified location into a cannabis retailer and secure certain retail opportunities in Canada.

Repayment of these loans was secured by rental revenue generated by the recipient from this specified location from tenancy of any licensed cannabis retailer. In the event that the recipient is unable to secure tenancy by a licensed cannabis retailer, the loan was also secured by leasehold improvements and any proceeds from the sale of the location. The advances bear annual interest rates of 3% and mature on October 15, 2024.

The fair value of these loans was calculated by discounting the cash flows of the loan receivable over their term at an estimated market rate of comparable loans of 15%.

Pursuant to notes receivable described above, the Company recognized $26,250 (2020 - $18,627) of interest income in the consolidated statements of loss and comprehensive loss (Note 21).

Subsequent to the year end, on August 11, 2021, Choom entered into a settlement agreement, pursuant to which the Company agreed to settle debt obligations in the aggregate amount of $550,000 by issuing 3,174,603 common shares for the aggregate amount of $200,000 and releasing all obligations in connection to the advances made (Note 34). As a result of this settlement, the Company recorded impairment of $434,632 of the long-term notes receivable which was included in loss on write-off of notes receivable on the consolidated statements of loss and comprehensive loss for the year ended June 30, 2021 (2020 - $Nil). As at June 30, 2021, $485,245 of notes receivables to be settled has been reclassified to short-term receivables.

(Expressed in Canadian Dollars)

10. MARKETABLE SECURITIES

As at June 30, 2021, the Company held $Nil (2020 - $1,133) in marketable securities. During the year ended June 30, 2021, a fair value loss of $374 (2020 - fair value gain of $600) and impairment of $759 (2020 - $Nil) was recognized on marketable securities in the Company's consolidated statements of loss and comprehensive loss.

11. INVENTORY

Inventory is comprised of the following:

		2021		2020
Cannabis	$	**856,326**	$	932,935
Accessories		**53,152**		69,282
Total inventory	$	**909,478**	$	1,002,217

During the year ended June 30, 2021, the Company recognized $13,734,955 (2020 - $5,013,313) of inventory in cost of sales.

With the acquisition of Phivida (Note 5) in September of 2020, the Company acquired $164,700 (US $125,000) in inventory consisting of capsules, tinctures, and face serum and $89,419 (US $62,630) in prepaid expenses relating to the procurement of inventory.

During the period since the acquisition, $16,941 (US $12,814) was paid for inventory commitments incurred prior to the Phivida Transaction, and $5,175 (US $3,959) in cost of goods sold was incurred and recognized in Other Expenses (Note 21).

On October 19, 2020, the Company sold the remaining Phivida inventory for $140,000 (US $119,816) to a third party in an arm's length transaction, incurring a loss of $100,218 (US $76,669) on the sale. The loss has been recognized in Other Expenses in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2021 (Note 21).

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(Expressed in Canadian Dollars)

12. PROPERTY AND EQUIPMENT

Cost		Leasehold Improvements		Land & Building		Furniture & Fixtures		Total
June 30, 2019	$	528,885	$	4,035,000	$	52,547	$	4,616,432
Assets acquired on acquisition		2,869,102		-		1,618,534		4,487,636
Assets acquired		2,582,048		-		409,441		2,991,489
Disposition of assets		-		(3,242,500)		-		(3,242,500)
Property and equipment classified as assets held for sale		-		(615,400)		-		(615,400)
June 30, 2020	$	5,980,035	$	177,100	$	2,080,522	$	8,237,657
Assets acquired on acquisition		**-**		**-**		**508,515**		**508,515**
Assets acquired		**686,491**		**-**		**136,341**		**822,832**
Equipment classified as assets held for sale		**-**		**-**		**(501,614)**		**(501,614)**
June 30, 2021	**$**	**6,666,526**	**$**	**177,100**	**$**	**2,223,764**	**$**	**9,067,390**
Depreciation and Impairment Losses								
June 30, 2019	$	109,072	$	-	$	23,423	$	132,495
Depreciation		111,078		97,719		260,448		469,245
Disposition of assets		-		(82,877)		-		(82,877)
Property and equipment classified as assets held for sale		-		(14,842)		-		(14,842)
Impairment		408,369		177,100		16,620		602,089
June 30, 2020	$	628,519	$	177,100	$	300,491	$	1,106,110
Depreciation		**1,043,111**		**-**		**414,696**		**1,457,807**
Impairment		**2,041,361**		**-**		**373,164**		**2,414,525**
Equipment classified as assets held for sale		**-**		**-**		**(388,439)**		**(388,439)**
June 30, 2021	**$**	**3,712,991**	**$**	**177,100**	**$**	**699,912**	**$**	**4,590,003**
Carrying amounts								
June 30, 2020	$	5,351,516	$	-	$	1,780,031	$	7,131,547
June 30, 2021	**$**	**2,953,535**	**$**	**-**	**$**	**1,523,852**	**$**	**4,477,387**

During the year ended June 30, 2021, the Company completed the sale of certain buildings that were recognized as assets held for sale as at June 30, 2020, for gross proceeds of $469,426. A gain of $2,342 was recognized for the year ended June 30, 2021 (2020 - $Nil).

As part of the Phivida Transaction (Note 5), the Company acquired a Bottling Machine. During the year ended June 30, 2021, the Company was actively looking to locate a buyer to sell the Bottling Machine. The Company recognized impairment of $361,826 in Other Expenses (Note 21) to reduce the carrying amount of the equipment to its fair market value, as estimated based on the fair value less cost of disposal and classified $113,175 as assets held for sale. On June 16, 2021, the Company completed the sale of the Bottling Machine for the gross proceeds of US $90,000, of which US $55,000 is due in eight months from the closing date and has been recorded as other receivable as at June 30, 2021.

During the year ended June 30, 2021, the Company impaired capital assets in connection with the divestiture of Medical Clinics (Note 24) and certain retail store locations. The total impairment of $2,414,525 was recognized in impairment of property and equipment in the statements of loss and comprehensive loss for the year ended June 30, 2021 (2020 - $602,089). Included in the leasehold improvement impairment was $49,237 in lease deposits for terminated retail locations and $1,675,467 from retail locations where the carrying value of the CGU is in excess of the recoverable value (Note 4). Included in furniture and fixtures impairment was $361,826 in impairment of the Bottling Machine. In addition, $16,040 in impairment related to the Medical Clinics divestiture and was recorded in discontinued operations.

During the year June 30, 2021, the Company recognized rental income of $19,523 (2020 - $243,463) from sub-lease agreements (Note 21).

(Expressed in Canadian Dollars)

13. INTANGIBLE ASSETS

	Store Permits	Patient List	Intellectual Property	Total
June 30, 2019	$ -	$ 60,300	$ 796,693	$ 856,993
Additions	12,400,512	-	24,394	12,424,906
Impairment	(4,627,511)	-	(713,000)	(5,340,511)
Amortization	-	(6,700)	-	(6,700)
June 30, 2020	$ 7,773,001	$ 53,600	$ 108,087	$ 7,934,688
Acquisitions	**-**	**-**	**4,776,257**	**4,776,257**
Additions	**-**	**-**	**220,344**	**220,344**
Impairment	**(1,900,123)**	**(51,925)**	**(74,870)**	**(2,026,918)**
Amortization	**-**	**(1,675)**	**(468,722)**	**(470,397)**
June 30, 2021	**$ 5,872,878**	**$ -**	**$ 4,561,096**	**$ 10,433,974**

Store Permits

Niagara Acquisition

During the year ended June 30, 2020, pursuant to the Niagara Option and acquisition of the Niagara Store, the Company acquired a Retail Operator License and Retail Store Authorization License in connection with the business combination as described in Note 5.

Clarity Retail Acquisition

During the year ended June 30, 2020, pursuant to the Cooperation Agreement and acquisition of the Retail Opportunities (Note 5), the Company acquired 27 municipal development permits with a fair value of $8,638,512. During the year ended June 30, 2020, 13 retail locations were opened and operating with one further application before the AGLC that were included in the Retail Opportunities. The remaining 13 retail development permits were on hold.

Accordingly, the Company had recorded an impairment of $4,627,511 in the year ended June 30, 2020, with a balance remaining of $4,011,001. During the year ended June 30, 2021, $1,900,123 in additional impairment was recognized in connection to terminated lease locations and certain other retail store locations where the carrying value of the CGU is in excess of the recoverable value (Note 4).

Management used a combination of market values and cost-based measurements to estimate fair value for the permits of $2,110,878 (2020 - $4,011,001) in accordance with Level 3 of the fair value hierarchy.

Green Room Retail Acquisition

During the year ended June 30, 2020, pursuant to the Green Room Retail Acquisition, the Company acquired one municipal development permit and recognized $200,000 in intangible assets.

No amortization has been taken during for the years ended June 30, 2021 and 2020 as the development permits and retail licenses are considered to have an indefinite life. As at June 30, 2021 and 2020, management determined the recoverable value of the Niagara and Green Room CGU is in excess of the carrying value, therefore, no impairment was recorded.

Patient List

On October 31, 2020, through a divesture for a nominal amount, the Company disposed of the Medical Clinic assets, including the Patient List (Note 24). These intangible assets were in use for three months during the year, therefore amortization of $1,675 was recorded (2020 - $6,700). Impairment of $51,925 has been recognized in discontinued operations for the year ended June 30, 2021 (2020 – $Nil).

(Expressed in Canadian Dollars)

13. INTANGIBLE ASSETS (cont'd)

Intellectual Property

Phivida Transaction

During the year ended June 30, 2021, the Company acquired $4,776,257 in intellectual property as part of the Phivida Transaction (Note 5). The intellectual property relates to the development of Phivida's proprietary e-commerce technology platforms which have been re-purposed, integrated with the Company, and released to the public on March 14, 2021, and is expected to have a useful life of 5 years.

During the year ended June 30, 2021, the development of the new proprietary e-commerce platform resulted in capitalized software development costs of $203,587 (2020 - $Nil). The Company recorded $468,722 in amortization expense related to the Intellectual Property for the year ended June 30, 2021 (2020 - $Nil).

Website

For the year ended June 30, 2021, the Company recorded impairment of $74,870 (2020 - $713,000) in connection with website and intellectual property acquired in 2018 that was not integrated into the Company's systems. As at June 30, 2021, the carrying value of the website was $Nil (2020 - $74,870).

Trademarks

During the year ended June 30, 2021 the Company recorded $16,757 (2020 - $24,394) for development of Choom's trademarks. No amortization has been taken during the years ended June 30, 2021 and 2020 as the trademarks are considered to have an indefinite life.

Goodwill

	Medical Centre	Niagara Store	Total
June 30, 2019	$ 973,050	$ -	$ 973,050
Additions on acquisition	-	2,181,521	2,181,521
June 30, 2020	**$ 973,050**	**$ 2,181,521**	**$ 3,154,571**
Impairment	**(973,050)**	**(1,835,430)**	**(2,808,480)**
June 30, 2021	**$ -**	**$ 346,091**	**$ 346,091**

In 2018 the Company recognized goodwill of $973,050 in connection with the acquisition of the Medical Centre. All goodwill was allocated to the Medical Centre. During the year ended June 30, 2021, the Medical Centre assets were sold for a nominal amount (Note 24). Impairment of $973,050 against goodwill was recorded in discontinued operations for the year ended June 30, 2021 (2020 - $Nil).

In 2019, the Company recognized goodwill of $2,181,521 in connection with the acquisition of the Niagara Store (Note 5). All goodwill was allocated to the Niagara Store. Goodwill is allocated to CGUs or a group of CGUs, which generally corresponds to the Company's individual operating stores.

As at June 30, 2021, management determined that the carrying value of Niagara CGU exceeded its recoverable amount (Note 4). Impairment of $1,835,430 was recognized on the Niagara CGU, and fully allocated to goodwill and recorded in the impairment of goodwill in the statements of loss and comprehensive loss for the year ended June 30, 2021 (2020 - $Nil).

(Expressed in Canadian Dollars)

14. RIGHT-OF-USE ASSET AND LEASE LIABLITY

Right-of-Use Assets		
June 30, 2019	$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Initial direct costs		415,561
Acquired on acquisition		5,138,737
Depreciation		(1,290,066)
Terminations		(532,102)
June 30, 2020	$	**8,096,315**
Additions		**3,611,593**
Depreciation		**(2,009,089)**
Terminations		**(1,096,846)**
Impairment		**(1,235,095)**
June 30, 2021	$	**7,366,878**

Lease Liabilities		
June 30, 2019	$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Acquired on acquisition		5,138,737
Lease interest expense		620,945
Payments		(1,687,445)
Terminations		(496,685)
June 30, 2020	$	**7,939,737**
Additions		**3,611,593**
Lease interest expense		**1,006,445**
Payments		**(2,499,596)**
Terminations		**(1,163,084)**
June 30, 2021	$	**8,895,095**

Short-term portion	$	2,242,435
Long-term portion		6,652,660
Total lease liabilities	$	**8,895,095**

Amortization of the right-of-use asset is calculated over the term of the lease. Interest expense of $1,006,445 (2020 - $620,945) is included in financing costs and payments are applied against the lease liability. $23,391 in amortization and $6,271 of lease interest related to the Medical Clinics has been included in discontinued operations for the year ended June 30, 2021 (Note 24).

During the year ended June 30, 2021, the Company entered into three new lease agreements for retail space in the province of Ontario, Canada. The Company makes fixed payments during the contract period. The Company recognized $3,611,593 in right-of-use assets and related lease liabilities.

During the year ended June 30, 2021, the Company terminated nine lease agreements, two of which related to the divestiture of Medical Clinics (Note 24). The Company derecognized $1,096,846 in lease assets, $1,163,084 in lease liabilities, $89,448 in related payables, and $869 in related prepaid expenses that were settled as part of the termination agreements, resulting in a gain of $154,817, of which $7,022 was recognized in discontinued operations. For the year ended June 30, 2021, the Company paid $182,692 in payments to terminate the leases, recognized in general and administrative expenses (Note 20), of which $15,600 has been recognized in discontinued operations.

During the year ended June 30, 2021, the carrying amounts of certain CGUs exceeded the estimated recoverable amounts (Note 4). As a result, the Company recorded $1,235,095 (2020 - $Nil) of impairment of right-of-use assets in connection to terminated lease locations and certain retail store locations.

(Expressed in Canadian Dollars)

15. TRADE AND OTHER PAYABLES

	Notes		2021		2020
Trade payables		$	**2,568,057**	$	1,976,852
Sales tax payable			**560,042**		212,155
Interest payable on convertible debenture & notes	16,17		**2,416,493**		1,695,324
Due to related parties	22		**362,553**		98,408
Advances from shareholders	25		**4,000**		4,000
Taxes payable	31		**124,332**		210,295
Total		$	**6,035,477**	$	4,197,034

16. NOTES PAYABLE

In June 2020, the Company entered into a promissory note agreement with an arm's length individual, for proceeds of $900,000. The note payable was due on June 4, 2021, unsecured and bore interest at 15% per annum. On December 31, 2020, the note was amended and increased to $1,250,000 with a revised maturity date of December 31, 2022. The note remains unsecured and bears interest at 15% per annum with interest payable bi-annually. Upon the amendment, the $1,250,000 was reclassified to long-term notes payable.

As at June 30, 2021, $43,116 in interest is included in accounts payable (2020 - $9,616) and $161,034 has been recognized as interest in Financing costs (2020 - $9,616).

In June 2020, the Company entered into a promissory note agreement with an arm's length company, as consideration for a purchase of a lease assignment. The total consideration paid was $365,000, of which $210,000 was a note payable. The consideration was included as an addition to right-of-use assets (Note 14). The Company was required to make monthly payments of $17,500 beginning on June 1, 2020. As at June 30, 2021, the remaining balance of the note was $Nil (2020 - $192,500). The note payable was non-interest bearing.

17. CONVERTIBLE DEBENTURES

December 2019 Financing

On December 23, 2019, the Company completed a non-brokered private placement of debenture units at $250,000 per unit for gross proceeds of $4,100,000 (the "December 2019 Debentures").

The December 2019 Debentures will mature on December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months and will accrue interest at the rate of 10% per annum, payable semi-annually. At a holder's option, the December 2019 Debentures may be converted into common shares of Choom at a conversion price of $0.15 per share. Under the offering, the Company also issued 1,666,666 transferable common share purchase warrants per debenture unit for an aggregate 27,333,330, each such warrant to be exercisable to acquire one common share for a four-year period at an exercise price of $0.20 per share.

The December 2019 Debentures are secured by certain property of the Company, and rank pari passu in right of payment of principal and interest and may be redeemed by the Company on certain conditions. The maximum amount of principal secured may be increased with the consent of the December 2019 Debenture holders representing the majority of the outstanding principal.

The Company determined the conversion feature and warrants components of the December 2019 Debentures meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the December 2019 Debenture between the liability and equity components. The Company valued the debt component of the December 2019 Debenture by calculating the present value of principal and interest payments, discounted at a rate of 18.5% which represents management's best estimate of the rate that a non-convertible secured debenture with similar terms and risk would earn.

As at June 30, 2021, interest in connection with the December 2019 Debentures of $267,307 (2020 - $214,051) is included in trade and other payables, and $424,129 has been recognized as interest in Financing costs (2020 - $214,051). Subsequent to the year end, the interest payable balance was paid in full.

17. CONVERTIBLE DEBENTURES (cont'd)

Aurora

On November 2, 2018, the Company completed a non-brokered private placement of a debenture (the "Aurora Debenture") in the principal amount of $20,000,000 in Choom with Aurora Cannabis Inc. ("Aurora"), convertible into common shares of Choom at a conversion price of $1.25 per share and will mature on November 2, 2022.

Aurora has also secured the right to acquire up to 40% of the Company at $2.75 per common share through the issuance of warrants described below.

The Aurora Debenture is non-transferrable and bears an annual interest rate of 6.5% calculated semi-annually, payable annually in arrears on the anniversary date. Aurora may elect to receive interest payments in common shares in lieu of cash at a price per common share equal to the VWAP of the common shares for the 20 trading days ending prior to the date on which such interest payment is due.

In connection with the Aurora Debenture, the Company also issued to Aurora, for no additional consideration, 95,760,367 common share purchase warrants at an exercise price of $2.75, subject to adjustments in accordance with the terms thereof, to allow Aurora to increase its pro rata equity interest in Choom to approximately 40% expiring on November 2, 2020. Additionally, the Company issued 703,881 pro-rata warrants to Aurora at an exercise price of $1.25 which expired on November 2, 2020 (Note 18).

The Company determined the conversion feature, warrants and pro-rata warrants components of the Aurora Debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the Aurora Debenture between the liability and equity components. The Company valued the debt component of the Aurora Debenture by calculating the present value of principal and interest payments, discounted at a rate of 21.9% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn.

On June 24, 2020, the parties amended the terms of the Aurora Debenture (the "Amended and Restated Aurora Debenture") wherein Choom, among other things, granted to Aurora a second ranking security interest over all of its present and after-acquired property of Choom. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and Aurora dated June 24, 2020.

Among other amendments, the Amended and Restated Aurora Debenture includes amendments reflecting (i) a 90-day exclusivity period during which Aurora has agreed not to sell, transfer or assign its indebtedness to any third party, (ii) a right of first refusal in favour of Choom in respect of any future proposed sale, transfer or assignment of the indebtedness by Aurora, and (iii) a reduction of the conversion price of the debenture from $1.25 to $0.65 per share.

The Amended and Restated Aurora Debenture is a secured convertible debenture maturing on November 2, 2022 (the "Maturity Date"), convertible into common shares: (i) at the option of Aurora, any time prior to the Maturity Date at a conversion price of $0.65 per common share, subject to a minimum conversion amount of $5,000,000, and (ii) at the option of Choom any time after the hold period has expired and the VWAP of the common shares is $3.00 or more for a period of 10 consecutive trading days.

Interest due on November 2, 2019, in the amount of $1,354,173 was settled pursuant to the Amended and Restated Aurora Debenture in two instalments of $677,086 on June 24, 2020, and $677,087 on July 24, 2020. As at June 30, 2021, interest in connection with the Aurora Debenture of $2,104,183 (2020 - $1,481,273) is included in trade and other payables, and $1,300,000 has been recognized as interest in Financing costs (2020 - $1,303,561).

In accordance with IFRS 9, *Financial Instruments*, ("IFRS 9"), the Company determined that the changes within the Amended and Restated Aurora Debenture are not significant enough to be considered an extinguishment of the initial convertible debenture, and as such, has been accounted for as a modification of financial liability. The cash flows under the Amended and Restated Aurora Debenture were rediscounted at the original effective interest rate on the modification date, and as a result, a gain of $24,016 on modification of debt (2020 - $83,747) was recorded on the consolidated statements of loss and comprehensive loss for the year ended June 30, 2021.

(Expressed in Canadian Dollars)

17. CONVERTIBLE DEBENTURES (cont'd)

Summary of Convertible Debentures

The following table summarizes the accounting for the convertible debentures and the amounts recognized in respect of the liability and equity components as at June 30, 2021, 2020 and 2019:

		Liability Portion		Equity Portion
June 30, 2019	$	12,680,128	$	5,419,751
Issuance of the convertible debenture		3,597,900		502,100
Transaction costs		(156,390)		(16,001)
Gain on modification of debt		(83,747)		-
Accretion expense		1,569,021		-
Deferred income tax recovery		-		(166,524)
June 30, 2020	**$**	17,606,912	$	5,739,326
Accretion expense		**2,195,795**		**-**
Gain on modification of debt		**(24,016)**		**-**
June 30, 2021	**$**	**19,778,691**	**$**	**5,739,326**

Short-term portion	$	3,907,348
Long-term portion		15,871,343
Total liability portion	$	**19,778,691**

As at June 30, 2021, accretion and interest of $4,080,959 (2020 - $3,086,634) is recorded as financing costs in the consolidated statements of loss and comprehensive loss.

Subsequent to June 30, 2021, the Company completed a series of agreements with the existing debenture holders to restructure the debt (Note 34).

18. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company's authorized share capital is an unlimited number of common shares with no par value.

During the year ended June 30, 2021, the Company had the following share issuances:

On September 16, 2020, the Company issued 64,608,187 common shares pursuant to the Phivida Transaction completion (Note 5).

On September 16, 2020, the Company settled trade payables of $258,471 through the issuance of 3,126,025 common shares. The common shares were valued at $312,603 as determined by the market price when issued being $0.10 per share, resulting in a loss of $54,132 on settlement of debt.

On September 29, 2020, the Company settled employment severance through the issuance of 1,111,111 common shares. The common shares were valued at $100,000 as determined by the market price when issued being $0.09 per share.

In connection with these share issuances, the Company incurred $5,383 of share issuance costs that is recorded as a reduction against share capital.

On October 16, 2020, the Company settled trade payables of $50,000 through the issuance of 629,722 common shares. The common shares were valued at $50,000 as determined by the market price when issued being $0.0794 per share.

On November 12, 2020, the Company settled employment severance through the issuance of 1,276,042 common shares. The common shares were valued at $102,083 as determined by the market price when issued being $0.08 per share.

18. SHARE CAPITAL AND RESERVES (cont'd)

a) Common Shares (cont'd)

On December 24, 2020, the Company settled employment severance through the issuance of 142,857 common shares. The common shares were valued at $10,000 as determined by the market price when issued being $0.07 per share.

On December 30, 2020, pursuant to the Sitka Weedworks Inc. (formerly Specialty Medijuana Products or "SMP") acquisition, the Company issued 374,709 common shares. The common shares were valued at $385,950 as determined by the market price when issued being $1.03 per share. The obligation was settled in full on June 15, 2021, when the remaining 374,707 common shares were issued at the market price of $1.03 per share. The aggregate amount reclassified from obligation to issue shares to share capital as the result of transactions was $771,900.

On February 4, 2021, the Company completed a non-brokered private placement (the "Private Placement") for gross proceeds of $1,950,000 through the issuance of 27,857,143 units ("Units"), each Unit consists of one common share and one-half of one non-transferrable warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase an additional common share with an exercise price of $0.12 per share until February 3, 2023. In connection with the offering, the Company issued 1,173,140 finder's warrants and paid aggregate finders fees of $82,120, of which $64,627 was paid in cash and the remaining through the issuance of 249,900 common shares. There was no residual value allocated to the warrants.

Subsequent to the year end, the Company completed a prospectus offering, whereby the Company issued 43,750,000 units for gross proceeds of $3.5 million. Each unit issued consists of one common share in the capital of the Company and one-half of one common share purchase warrant (Note 34).

During the year end June 30, 2020, the Company issued the following:

Pursuant to the SMP Acquisition as described in Note 25, the Company issued an aggregate 1,124,127 common shares pursuant to the Choom Share Commitments. The amount reclassified from obligation to issue shares to share capital was $1,157,850.

On September 20, 2019, the Company completed a non-brokered private placement of 2,500,000 units at a price of $0.40 per unit for gross proceeds of $1,000,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at a price of $0.60 for a period of 18 months. The Company allocated $937,500 to the common shares issued and $62,500 to the share purchase warrants using the residual method.

Pursuant to a consulting agreement, the Company issued 60,000 common shares as compensation. The common shares were valued at $25,800 as determined by the market price when issued being $0.43 per share.

The Company issued 6,103,608 common shares pursuant to the Cooperation Agreement. The common shares were valued at $1,342,794 as determined by the market price when issued being $0.22 per share (Note 5).

The Company issued 1,860,226 common shares pursuant to the Green Room Retail Acquisition. The common shares were valued at $316,238 as determined by the market price when issued being $0.17 per share (Note 5).

The Company issued 22,126,066 common shares pursuant to the Niagara Acquisition as described in Note 5 on April 1, 2020. The number of common shares issued was determined by dividing $2,000,000 by the 10-day VWAP of $0.09 for 22,126,066.

On December 23, 2019, the Company settled trade payables of $50,000 through the issuance of 303,030 common shares. The common shares were valued at $46,970 as determined by the market price when issued being $0.165 per share, resulting in a $3,030 gain on settlement of debt.

On February 19, 2020, the Company was party to a termination agreement with respect to a lease agreement in connection with the Clarity Acquisition wherein Clarity paid $10,000 cash and Choom issued 10,000 common shares as for consideration for termination of the lease obligation. The common shares were valued at $900 as determined by the market price when issued being $0.09 per share. In connection with these share issuances, the Company incurred $41,141 of share issuance costs that is recorded as a reduction against share capital.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL AND RESERVES (cont'd)

b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2019 to June 30, 2021.

	Number	Weighted Average Price
June 30, 2019	99,866,748	$2.69
Expired	(900,000)	$0.75
Issued	28,583,330	$0.22
June 30, 2020	127,550,078	$2.13
Expired	**(104,414,574)**	**$2.56**
Issued	**19,449,537**	**$0.12**
June 30, 2021	**42,585,041**	**$0.17**

As at June 30, 2021, the share purchase warrants have a weighted average remaining contractual life of 2.53 years (2020 – 1.02 years). Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Exercise Price Per Share	Expiry Date
150,000	**$0.42**	**18-Jan-24**
27,333,330	**$0.20**	**23-Dec-23**
15,101,711	**$0.12**	**23-Feb-23**

Subsequent to the year end, in connection with the prospectus offering, the Company issued 43,750,000 units for gross proceeds of $3.5 million. Each unit issued consists of one common share in the capital of the Company and one-half of one common share purchase warrant (Note 34).

c) Escrow Shares

As at June 30, 2021, there were Nil (2020 – 27,870,072) common shares held in escrow as follows:

i) Nil common shares (2020 – 1,875,000) held in escrow in connection with the Medi-Can Acquisition. Every six months, 1,875,000 common shares were released from escrow,

ii) Nil common shares (2020 – 172,500) held in escrow in connection with the purchase of intangible assets. Every six months 86,250 were released from escrow,

iii) Nil common shares (2020 – 2,000,000) held in escrow in connection with the Clarity Option as described in Note 5. Every six months 1,000,000 shares were released from escrow,

iv) Nil common shares (2020 - 766,394) held in escrow in connection the Medical Clinic acquisition. Every six months 383,193 shares were released from escrow,

v) Nil common shares (2020 – 930,112) held in escrow in connection with the Green Room Retail Acquisition. Every six months 465,057 shares were released from escrow, and

vi) Nil common shares (2020 – 22,126,066) held in escrow in connection with the Niagara acquisition as described in Note 5. These shares held in escrow were released as follows: 10% four months after closing of the Niagara acquisition, 10% on December 31, 2020, and the balance 12 months after closing of the Niagara acquisition.

(Expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Discounted Market Price as defined in the policies of the exchange on the Grant Date.

During the year ended June 30, 2021, the Company granted 1,100,000 (2020 – 15,342,500) share purchase options to officers and employees of the Company. The fair value of each option granted was determined using the Black-Scholes option pricing model with the weighted average assumptions as follows:

	2021	2020
Exercise price	$ 0.16	$ 0.25
Risk-free interest rate	1.53%	1.49%
Volatility	140.74%	142.28%
Dividend yield	0%	0%
Expected life (years)	3.61	4.38
Forfeiture rate	0%	0%

Option pricing models require the use of highly subjective estimates and assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the CSE. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model.

The following is a summary of changes in options from June 30, 2019 to June 30, 2021:

	Shares issuable on exercise of options	Weighted average exercise price
Outstanding, June 30, 2019	9,505,000	$ 0.64
Granted	15,342,500	0.25
Exercised	-	-
Expired/forfeited	(11,107,500)	0.64
Outstanding, June 30, 2020	13,740,000	$ 0.20
Issued in Phivida Acquisition (Note 5)	7,881,837	0.42
Granted	1,100,000	0.10
Exercised	-	-
Expired/forfeited	(11,257,437)	0.36
Outstanding, June 30, 2021	11,464,400	$ 0.18

As at June 30, 2021, the Company had the following options issued and outstanding:

Options Outstanding				Options Exercisable	
Range of exercise price	Number of options	Weighted average exercise price	Weighted average remaining contractual years	Number of options	Weighted average exercise price
$0.15 - $0.85	617,698	$ 0.18	1.27	617,698	$ 0.18
$0.07 - $0.91	891,702	0.48	1.68	891,702	0.48
$0.07 - $0.69	9,955,000	0.16	3.62	5,248,000	0.16
	11,464,400	$ 0.18	3.34	6,757,400	$ 0.21

The weighted average exercise price of options exercisable at June 30, 2021, was $0.21. Subsequent to the year ended June 30, 2021, the Company granted 15,125,000 stock options to employees, officers, directors, and consultants of the Company. The stock options have an exercise price of $0.065 per share, are exercisable until August 9, 2026 (Note 34).

(Expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS (cont'd)

b) Restricted share units

The Company adopted a restricted share unit plan (the "RSU Plan") to grant RSU's to directors, senior officers, employees and consultants of the Company. The aggregate outstanding RSU's are limited to 20% of the outstanding common shares provided that at no time may the number of RSUs issuable under the RSU Plan, together with the number of common shares issuable under options that are outstanding under the Plan, exceed 20% of the issued and outstanding common shares as at the date of a grant under the RSU Plan or the Plan, as the case may be. The fair value of the RSU's has been calculated using the share price at the time of the grant and recognized over the vesting schedule.

During the year ended June 30, 2021, the Company granted an aggregate of 4,000,000 RSUs (2020 – Nil) in accordance with the RSU Plan. The RSU's were measured at $0.10, the share price at the time of the grant. 50% of RSUs granted vested on the day of the grant, with 25% vesting every quarter from the day of the grant. As at June 30, 2021, 3,500,000 of RSUs are exercisable at a weighted average exercise price of $0.10.

A continuity table of the equity settled RSUs outstanding is as follows:

		RSUs
Outstanding, June 30, 2020	$	-
Granted		**4,000,000**
Outstanding, June 30, 2021	$	**4,000,000**

c) Expenses Arising from Share-Based Payment Transactions

The following table summarized non-cash share-based compensation for the period:

		2021		2020
Share purchase option expense	$	**452,976**	$	1,320,603
RSU expense		**390,959**		-
Total compensation expense	$	**843,935**	$	1,320,603

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes		2021		2020
Accounting and legal		$	**857,528**	$	1,031,135
Business licenses and permits			**61,532**		181,262
Conferences			**1,894**		28,176
Consulting	22		**683,366**		1,720,781
Insurance			**677,007**		194,758
Interest and service charges			**334,478**		164,365
Office and administration fees	22		**438,213**		628,960
Property taxes			**19,586**		12,549
Realtor commissions and fees			**24,035**		242,556
Regulatory fees			**49,310**		54,438
Rent, utilities & security, net of rent received			**270,249**		260,924
Shareholder communications			**39,135**		97,200
Transfer agent fees			**28,991**		9,764
Travel			**86,145**		293,738
Bad debt expense			**9,239**		-
Terminated lease agreements			**166,924**		250,424
Marketing			**287,691**		675,732
Foreign exchange loss			**5,390**		4,239
Total general and administrative expenses		$	**4,040,713**	$	5,851,001

General and administrative expenses include compensation for key management and personnel (Note 22).

(Expressed in Canadian Dollars)

21. OTHER INCOME AND EXPENSES

Other Income

The following table summarizes items that were included in the other income during the years ended June 30, 2021 and 2020:

		2021		2020
Interest income	$	**26,931**	$	295,253
Licencing income		**-**		200,000
Rental income		**19,523**		243,463
Other		**95,079**		179,997
Total other income	$	**141,533**	$	918,713

Interest Income

Aggregate loans and investments in the amount of $1,980,576 advanced in connection with the Niagara Option were included in the net assets acquired (Note 5). Subsequent to the acquisition, this amount is an intercompany transaction and is eliminated on consolidation. For the year ended June 30, 2021, interest income of $Nil (2020 - $201,105) for the period up to the acquisition date was included in interest revenue.

Included in interest income during the year ended June 30, 2021, was $26,250 (2020 - $18,626) in interest income recognized pursuant to the notes receivable described in Note 9.

Licensing Income

Effective August 1, 2019, the Company entered into a licensing agreement wherein the Niagara Store utilized the Choom brand "Choom Cannabis Co." for consideration of $25,000 per month effective August 1, 2019 (Note 5). Subsequent to the acquisition, the licensing income became an intercompany transaction and eliminated on consolidation. For the year ended June 30, 2021, the Company recognized licensing income of $Nil (2020 –$200,000).

Rental Income

During the year ended June 30, 2021, the Company recognized rental income of $19,523 (2020 - $243,463) from sub-lease agreements.

Other

During the year ended June 30, 2021, the Company incurred $48,312 in revenue, generated primarily from the web platform Wikala.com, which has been included in Other income on the consolidated statement of loss and comprehensive loss. The Company does not expect this income to be ongoing.

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(Expressed in Canadian Dollars)

21. OTHER INCOME AND EXPENSES (cont'd)

Other Expenses (cont'd)

The following expenses, included in Other expenses on the consolidated statement of loss and comprehensive loss, relate to the Phivida Transaction and do not relate to the main retail business operations of the Company:

	Notes		**2021**
Cost of sales	11	$	**(158,090)**
Interest and service charges			**(2,956)**
Marketing			**(9,668)**
Insurance			**(56,059)**
Office and administration			**(11,435)**
Professional fees			**(55,301)**
Rent, utilities & security			**(6,434)**
Shareholder communication			**(583)**
Transfer agent			**(41,562)**
Bad debt expense			**(98,778)**
Wages and severance			**(423,754)**
Loss on sale of inventory	11		**(100,218)**
Impairment of the Bottling Machine	12		**(361,826)**
Total other expenses		$	**(1,326,664)**

The Company does not expect these expenses to be ongoing and has recognized them in Other expenses. There are no prior period comparatives for the Phivida Transaction as it was completed on September 16, 2020 (Note 5).

22. RELATED PARTY TRANSACTIONS

Key Management Compensation

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

		2021		2020
Consulting fees	$	**312,715**	$	672,949
Administration		**54,606**		198,415
Wages		**388,750**		246,902
Share-based payments		**741,256**		732,516
Total compensation	$	**1,497,327**	$	1,850,782

Included in trade and other payables are amounts due to officers, directors, and related parties for fees and expenses of $112,533 (2020 – $98,408). Additionally, included in amounts due to related parties as at June 30, 2021, was $250,000 in short-term borrowings that was non-interest bearing with no stated terms of repayment. Subsequent to the year end, on July 13, 2021, the amount was paid in full.

On September 4, 2020, the Company granted an aggregate of 4,000,000 RSUs to officers and directors of the Company in accordance with the RSU Plan. The RSUs were measured at $0.10, the share price at the time of the grant (Note 19b).

On February 4, 2021, a total of 1,000,000 stock options (2020 – 12,480,000) were issued to an officer of the Company with an exercise price of $0.10 (2020 - $0.26) per share and maturity date of February 4, 2026 (Note 19a).

Subsequent to the year end, on August 9, 2021, the Company granted 8,125,000 stock options and 750,000 RSUs to related parties of the Company. The stock options have an exercise price of $0.065 per share, are exercisable until August 9, 2026 (Note 34).

(Expressed in Canadian Dollars)

23. LOSS PER SHARE

		2021		2020
Loss from continuing operations	$	**(20,215,456)**	$	(20,020,698)
Weighted average number of common shares		**292,871,775**		205,122,695
Basic and diluted loss per share from continuing operations	$	**(0.07)**	$	(0.10)
Loss from discontinued operations	$	**(1,407,389)**	$	(325,728)
Weighted average number of common shares		**292,871,775**		205,122,695
Basic and diluted loss per share from discontinued operations	$	**(0.00)**	$	(0.00)

24. DISCONTINUED OPERATIONS

Medical Clinics

On October 31, 2020, through a divesture for a nominal amount, the Company disposed of the Medical Clinic assets to a former employee of the Company. The Company sold the patient lists and other assets of 1165962 B.C. Ltd., Concord Medical Centre Inc., Universal Cannabis Coaching Clinic Inc. and Western Cannabis Coaching Centre Ltd. for a nominal amount. The Company determined that in order to focus on cannabis retail this was the most cost-effective way of disposing of the Medical Clinics, which had historically operated at a loss.

Upon divestiture, the Company terminated two lease agreements recognizing a $7,022 gain on derecognition of lease agreements and accruing $15,600 in lease termination costs, which were paid during the year ended June 30, 2021. Impairment of $16,040 related to leasehold improvements was recognized during the year ended June 30, 2021.

Goodwill of $973,050 and intangible assets of $51,925 were written off and impairment recognized in discontinued operations for the year ended June 30, 2021.

Island Green Cure

During the year ended June 30, 2021 the Company terminated the Island Green Cure lease agreement. The balance of the lease deposits held in escrow, less $17,309 returned to the Company, were released to the landlord as consideration resulting in a $204,961 loss on derecognition which was recorded in discontinued operations.

IGC was in the business of cultivating and selling marijuana for medical purposes and related products under the ACMPR that the Company acquired during the year ended June 30, 2018. With the change in the Company's strategic plan, the cultivation licenses were fully impaired during the year ended June 30, 2019 and reclassified as discontinued operation.

The results of the operations of Medical Clinics and IGC are presented as discontinued operations for years ended June 30, 2021 and 2020 and are as follows:

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(Expressed in Canadian Dollars)

24. DISCONTINUED OPERATIONS (cont'd)

		2021		2020
Revenue from clinic services	**$**	**198,382**	$	**587,268**
Cost of Sales				
Doctor and coaching fees		**(44,133)**		**(195,059)**
Medical supplies		**-**		**(7,468)**
Gross profit	$	**154,249**	$	384,741
Expenses				
General and administrative	$	**190,121**	$	**356,198**
Salary, wages, benefits		**68,656**		**283,682**
Depreciation and amortization		**27,152**		**55,108**
Loss before other items	$	**(131,680)**	$	(310,247)
Other items				
Interest income	$	**265**	$	4
Impairment of goodwill		**(973,050)**		-
Impairment of intangible assets		**(51,925)**		-
Impairment of property and equipment		**(16,040)**		-
Financing costs		**(6,271)**		(15,485)
Loss on derecognition of lease agreements		**(197,939)**		-
Total loss before taxes		**(1,376,640)**		(325,728)
Income tax expense		**(30,749)**		-
Total loss for the year	$	**(1,407,389)**	$	(325,728)

Cash flows from discontinued operations for the years ended June 30, 2021 and 2020 are as follows:

		2021		2020
Net loss from discontinued operations	**$**	**(1,407,389)**	$	(325,728)
Items not affecting cash:				
Depreciation		**27,152**		55,108
Loss on derecognition of lease agreements		**197,939**		-
Impairment of goodwill		**973,050**		-
Impairment of intangible assets		**51,925**		-
Impairment of property and equipment		**16,040**		-
Financing costs		**6,271**		15,485
Net cash used in discounted operations prior to changes in working capital		**(135,012)**		**(255,135)**
Changes in non-cash working capital items:				
Trade and accounts receivable		**8,275**		(28,742)
Trade and other payables		**(4,807)**		149,527
Prepaid expense		**83,620**		89,000
Net cash used in discontinued operations	$	**(47,924)**	$	**(45,350)**
Financing activities				
Lease payments		**(20,645)**		(60,289)
Net cash used in financing activities discontinued operations	$	**(20,645)**	$	**(60,289)**
Decrease in cash and cash equivalents from discontinued operations	$	**(68,569)**	$	**(105,639)**

(Expressed in Canadian Dollars)

25. INVESTMENT

The Company, via its wholly owned subsidiary, Arbutus, acquired Sitka Weedworks Inc. by way of a share exchange agreement during the year ended June 30, 2018. On October 17, 2018, SMP received its cultivation license from Health Canada. Accordingly, management estimated the fair value of the Choom Share Commitments owed to the selling shareholders of SMP based market share price of $1.03 to be $41,167,957 being the share price on the date the cultivation license was granted and recorded it as an addition to the Arbutus intangible asset.

On December 10, 2018, the Company entered into a share purchase agreement with the original key shareholders of SMP whereby Arbutus divested 90.2% of its interest in SMP in exchange for the cancellation of 37,970,445 Share Commitments (the "SMP Divesture"). Choom completed the SMP Divesture resulting in Choom indirectly holding a 9.8% interest in SMP through Arbutus.

For the year ended June 30, 2021, 749,416 (2020 - 1,124,127) common shares were issued pursuant to the Choom Share Commitments at a value of $771,900 (2020 - $1,157,850). As at June 30, 2021, Nil (2020 - 749,416) Choom Share Commitments remained outstanding at an aggregate value of $Nil (2020 - $771,900).

As at June 30, 2021, $715,282 (2020 - $1,904,947) is recorded as long-term investments representing the 9.8% interest in SMP. The fair market value was estimated using a discounted cash flow model derived from SMP's five-year strategic plan, based on SMP's management expectations of company and market growth, industry reports and trends, and past performance. The discount rates used to calculate the fair value reflect SMP's specific risks and market conditions and range from 16.3% to 17.3%. As a result of this assessment, Choom recognized a fair market value loss of $1,189,665 (2020 - $Nil) on the investment in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2021.

As at June 30, 2021, the Company advanced a total of $Nil (2020 - $172,282) in loans for the development of facilities which is recorded in the Investment. The loan has no stated terms of repayment and is callable only if all shareholders of SMP agree to call on the loan. The Company does not expect repayment within 12 months and has classified this loan as a long-term receivable accordingly.

Outstanding advances from shareholders acquired in connection with the SMP transactions remain outstanding at June 30, 2021 of $4,000 (2020 - $4,000) (Note 15).

26. SEGMENT REPORTING

Operating segments are components of the Company that engage in business activities from which they earn revenues and incur expenses and can be clearly distinguished. As at June 30, 2021, the Company had two reportable operating segments – Retail Cannabis and Corporate Operations. As the Company continues to expand organically and through acquisition, the segmented information will expand. Business segments are regularly reviewed by senior management for the purpose of allocating resources and performance assessment.

						2021
Operating Segments		**Retail Cannabis**	**Corporate**	**Patient Counselling**	**Cannabis Cultivation**	**Total**
Revenue	$	22,048,333	-	-	- $	**22,048,333**
Cost of sales		(13,912,171)	-	-	-	**(13,912,171)**
Gross Profit		8,136,162	-	-	-	**8,136,162**
Expenses						
General and administrative		929,793	3,110,920	-	-	**4,040,713**
Salary, wages, benefits		2,559,563	1,658,932	-	-	**4,218,495**
Depreciation and amortization		3,248,055	664,175	-	-	**3,912,230**
Share-based payments		-	843,935	-	-	**843,935**
Income/(loss) from operations		1,398,751	(6,277,962)	-	-	**(4,879,211)**
Total Assets	$	7,853,264	18,298,799	39,139	15,064 $	**26,206,266**
Total Liabilities		(12,452,113)	(24,705,769)	(204,739)	-	**(37,362,621)**

(Expressed in Canadian Dollars)

26. SEGMENT REPORTING (cont'd)

							2020
Operating Segments		**Retail Cannabis**	**Corporate**	**Patient Counselling**	**Cannabis Cultivation**		**Total**
Revenue	$	7,357,807	-	-	-	$	**7,357,807**
Cost of sales		(5,107,219)	-	-	-		**(5,107,219)**
Gross Profit		2,250,588	-	-	-		**2,250,588**
Expenses							
General and administrative		2,285,713	3,565,288	-	-		**5,851,001**
Salary, wages, benefits		1,610,556	919,144	-	-		**2,529,700**
Depreciation and amortization		1,342,249	368,654	-	-		**1,710,903**
Share-based payments		-	1,320,603	-	-		**1,320,603**
Loss from operations		(2,987,930)	(6,173,689)	-	-		**(9,161,619)**
Total Assets	$	7,225,502	25,144,263	251,506	-	$	**32,621,271**
Total Liabilities		(5,258,169)	(26,629,697)	(150,057)	-		**(32,037,923)**

27. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended June 30, 2021 and 2020 the Company conducted the following non-cash investing and financing transactions:

i) The $500,000 Bridge Financing Loan received July 23, 2020, as part of the Phivida Transaction (Note 5) is eliminated upon consolidation,
ii) Settled trade payables of $258,471 through the issuance of 3,126,025 common shares, valued at $312,603, resulting in a loss of $54,132 on settlement of debt (Note 18),
iii) Settled employment severance through the issuance of 1,111,111 common shares valued at $100,000 (Note 18),
iv) Settled trade payables of $50,000 through the issuance of 629,722 common shares valued at $50,000 (Note 18),
v) Settled severance of $112,083 through issuance of 1,276,042 shares at price of $0.08 per share on November 12, 2020, and 142,857 shares valued at $0.07 per share on December 24, 2020 (Note 18),
vi) Issued 749,416 common shares pursuant to the SMP Acquisition Share Commitments. The amount reclassified from obligation to issue shares to share capital was $771,900 (Notes 18 and 25),
vii) Issued 249,900 common shares for finder's fees on the Private placement transaction. The common shares were valued at $17,493 (Note 18), and
viii) Accrued interest of $2,416,493 (2020 - $1,695,324) in trade and other payables (Note 15).

During the year ended June 30, 2021, the Company paid interest of $1,165,881 (2020 - $677,086) and income taxes of $33,635 (2020 - $Nil).

28. COMMITMENTS

Leases

The Company has entered into arrangements for office and retail spaces. As at June 30, 2021, minimum lease payments in relation to these commitments are payable as follows:

		2021		2020
Not later than 1 year	$	2,242,435	$	2,178,097
Later than 1 year and not later than 5 years		6,251,330		6,351,983
Later than 5 years and not later than 10 years		3,996,975		2,767,459
Total lease commitments	$	12,490,740	$	11,297,539

28. COMMITMENTS (Cont'd)

Lease Deposits and Other Prepaids

As at June 30, 2021, the Company has $639,775 (2020 - $574,310) in lease deposits of which $64,482 (2020 - $211,852) is classified as current and $575,292 (2020 - $362,458) is classified as non-current.

The Company has prepaid expenses of $160,790 (2020 - $435,375) of which $160,790 (2020 - $257,559) is classified as current and $Nil (2020 - $177,816) is classified as non-current.

Coastal Green

On July 23, 2019, a $300,000 convertible debenture was issued to Choom by Coastal Green Holdings Ltd. (the "Coastal Green Note"). The Coastal Green Note carried interest at 6% per annum. On conversion of the debenture, the Company would acquire a 19.9% equity interest in Coastal Green. Coastal Green must complete certain expenditures prior to Choom advancing any funds under the Coastal Green Note. Since July 23, 2019, no advances have been made.

On July 10, 2020, the parties terminated the Coastal Green Note for consideration of a $50,000 cash payment. This has been included in loss on write-off of notes receivable in the statement of loss and comprehensive loss for the year ended June 30, 2021.

29. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

Credit Risk

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

The Company is primarily exposed to credit risk on its cash and cash equivalents, short-term investments, trade and accounts receivable, notes receivable, and refundable deposits. Exposure to credit risk related to financial institutions and cash deposits is limited through maintaining cash and equivalents and short-term investments with high-credit quality financial institutions and instruments.

The Company's notes receivables are subject to the expected credit loss model. Cash and cash equivalents and trade and accounts receivable are also subject to the impairment requirements of IFRS 9. Subsequent to the year ended June 30, 2021, the notes receivable were settled (Note 34).

The carrying value of these financial assets totalling $1,381,884 represents the maximum exposure to credit risk. As at June 30, 2021, trade accounts receivable of $160,217 (2020 - $143,009) have been outstanding for an average of 63 days.

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 ensures that there is sufficient capital in order to meet short term business requirements after taking into account the Company's holdings of cash and cash equivalents.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated.

29. FINANCIAL INSTRUMENTS (cont'd)

Liquidity Risk (cont'd)

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other payable, lease liabilities and option payment commitments. The Company's trade and other payables are predominantly due within 90 days. As at June 30, 2021, the amount of the Company's remaining contractual maturities for the convertible debentures, notes payable, government assistance, and lease liabilities is approximately $6,351,401 due within 12 months, and $24,014,003 beyond 12 months. Subsequent to June 30, 2021, the Company completed a series of agreements with the existing debenture holders to restructure the debt (Note 34).

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable, marketable securities, investments, deposits, debt and lease obligations.

i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash and cash equivalent balances that bear interest at market rates. The Company's financial liabilities consist primarily of fixed rate debt. The Company's current policy is to invest excess cash in GICs or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy. Cash and GICs are subject to floating interest rates.

ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company is exposed to minimal currency risk.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair values:

- Level 1 – quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).
- Level 3 – inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

The carrying values of cash and cash equivalents, short-term investments, trade and accounts receivable, notes receivable, trade and other payables, and notes payable approximate fair value due to their short-term nature. The fair value of long-term note receivables, lease liabilities, and convertible debentures are determined using Level 2 inputs.

The fair value of long-term note receivables, lease liabilities and convertible debentures is determined using discounted cash flows based on the expected amounts and timing of the cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

There were no transfers between fair value levels during the year.

(Expressed in Canadian Dollars)

30. CAPITAL MANAGEMENT

The Company considers its share capital, notes payable, and convertible debentures as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to satisfy its capital obligations and ongoing operational expenses, and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company manages its capital structure and makes adjustments as necessary in light of economic conditions. The Company, upon approval from its Board of Directors, intends to balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. To maintain its capital structure the Company may, from time to time, issue equity or debt, repay debt or sell assets.

The Company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended June 30, 2021.

31. INCOME TAXES

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the years ended June 30, 2021 and 2020.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

		2021		2020
Loss before tax	$	**(21,622,845)**	$	(20,346,426)
Income taxed at local statutory rates – 27%		**(5,838,168)**		(5,493,535)
Items not deductible for tax purposes		**250,699**		349,458
Under/over provided in prior years		**2,609,253**		877,363
Property and equipment		**35,296**		598,724
Convertible debentures		**626,452**		1,007,478
IFRS 16		**(290,212)**		-
Acquisition of Niagara Store		**-**		961,740
Other differences		**(1,257,792)**		(484,635)
Unused tax losses and tax offsets not recognized		**3,864,472**		2,016,883
Income tax recovery	$	**-**	$	(166,524)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets. The tax effected items that give rise to significant portions of the deferred income tax liabilities at June 30, 2021 and 2020 are presented below:

		2021		**2020**
Deferred tax liabilities:				
Convertible debenture	$	**(1,168,053)**	$	(1,753,134)
Niagara Store intangible assets		**(961,740)**		(961,740)
Right of use assets		**(2,012,927)**		(2,073,804)
Total deferred tax liabilities		**(4,142,720)**		(4,788,678)
Deferred tax assets:				
Non-capital loss carry-forwards		**1,168,053**		1,753,134
Lease liabilities		**2,012,927**		2,073,804
Net deferred income tax liabilities	$	**(961,740)**	$	(961,740)

(Expressed in Canadian Dollars)

31. INCOME TAXES (cont'd)

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2021		2020
Non-capital losses	$	**25,627,539**	$	21,833,918
Resource properties		**1,553,178**		1,553,178
Property and equipment		**3,225,069**		4,821,998
Lease liabilities		**1,439,810**		258,883
Investment in equity		**594,833**		-
Share issue costs		**241,328**		169,656
Available-for-sale securities		**17,000**		16,433
CEBA loan forgiveness		**60,000**		60,000
Capital losses		**2,308,781**		-
Deferred tax assets	$	**35,067,538**	$	28,714,066

As at June 30, 2021, the Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Year of Expiry		Taxable Losses
2028	$	57,000
2029		235,000
2030		173,000
2031		412,000
2032		1,066,000
2033		763,000
2034		610,000
2035		407,000
2036		419,000
2037		322,000
2038		5,951,000
2039		9,288,000
2040		8,588,000
2041		2,854,000
Total	$	31,145,000

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that there will be sufficient future taxable profit to utilize the deferred tax assets.

32. GOVERNMENT ASSISTANCE

In connection to the COVID-19 pandemic, the Company and its subsidiaries received an aggregate of $280,000 in Canada Emergency Business Account ("CEBA") loans from the Government of Canada. These CEBA loans are non-interest bearing and mature on December 31, 2022. Repaying the loan balance on or before December 31, 2022, will result in loan forgiveness of approximately $80,000. The principal balance of $280,000 (2020 - $240,000) is included in government assistance payable as at June 30, 2021 on the consolidated statements of financial position, $40,000 (2020 - $Nil) of which is classified as current.

The Company also qualified for the CEWS, a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. During the year ended June 30, 2021, the Company was eligible for $119,916 in CEWS (2020 - $Nil), which was credited to salary, wages and benefits in the consolidated statements of loss and comprehensive loss. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

32. GOVERNMENT ASSISTANCE (cont'd)

As part of the Phivida Transaction, the Company assumed a deferred payment loan of $161,618 (US $130,400) from the federal U.S. agency, bearing annual interest of 1%, and maturing on May 4, 2022. Principal and interest payments began November 4, 2020. The loan is subject to partial or full forgiveness according to the terms under the Paycheck Protection Program loan in the United States. As at June 30, 2021, $1,887 in interest expense was recognized and recorded in Other Expenses (2020 - $Nil) (Note 21).

33. CONTINGENCIES

On January 21, 2020, the Company received a Statement of Claim from a non-related party for damages of $4,654,390 due to a wrongful termination of an asset purchase agreement.

On August 31, 2020 and on September 18, 2020, the Company received two Statement of Claims from non-related parties, for damages of $1,093,098 and $562,973 due to a breach of lease agreements.

The Company and the Company's legal counsel are currently in process of defending these claims. An estimate of the contingent liabilities and likelihood of loss is unable to be determined at this time and no loss provision has been made in these consolidated financial statements. The Company intends to vigorously defend these claims. Should an adverse outcome result in the future, any amounts incurred may affect future results of operations and cash flows.

34. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, on July 8, 2021, the Company completed a restructuring ("Debt Restructuring") of approximately $25.9 million of outstanding debt, including approximately $21.8 million owing to Aurora Cannabis Inc. ("Aurora") and its public offering of units (the "Units") at a price of $0.08 per Unit (the "Offering Price") for gross proceeds of $3.5 million (the "Offering").

Prospectus Offering

In accordance with the terms of an agency agreement dated June 28, 2021, among the Company, Canaccord Genuity Corp. (the "Lead Agent") and Leede Jones Gable Inc. (together with the Lead Agent, the "Agents"), the Company issued 43,750,000 Units for gross proceeds of $3.5 million. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one-half of one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional Common Share at a price of $0.12 per Common Share until July 8, 2024.

In connection with the Offering, the Company has paid the Agents a cash fee of $192,500 and issued the Agents compensation options (the "Compensation Options") exercisable at any time until July 8, 2024 to purchase up to 2,406,250 compensation option units (the "Compensation Option Units") of the Company at the Offering Price. Each Compensation Option Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant ("Compensation Option Warrant"). Each Compensation Option Warrant will entitle the holder to acquire one Common Share at a price of $0.12 per Common Share until July 8, 2024. In addition, the Company has issued the Lead Agent an aggregate of 1,312,500 Units in satisfaction of a corporate finance fee.

Debt Restructuring

Immediately following the closing of the Offering on July 8, 2021 (the "Effective Date"), Choom completed the Debt Restructuring whereby:

- Aurora converting indebtedness owed to it into 79,754,843 Common Shares, such that following closing of the Debt Restructuring, Aurora will own approximately 19.9% of the Company's issued and outstanding Common Shares on a post-Offering basis,

34. EVENTS AFTER THE REPORTING DATE (cont'd)

Debt Restructuring (cont'd)

- the Company issuing to Aurora a convertible debenture in the aggregate principal amount of $6.0 million (the "2021 Debenture") maturing on December 23, 2024,
- the Company and Aurora entering into a debt restructuring fee agreement dated the Effective Date. Aurora will be paid a restructuring fee equal to 1.25% of all revenue (net of taxes) received by the Company from the sale of products at the Company's retail locations. The Company has the option, exercisable at any time after May 2026 to purchase the restructuring fee for a cash amount equal to six (6) times the preceding twelve-month restructuring fee,
- the Company and Aurora entering into an amended and restated investor rights agreement dated the Effective Date (the "Investor Rights Agreement") and pursuant to which (among other things) Aurora has the right to nominate up to two nominees to serve as directors of the Company and to participate in future of securities offerings undertaken by the Company in order to maintain its pro-rata ownership of the Company, all in accordance with the terms of the Investor Rights Agreement, and
- amending the terms of the Company's convertible debentures issued in December 2019 in the aggregate principal amount of $4.1 million (the "2019 Debentures") to provide, among other things, that the maturity date of the 2019 Debentures be extended to December 23, 2024. The Company has also extended the expiry date of the Common Share purchase warrants (the "2019 Warrants") issued in connection with the 2019 Debentures from December 23, 2023 to December 23, 2024.

Settlement of Debt Obligations

On August 11, 2021, the Company entered into a settlement agreement with a debtholder to settle debt obligations in the aggregate amount of $550,000 in consideration of: (i) the issuance of 3,174,603 common shares of the Company, and (ii) the extinguishment of an aggregate of up to $875,000 owed to the Company by the debtholder.

On September 24, 2021, the Company issued an aggregate of 3,076,923 common shares in settlement of a bona fide debt obligation totaling $200,000.

Stock Options & RSUs Grant

On August 9, 2021, the Company granted 15,125,000 stock options to employees, officers, directors, and consultants of the Company. The stock options have an exercise price of $0.065 per share, are exercisable until August 9, 2026.

The Company also granted an aggregate of 750,000 restricted share units to directors of the Company, such RSUs to vest as to 50% on the date of grant with 12.5% to vest every three months thereafter.