



## **FIORE CANNABIS LTD.**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS** **(Unaudited)**

**For the three and six months ended June 30, 2022 and 2021**  
(Expressed in thousands of Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Fiore Cannabis Ltd. (the “Company”) for the three and six months ended June 30, 2022 (the “Interim Financial Statements”) have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Board of Directors.

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The management of the Company is responsible for the preparation of the Interim Financial Statements. The Company’s independent auditor has not performed a review of the Interim Financial Statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

# **FIORE CANNABIS LTD**

Consolidated Statements of Financial Position  
(In thousands of Canadian dollars except for share data)

	Notes	June 30, 2022	December 31, 2021
		\$	\$
<b>Assets</b>			
Current assets			
Cash		49	281
Accounts receivable		599	855
Biological assets	5	350	265
Inventory	6	1,260	1,492
Prepaid expenses and deposits		440	419
Assets held for sale	11	322	634
		3,020	3,946
Property, plant and equipment	7	8,957	9,189
Intangible assets	8	2,328	2,271
Investments	9	1,220	-
Promissory note receivable	10	2,081	2,031
		17,606	17,437
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		4,013	3,472
Income Tax Payable		490	482
Loans and borrowings	12	9,315	8,826
Convertible debentures	13	2,716	2,925
Derivative liabilities	13	34	236
		16,568	15,941
Convertible debentures	13	946	864
Loans and borrowings	12	1,100	973
		18,614	17,778
<b>Shareholders' equity</b>			
Share Capital	14	114,570	112,680
Reserves		7,899	8,386
Accumulated other comprehensive loss		224	94
Deficit		(123,701)	(121,501)
		(1,008)	(341)
		17,606	17,437

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

Nature of operations and ability to continue as a going concern (Note 1)

Commitments and contingencies (Note 18)

Segmented information (Note 19)

Approved on behalf of the Board:

"Kevin Cornish"

Kevin Cornish, Director

"Marcel LeBlanc"

Marcel LeBlanc, Director

# **FIORE CANNABIS LTD**

Consolidated Statements of Comprehensive Loss  
For the Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

	Notes	Three Months Ended		Six Months Ended	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenues		<b>501</b>	605	<b>965</b>	1,692
Excise taxes		<b>(128)</b>	(80)	<b>(197)</b>	(169)
Net revenue		<b>373</b>	525	<b>768</b>	1,523
Cost of sales		<b>336</b>	485	<b>620</b>	1,591
Gross profit (loss) before fair value adjustments		<b>37</b>	40	<b>148</b>	(68)
Change in fair value of inventory sold		<b>(124)</b>	(50)	<b>(1,034)</b>	57
Unrealized gain on changes in fair value of biological assets	5	<b>(2)</b>	347	<b>407</b>	570
Gross (loss) profit		<b>(89)</b>	337	<b>(479)</b>	559
Expenses					
General and administrative expenses	15, 17(b)	<b>735</b>	865	<b>1,243</b>	1,771
Depreciation and amortization	7, 8	<b>161</b>	171	<b>320</b>	344
Share-based compensation	14(e), 14(f)	<b>-</b>	990	<b>243</b>	1,002
		<b>896</b>	2,026	<b>(1,806)</b>	3,117
Loss from operations		<b>(985)</b>	(1,689)	<b>(2,285)</b>	(2,558)
Other income (expenses)					
Finance and other costs	16	<b>(451)</b>	(505)	<b>(854)</b>	(974)
Foreign exchange gain (loss)		<b>(100)</b>	43	<b>(80)</b>	44
Unrealized gain on derivative liabilities	11	<b>134</b>	610	<b>187</b>	616
Gain (loss) on disposal of assets		<b>-</b>	1,232	<b>(3)</b>	1,232
Gain (loss) on settlement of debt		<b>(28)</b>	123	<b>(22)</b>	198
		<b>(445)</b>	1,503	<b>(772)</b>	1,116
Net loss from continuing operations		<b>(1,430)</b>	(186)	<b>(3,057)</b>	(1,442)
Net loss from discontinued operations		<b>-</b>	(444)	<b>-</b>	(513)
Net loss for the period		<b>(1,430)</b>	(630)	<b>(3,057)</b>	(1,955)
Other comprehensive income (loss)					
Foreign currency translation		<b>322</b>	(265)	<b>130</b>	(443)
Comprehensive loss		<b>(1,108)</b>	(895)	<b>(2,927)</b>	(2,398)
Net loss per share, basic and diluted		<b>(0.01)</b>	-	<b>(0.02)</b>	(0.02)
Weighted average number of shares outstanding, basic and diluted		<b>183,023,091</b>	151,198,116	<b>173,956,794</b>	144,406,356

The accompanying notes are an integral part of the consolidated financial statements

# **FIGORE CANNABIS LTD**

Consolidated Statements of Changes in Equity  
For the Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

		Share Capital		Reserves						Accumulated other comprehensive loss		
	Note	Common Shares	Amount	Subscription Received	Equity Component	Stock Options	Share Purchase Warrants	Contributed Surplus	Total Reserves		Deficit	Total Equity
		#	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020		134,310,263	108,730	-	-	1,898	5,465	1,380	8,743	193	(114,618)	3,048
Shares issued for cash	14(b)(i)	8,539,124	1,281	-	-	-	-	-	-	-	-	1,281
Shares issued for services	14(b)(ii)	8,212,242	1,247	-	-	-	-	-	-	-	-	1,247
Shares issued for debt	14(b)(iii)	2,175,000	399	-	-	-	-	-	-	-	-	399
Shares issued for conversion of debenture	14(b)(vi)	629,692	211	-	-	-	-	-	-	-	-	211
Shares issued for exercise of warrants	14(b)(iv)	700,000	131	-	-	-	(26)	-	(26)	-	-	105
Shares issued for settlement of convertible bond	14(b)(iii)	3,377,109	310	-	-	-	-	-	-	-	-	310
Shares issued for 2019 consolidation		29,250	-	-	-	-	-	-	-	-	-	-
Redemption of restricted shares units	14(b)(v)	2,100,000	315	-	-	(315)	-	-	(315)	-	-	-
Equity component of convertible debenture		-	-	-	82	-	-	-	82	-	-	82
Warrants issued for debenture	13(d)	-	-	-	-	-	407	-	407	-	-	407
Warrants issued for debt		-	-	-	-	-	502	-	502	-	-	502
Share-based compensation	14(e),14(f)	-	-	-	-	1,026	-	-	1,026	-	-	1,026
Forfeited stock options and warrants		-	56	-	-	(1,694)	(5,306)	4,967	(2,033)	-	1,965	(12)
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(99)	(8,848)	(8,947)
Balance, December 31, 2021		160,072,680	112,680	-	82	915	1,042	6,347	8,386	94	(121,501)	(341)
Shares issued for debt	14(b)(iii)	8,577,759	530	-	-	-	-	-	-	-	-	530
Shares issued for services	14(b)(ii)	4,000,000	140	-	-	-	-	-	-	-	-	140
Share-based compensation	14(e),14(f)	-	-	-	-	243	-	-	243	-	-	243
Shares issued for acquisitions	11	24,400,000	1,220	-	-	-	-	-	-	-	-	1,220
Subscription received		-	-	127	-	-	-	-	127	-	-	127
Forfeited stock options and warrants		-	-	-	-	(857)	-	-	(857)	-	857	-
Comprehensive loss for the period		-	-	-	-	-	-	-	-	130	(3,057)	(2,927)
Balance, June 30, 2022		197,050,439	114,570	127	82	301	1,042	6,347	7,899	224	(123,701)	(1,008)

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

# **FIORE CANNABIS LTD**

Consolidated Statements of Cash Flows  
For the Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

	Notes	2022	2021
		\$	\$
<b>Operating activities</b>			
Net loss		(3,057)	(1,442)
Non-cash items			
Unrealized gain on changes in fair value of biological assets	5	(407)	(570)
Change in fair value of inventory sold		1,034	(57)
Depreciation and amortization	7, 8	523	799
Share-based compensation	14(e), 14(f)	243	1,002
Accretion expense	16	197	205
Accrued interest expense		546	261
Gain on sale of asset held for sale		-	-
Unrealized gain on derivative liabilities	13	(187)	(616)
Gain on settlement of debt		4	3
Gain on disposal of assets		(3)	(1,232)
Shares issued for services	14(b)(ii)	140	360
		(967)	(1,287)
Changes in non-cash working capital			
Accounts receivable		255	(164)
Biological assets		-	(116)
Inventory		(473)	(52)
Prepaid expenses and deposits		(21)	41
Accounts payable and accrued liabilities		831	(278)
Net cash used in operating activities		(375)	(1,856)
<b>Investing activities</b>			
Acquisition of property, plant and equipment	7	(23)	(321)
Proceeds from sale of property, plant and equipment, net		319	186
Acquisition of intangible assets	8	(92)	(51)
Net cash used in investing activities		204	(186)
<b>Financing activities</b>			
Share subscription received		127	-
Loans and borrowings	12	(157)	1,411
Repayment of lease liabilities		-	(18)
Shares issued for cash, net of issuance costs	14(b)(i)	-	1,166
Net cash provided by financing activities		(30)	2,559
Net cash provided by continuing operations		(201)	517
Net cash provided by discontinued operations		-	(513)
Effect of foreign currency translation on cash		(31)	(44)
Decrease in cash		(232)	(40)
Cash, beginning of the period		281	406
Cash, end of the period		49	366
<b>Supplemental cash flow information:</b>			
Addition to Property, plant and equipment included in accounts payable		21	64
Interest paid		-	430

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

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

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## 1. Nature of operations and going concern

Fiore Cannabis Ltd. (the “Company”) is governed by the *Business Corporations Act* (British Columbia). The Company’s registered and record office is located at 20<sup>th</sup> Floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8. The Company’s common shares are traded on the Canadian Stock Exchange (“CSE”) under the trading symbol “FIOR” and OTCQB markets under the ticker symbol “FIORF”.

The Company has operations in the United States, in the states of Nevada and California. The Company has six state approved licenses in Nevada which consist of medical and recreational marijuana cultivation, medical and recreational production licenses, and a distribution license with a dispensary in California.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and negative operating cash flows since inception. As at June 30, 2022, the Company had accumulated deficit of \$123,701 (December 31, 2021 - \$121,501), and working capital deficiency of \$13,548 (December 31, 2021- working capital deficiency of \$11,995). The Company’s ability to continue as a going concern is dependent on obtaining continued financial support, securing debt and/or equity financing and generating profitable operations in the future. Management is committed to raising additional capital to meet its financial obligations and commitments, fund its growth initiatives, capital expenditures and sustain its operations in the normal course of business. Although the Company has raised funds in the past, there can be no assurance that the Company will be able to secure additional adequate financing. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast substantial doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

## 2. Significant accounting policies

### (a) Basis of presentation

These condensed interim consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021.

### (b) Basis of consolidation

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 2022.

These consolidated financial statements include the accounts of the Company and the following wholly owned subsidiaries (collectively, the “Company”). Intercompany balances and transactions are eliminated on consolidation.

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

## 2. Significant accounting policies (continued)

### (b) Basis of consolidation (continued)

Entity	Country of Incorporation	Ownership	Functional Currency
Marapharm Las Vegas LLC ("MLV")	United States	100%	U.S. Dollar
Marapharm Washington LLC ("MWA")	United States	100%	U.S. Dollar
EcoNevada LLC ("EcoNevada")	United States	100%	U.S. Dollar
Phenofarm NV LLC ("Phenofarm")	United States	100%	U.S. Dollar
MWA Management LLC	United States	100%	U.S. Dollar
Marapharm DHS California LLC ("MDHS")	United States	100%	U.S. Dollar
420 Express Delivery Inc., dba, Green Leaf			
Wellness LLC ("Green Leaf")	United States	100%	U.S. Dollar

### (c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets and other investments which are measured at fair value.

## 3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows.

### (a) Biological assets and inventory

The Company measures biological assets consisting of cannabis on plants at fair value less cost to sell up to the point of harvest. Determining the fair value requires management to make a number of estimates, including costs incurred for each stage of growth of the plants up to the point of harvest, expected yield per plant, wastage of plants, selling prices per gram and post-harvest costs.

The Company measures inventory at the lower of cost and net realizable value and estimates the sales price, costs of completion and selling costs.

### (b) Business combination

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.



# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

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## 3. Significant accounting judgments, estimates and assumptions (continued)

### (c) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Company's control. If the recognition criteria for assets held for sale are no longer met or if management's plans change, the Company will cease to classify the assets as held for sale.

### (d) Impairment of property, plant and equipment and intangible assets

An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

### (e) Useful lives of property, plant and equipment and intangible assets

Depreciation and amortization are dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. Management reviews the useful lives of property, plant and equipment and intangible assets at each reporting date and makes assessments of any impairment considering factors such as economic and market conditions, anticipated changes in laws and technological improvements.

### (f) Share-based compensation

The fair value of share-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

### (g) Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. 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 realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

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## 4. Accounting standards adopted in the current year

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

### Amendments to IFRS 9: Financial Instruments

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

### Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

### Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

## FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

### 5. Biological assets

The Company's biological assets consist of cannabis seeds and cannabis plants. The changes in the carrying value of biological assets are as follows:

	\$	
Carrying amount, December 31, 2020	359	
Production costs capitalized	2,092	
Genetics purchased		
Changes in fair value less cost to sell due to biological transformation	1,012	
Transferred to inventory upon harvest	(3,195)	
Foreign currency	(3)	
Carrying amount, December 31, 2021	265	
Production costs capitalized	890	
Changes in fair value less cost to sell due to biological transformation	407	
Transferred to inventory upon harvest	(1,218)	
Foreign currency	6	
Carrying amount, June 30, 2022	350	

As at June 30, 2022, the fair value of biological assets included \$350 in cannabis plants, and the weighted average fair value less cost to complete and cost to sell was \$3.62 per gram.

Biological assets are classified as level 3 on the fair value hierarchy. Significant unobservable inputs used to fair value biological assets include the Company's selling price per gram of dried cannabis and yield of cannabis per plant. The Company expects that a \$1.00 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by \$122. A 10% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by \$34. Other unobservable inputs are less variable and will not result in significantly higher or lower fair value measurement.

During the three and six months ended June 30, 2022, the Company produced approximately 128,922 grams and 395,257 grams of dried cannabis respectively. As of June 30, 2022, the biological assets were on average 48% complete and it was expected that the Company's biological assets would yield approximately 182,048 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

### 6. Inventory

	June 30, 2022	December 31, 2021
	\$	\$
Harvested cannabis	1,248	1,466
Finished goods	12	26
	1,260	1,492

# **FIORE CANNABIS LTD**

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
(In thousands of Canadian dollars except for share data)

## **7. Property, plant and equipment**

	Land	Furniture & equipment	Buildings and leasehold improvements	Right-of-use assets	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, December 31, 2020	1,509	2,357	8,113	755	12,734
Additions	-	358	16	35	409
Early termination of lease	-	-	-	(359)	(359)
Foreign currency	(7)	(3)	(34)	(1)	(45)
Balance, December 31, 2021	1,502	2,712	8,095	430	12,739
Additions	-	23	-	-	23
Foreign currency	25	36	132	-	193
<b>Balance, June 30, 2022</b>	<b>1,527</b>	<b>2,771</b>	<b>8,227</b>	<b>430</b>	<b>12,955</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance December 31, 2020	711	950	704	490	2,855
Depreciation	-	408	347	25	780
Early termination of lease	-	-	-	(84)	(84)
Foreign currency	(3)	2	1	(1)	(1)
Balance December 31, 2021	708	1,360	1,052	430	3,550
Depreciation	-	227	173	-	400
Foreign currency	12	17	19	-	48
<b>Balance, June 30, 2022</b>	<b>720</b>	<b>1,604</b>	<b>1,244</b>	<b>430</b>	<b>3,998</b>
<b>Carrying value</b>					
Balance, December 31, 2021	794	1,352	7,043	-	9,189
<b>Balance, June 30, 2022</b>	<b>807</b>	<b>1,167</b>	<b>6,983</b>	<b>-</b>	<b>8,957</b>

## **8. Intangible assets**

	Intellectual property	Marijuana licenses	Sublease right	Creation costs	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, December 31, 2020	17,017	4,226	3,094	30	24,367
Additions	-	81	-	-	81
Disposition	-	(705)	-	-	(705)
Foreign exchange	-	(26)	-	-	(26)
Balance, December 31, 2021	17,017	3,576	3,094	30	23,717
Additions	-	92	-	-	92
Foreign exchange	-	60	-	-	60
<b>Balance, June 30, 2022</b>	<b>17,017</b>	<b>3,728</b>	<b>3,094</b>	<b>30</b>	<b>23,869</b>
<b>Accumulated amortization and impairment losses</b>					
Balance, December 31, 2020	17,017	1,248	3,094	14	12,373
Amortization	-	140	-	1	141
Disposition	-	(63)	-	-	(63)
Foreign exchange	-	(5)	-	-	(5)
Balance, December 31, 2021	17,017	1,320	3,094	15	21,446
Amortization	-	72	-	1	73
Foreign exchange	-	22	-	-	22
<b>Balance, June 30, 2022</b>	<b>17,017</b>	<b>1,414</b>	<b>3,094</b>	<b>16</b>	<b>21,541</b>
<b>Net book value</b>					
Balance, December 31, 2021	-	2,256	-	15	2,271
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>2,314</b>	<b>-</b>	<b>14</b>	<b>2,328</b>

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
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## 8. Intangible assets (continued)

During the year ended December 31, 2021, the Company disposed of two marijuana licenses for a consideration of US\$1,500. The Company agreed to pay 5% finders fee on this transaction to be paid by installment. The Company recorded a gain of \$1,144 from the sale of the licenses. The license sales are required to have regulatory approval. This process is in process and there is no definitive timeline of completion.

## 9. Investment

On April 18, 2022, the Company entered into a definitive business acquisition agreement and plan of merger (the “Definitive Agreement”) with Unified Group Inc. (“Unified”) with respect to a proposed acquisition of Unified (the “Acquisition”). Pursuant to the terms of the Definitive Agreement, the Company is to issue to the shareholders of Unified a total of 24,400,000 Common Shares as consideration, at a deemed price per share of \$0.05, distributed on closing (the “Closing Shares”). The share issuance was completed on May 13, 2022.

As at June 30, 2022, all the closing procedures have not been fully completed and the conditions set forth in the Definitive Agreement remain subject to satisfaction by both Fiore and Unified. The Company is currently in the process of evaluating the acquisition and strategic direction.

## 10. Promissory note receivable

	June 30, 2022	December 31, 2021
	\$	\$
December 2021 Promissory Note (a)	339	318
March 2021 Promissory Note (b)	1,742	1,713
Total promissory note receivable	2,081	2,031

- (a) On December 15, 2021, the Company entered into a bridge promissory note for a principal amount of \$322 (US\$250). The promissory note has a term of 3 years and bears interest of 10% per annum for the first year of the term and 15% for annum for the remaining term, expiring December 15, 2024.
- (b) During the year ended December 31, 2021, the Company disposed of two marijuana licenses for a consideration of US\$1,500. The Company received US\$150 in cash and entered into a promissory note for a principal amount of \$1,740 (US\$1,350) with the Debtor. The promissory note bears interest of 0.11% per annum for a term of two years expiring March 31, 2023. The Debtor will remit to the Company, on quarterly basis, no less than fifty percent of the net operating income that the Debtor receives in connection with the cultivation facility in Nevada.

## 11. Assets held for sale

	June 30, 2022	December 31, 2021
	\$	\$
Land located at Desert Hot Springs, California (a)	322	634
Celista project (b)	-	-
Assets held for sale	322	634

- (a) The assets classified as held for sale consist of certain lands located in the state of California which have been listed for sale. These assets are expected to be sold within a twelve-month period and are no longer productive assets as there is no interest to develop them for future use. During the year ended December 31, 2021, the Company wrote-down the carrying amount of these assets by \$1,019 (US\$800) to their aggregate estimated fair value of \$637 (US\$500). During the six months ended June 30, 2022, the Company disposed of approximate half of the lands for gross proceeds of US\$250.

# **FIORE CANNABIS LTD**

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## **11. Assets held for sale (continued)**

- (b) On April 19, 2021, the Company entered into a Memorandum of Understanding to transfer ownership of certain lands, buildings and equipment located in Celista, British Columbia. On July 9, 2021, the Company signed a Share Purchase Agreement to transfer ownership of Marapharm Inc. and Full Spectrum Medicinal Inc. in consideration for debt and liabilities associated with the purchaser. The transaction was completed on August 4, 2021.

Details of the sale of the subsidiaries:

	\$
<b>Consideration received (debts and liabilities of Fiore settled by the purchaser):</b>	
Convertible debentures and interest accrued	1,213
Loans payable and interest accrued	184
Accounts payable	162
<b>Total consideration</b>	<b>1,559</b>
Carrying amount of net assets sold	(295)
<b>Gain on disposal of subsidiaries</b>	<b>1,264</b>

The carrying amount of assets and liabilities as at the date of sale were:

	\$
Property, plant and equipment	5,864
Intangible assets	190
<b>Total assets</b>	<b>6,054</b>
Accounts payable and accrued liabilities	(5,159)
Mortgage loans payable	(600)
<b>Total liabilities</b>	<b>(5,759)</b>
<b>Net assets</b>	<b>295</b>

Revenues and expenses related to the disposition of subsidiaries were eliminated from profit or loss from the Company's continuing operations and were shown as a single line item as follows:

	Period ended August 4, 2021
	\$
General and administrative expenses	400
Finance costs	144
<b>Net loss from discontinued operations</b>	<b>544</b>

Upon closing of the transaction, \$3,007 of accounts payable under Full Spectrum was assigned to the Company (Note 12(h)). As a consideration, Full Spectrum issued 3,083,201 preferred shares to the Company at a deemed price of \$3,083 for the accounts payable assigned and a net amount of \$76 intercompany payable written off. As at December 31, 2021, the Company recognized an impairment loss of \$3,083 on the preferred shares.

# **FIORE CANNABIS LTD**

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## **12. Loans and borrowings**

	Note	Interest per annum	Maturity	June 30, 2022	December 31, 2021
				\$	\$
Loan from Veritas	19(a)	-	-	<b>1,000</b>	1,000
Promissory Note	(a)	12%	March 31, 2021	<b>599</b>	561
Loans from Directors	(b)	12%	May 1, 2021	<b>97</b>	62
Canada Emergency Business Account	(c)	-	-	<b>30</b>	30
Equipment loan	(d)	29%	August 21, 2021	<b>442</b>	368
Non-convertible debenture	(e)	10%	August 20, 2022 October 21, 2022	<b>878</b> <b>275</b>	812 253
Revolving Credit Promissory Note	(f)	10%	December 22, 2022	<b>2,954</b>	2,734
Secured loan Dec 2021	(g)	10%	December 15, 2024	<b>1,100</b>	972
The contribution from 118	(h)	-	-	<b>3,007</b>	3,007
Unsecured short term loan May 2022	(i)	10%	On demand	<b>33</b>	-
				<b>10,415</b>	9,799

- (a) On June 30, 2020, the Company entered into a new unsecured promissory note of US\$375 which bears interest of 12% per annum and is repayable upon the earlier of (i) the receipt by Company of the US\$375 from the United States Internal Revenue Service after filing a successful application for a FIRPTA Withholding Certificate from the sale of the properties or (ii) nine months from the date of the promissory note.
- (b) During the year ended December 31, 2021, the Company entered into short term loan agreements with the directors and an executive of the Company for an aggregated principal amount of \$62. During the six months ended June 30, 2022, the Company received additional \$31 from the directors of the Company. The loans are unsecured, repayable on demand and bear an interest rate of 10% per annum.
- (c) On May 5, 2020, the Company received a “Canada Emergency Business Account” government assistance in the amount of \$40 as a revolving line of credit. The line of credit was interest-free until January 1, 2023. After December 31, 2020, any outstanding balance on the revolving \$40 line of credit will be converted into a non-revolving 5-year term loan maturing on December 31, 2025, at which time the balance must be paid in full. If payment can be made on or before December 31, 2023, \$10 of the principal amount will be forgiven. Commencing on January 1, 2024, interest accrues on the balance of the term loan at the rate of 5% per annum.
- (d) On September 21, 2021, the Company entered into an unsecured equipment loan agreement in the amount of \$387 (US\$300). The loans bear interest at 35% per annum and mature on September 21, 2022. The debt is currently in default of interest and payment.
- (e) During the nine months ended December 31, 2020, the Company closed a non-convertible debenture private placement of 1,207 units at \$1 per unit for gross proceeds of \$1,207. Each unit consisted of \$1 principal amount of 10% unsecured subordinated debentures and 2,000 common share purchase warrants. Each whole warrant is exercisable into one common share of the Company at a price of \$0.15 per share for a period of twenty-four months. The Company paid \$52 in cash and issued 103,000 common share purchase warrants at a fair value of \$4 as finder’s fee. During the year ended December 31, 2021, a principal amount of \$175 and accrued interest of \$9 were settled in the sale of Celista project. (Note 11(b)) The debt is currently in default of interest and payment.

# FIORE CANNABIS LTD

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## 12. Loans and borrowings (continued)

- (f) On December 22, 2020, the Company entered into a secured revolving credit promissory note with a company controlled by a director of the Company for a principal amount US\$2,000 with 10% interest per annum expiring December 22, 2021 with an option to extend for another year. This loan is secured by a deed of trust lien and assignment of rents and lease on the facility located in North Las Vegas, Nevada and unlimited corporate guarantee of MLV, EcoNevada, Phenofarm and Green Leaf. As consideration, the Company issued 825,000 common shares for a fair value of \$70 and 550,000 warrants for a fair value of \$30. The warrants expire on December 22, 2023 and have an exercise price of \$0.15. As at June 30, 2022, the Company received a \$2,609 (US\$2,025) loan from the revolving credit and accrued \$345 in interest. The debt is currently in default of interest and payment.
- (g) On December 15, 2021, the Company entered into three years secured promissory note for a principal amount of \$1,289 (US\$1,000). This note is secured by the facility located in North Las Vegas, Nevada and bears interest at 10% per annum for the first year, 15% for the second and third years, expiring December 15, 2024. As a consideration, the Company issued 5,000,000 common share purchase warrants for a fair value of \$305. The warrants expire December 15, 2024 and have an exercise price of \$0.10. The debt is currently in default of interest.
- (h) On August 4, 2021, the contribution from Chase Development Ltd in relation to the Celista project are transferred from Full Spectrum Medicinal Inc. to the Company upon closing of the disposition of subsidiaries. (Note 11(b)). On August 13, 2021, Chase Development filed an application to the Court and obtained an interim order preventing the sale, transfer of assignment of Celista Property. The Court subsequently ordered the preservation order to be set aside as it determined that Chase Development should not have applied for and obtained the preservation order without first providing notice to Fiore of an intention to do so. Fiore successfully defended the civil proceeding by Chase Development and it has since been withdrawn.
- (i) On May 6, 2022, the Company entered into a short-term unsecured loan agreement in the amount \$32 (US\$25) with an arm's length party. The loan bears interest of 10% per annum and was payable on demand.

## 13. Convertible debentures

	May 1, 2017 (a)	October 23, 2018 (b)	May 9, 2019, July 10, 2019 (c)	October 2021 (d)	Total
Balance, December 31, 2020	\$ 1,490	\$ 2,367	\$ 516	\$ -	\$ 4,373
Issued	-	-	-	930	930
Equity component	-	-	-	(82)	(82)
Conversion of debentures	(496)	(129)	-	-	(625)
Settlement	(937)	(100)	-	-	(1,037)
Accretion expense	-	246	62	11	319
Accrued interest	-	245	50	29	324
Interest paid	-	(332)	-	(24)	(356)
Foreign exchange	(57)	-	-	-	(57)
Balance, December 31, 2021	-	2,297	628	864	3,789
Settlement	-	(157)	(317)	-	(474)
Accretion expense	-	139	-	21	160
Accrued interest	-	112	14	61	187
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>2,391</b>	<b>325</b>	<b>946</b>	<b>3,662</b>



# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
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## 13. Convertible debentures (continued)

- (a) On May 1, 2017, the Company closed a private placement of 117 convertible bonds at an issue price of US\$10,000 per bond for total gross proceeds of \$1,556 (US\$1,170) (the “Bonds”). The Bonds are convertible into common shares of the Company at a price of \$4 per share in the first year, \$8 per share in the second year and \$12 per share in the third year. The Bonds mature on May 1, 2020 and bear compound interest at 8.5% per annum, payable monthly.

During the year ended December 31, 2021, the Company entered into a settlement agreement with certain bond holders to convert an aggregated amount of \$577 to Units of the Company at a conversion price of \$0.15. Each Unit consists of one common share and one common share purchase warrant with an exercise price of \$0.22 for a period of eighteen months. A total of 3,377,109 Units were issued at a total fair value of \$601. The 3,377,109 shares issued were held in escrow to be released in quarterly instalments over eighteen months. The Company recognized a loss of \$24 from the settlement of bond. The remaining balance of the bond of \$937 was settled through the sale of Celista project. (Note 11(b))

- (b) On October 23, 2018, the Company closed private placement of a one-year 10% unsecured convertible debentures for total gross proceeds of \$3,293. The debentures matured on October 23, 2019, and were convertible into units of the Company at a price of \$0.80 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$2.00 per share expiring October 23, 2019. The holders were entitled to convert all or any part of the debentures into units of the Company at a price equal to 10% less than the offering price of the Company’s short form prospectus offering carried out on or prior to the maturity date.

On October 23, 2019, the Company extended and amended the terms of the debentures (the “Amended Debentures”) as follows:

- (i) All accrued and unpaid interest were paid in common shares of the Company at market price. As a result, the Company issued 635,642 common shares to the holders in settlement of accrued interests of \$261;
- (ii) The Amended Debentures mature on October 23, 2020;
- (iii) The Amended Debentures are convertible into common shares of the Company at \$0.70 per share subject to accelerated maturity if the VWAP of the Company’s common shares is equal to or above \$1.05 for ten consecutive trading days; and
- (iv) Interest shall be paid in cash at maturity, however, if the Amended Debentures are converted into common shares prior to the maturity date, interest shall be paid in shares on the conversion date at a price equal to the conversion price.

In consideration for the amendment, the Company issued 3,723,033 warrants to the holders at an exercise price of \$1.25 per share for a period of eighteen months expiring April 23, 2021, subject to acceleration if the VWAP of the Company’s common shares is equal or above \$1.88 for ten consecutive trading days. Additionally, the Company’s CEO agreed to personally pay the debenture holders an additional \$261 or 10% of the principal amount outstanding in common shares upon receipt of his bonus shares on achievement of performance milestones. The Company’s CEO resigned on January 13, 2020.

The fair value of the 3,723,033 warrants of \$283 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of \$0.35; risk-free rate of 1.65%; stock price volatility of 112%; dividend yield of 0%; and expected life of warrants of 1.50 years.

## FIORE CANNABIS LTD

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### 13. Convertible debentures (continued)

On October 23, 2020, the Company further extended and amended the terms of the debentures (the “Second Amended Debentures”) as follows:

- (i) The Second Amended Debentures mature on October 23, 2022;
- (ii) All accrued and unpaid interest from the period from October 24, 2019 to January 23, 2021 will be paid in cash or in common shares of the Company at \$0.09, at the discretion of the Company, on January 23, 2021;
- (iii) The Second Amended Debentures are convertible into common shares of the Company at \$0.25 per share;
- (iv) Two common share purchase warrants will be issued upon conversion. The warrant exercise price will be \$0.15 per share expiring October 23, 2022; The estimated fair value as at December 31, 2020 of these potential issuances of warrants should the holder convert was \$159. The estimate fair value is based on Black-Scholes option pricing model based on the following weighted average assumptions: probability of conversion at 5.8% based on known conversion and warrants issuance subsequent to December 31, 2020 in 2021; share price of \$0.20; conversion price of \$0.15; risk-free rate of 0.20%; stock price volatility of 125%; dividend yield of 0% and expected life of warrants of 1.81 years. The estimated fair value of \$159 was recognized as derivative liability associated with these amended convertible debentures as the potential issuance of additional warrants fails the fix-to-fix test for embedded derivatives.
- (v) Interest will be paid in cash on the anniversary date and maturity date;
- (vi) The Company, upon providing ten prior business days’ notice to the debenture holders in writing, may, at its option, on any one or more occasion, redeem and repay all or a part of the principal amount.

All other terms of the debentures remain the same.

The Amended Debentures consisted of a financial liability and a derivative liability. On amendment date, the debentures were recorded at its amortized cost of \$2,014 which represented the remaining fair value from the debenture balance of \$2,606 after the allocation of \$593 from the conversion feature. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of \$0.09; risk-free rate of 0.21%; stock price volatility of 121.70%; dividend yield of 0%; and expected life of 2 years.

During the six months ended June 30, 2022, the Company recorded an unrealized gain on the derivative liability of \$187 (June 30, 2021 – unrealized loss of \$620). As at June 30, 2022, the fair value of the conversion feature of \$34 (December 31, 2021 - \$236) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of \$0.02; risk-free rate of 3.09%; stock price volatility of 114%; dividend yield of 0%; and expected life of warrants of 0.32 years.

During the year ended December 31, 2021, a principal amount of \$100 and accrued interest of \$17 were settled in the sale of Celista project. (Note 11(b)) As at June 30, 2022, the Company was in default of interest payment for the period from January 23, 2021 to October 23, 2021 of \$184. During the six months ended June 30, 2022, the Company entered into a settlement agreement with certain debenture holders to convert an aggregated principal amount of \$155 and interest of \$17 into 2,863,195 common shares of the Company at a conversion price of \$0.06. The Company is working on settlement with remaining debenture holders.

# FIORE CANNABIS LTD

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## 13. Convertible debentures (continued)

A legal claim was filed by select 2018 debenture holders and a consent judgment was signed on April 28, 2022. On May 18, 2022, a settlement agreement was entered into to be paid by September 10, 2022, in the amount of \$760.

- (c) During the year ended March 31, 2020, the Company closed a private placement of two-year 10% unsecured convertible debentures for total gross proceeds of \$500. The debentures are convertible into units of the Company at a price of \$0.80 per unit. Each unit consists of one common share and one share purchase warrant exercisable at \$1.40 per share for a period of eighteen months. In the event the Company issues shares (or securities convertible into shares) at a purchase price less than \$0.80 per share, the conversion price shall be reduced to such lower price and the exercise price of the warrant shall be reduced on a commensurate basis.

The debentures consisted of a financial liability and a derivative liability. At inception, the debentures were recorded at its amortized cost of \$283 which represented the remaining fair value from the net proceeds of \$500 after the allocation of \$204 from the conversion feature and transaction costs of \$13. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of \$0.72; risk-free rate of 1.61%; stock price volatility of 108.12%; dividend yield of 0%; and expected life of warrants of 0.94 year.

During the six months ended June 30, 2022, the principal amount of \$250 and interest of \$67 was settled by the proceeds from sale of certain lands located in the state of California (Note 11(a)) and 1,000,000 common shares at a fair value of \$65. The Company recognized a gain on settlement of debt of \$14. As at June 30, 2022, the Company is in default of the principal amount of \$250 and its interest obligation of \$75 under the debentures.

- (d) On October 5, 2021, the Company closed a non-brokered private placement of unsecured convertible debentures for total proceeds of \$930. The debentures bore interest at 13% per annum, payable monthly, and mature in eighteen months from the date of issue. The debentures are convertible into units of the Company at a price of \$0.10 per unit. Each unit consists of one common share and one half of one share purchase warrant exercisable at \$0.30 per share for a period of eighteen months. The debt is currently in default of interest.

The convertible debentures are recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debentures. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity.

## 14. Share capital

### (a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

### (b) Issued and outstanding

As at June 30, 2022, the Company had 197,050,439 common shares (December 31, 2021 – 160,072,680) issued and outstanding.

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## 14. Share capital (continued)

### (b) Issued and outstanding (continued)

#### (i) Shares issued for cash

##### Year ended December 31, 2021

On April 21, 2021, the Company closed a non-brokered private placement of 6,445,880 units at \$0.15 per unit for gross proceeds of \$967. Among the 6,445,880 units issued, 1,447,667 units were issued for settlement of short-term loan from directors & officers of the Company of an aggregated amount of \$217. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.22 per share for a period of 18 months expiring October 21, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above \$0.50 for a period of ten consecutive trading days.

On May 3, 2021, the Company closed a non-brokered private placement of 2,093,244 units at \$0.15 per unit for gross proceeds of \$314. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.22 per share for a period of 18 months expiring November 3, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above \$0.50 for a period of ten consecutive trading days.

#### (ii) Shares issued for services

##### Six months ended June 30, 2022

During the six months ended June 30, 2022, the Company issued an aggregate of 4,000,000 common shares at a fair value of \$140 to certain directors of the Company.

##### Year ended December 31, 2021

During the year ended December 31, 2021, the Company issued an aggregate of 8,212,242 common shares at a fair value of \$1,247 to certain directors, officers and consultants of the Company.

#### (iii) Shares issued for debt

##### Six months ended June 30, 2022

During the six months ended June 30, 2022, the Company issued an aggregate of 8,577,759 common shares at a fair value of \$530 for settlement of outstanding payables, convertible debenture and interest of \$524.

##### Year ended December 31, 2021

During the year ended December 31, 2021, the Company issued an aggregate of 2,175,000 common shares at a fair value of \$399 to a company controlled by a director as consideration for the US\$1,450 loan received during the period. (Note 12(f))

During the year ended December 31, 2021, the Company issued an aggregate of 3,377,109 common shares at a fair value of \$310 for settlement of outstanding convertible bond and interest of \$577 (Note 13(a))

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## 14. Share capital (continued)

### (b) Issued and outstanding (continued)

#### (iv) Shares issued on exercise of warrants

##### Year ended December 31, 2021

During the year ended December 31, 2021, the Company issued a total of 700,000 common shares on the exercise of warrants for gross proceeds of \$105.

#### (v) Shares issued under the Restricted Share Unit Plan

##### Year ended December 31, 2021

During the year ended December 31, 2021, 2,100,000 common shares were issued to employees, consultants and directors of the Company at a fair value of \$315 on redemption of vested RSUs.

#### (vi) Shares issued on conversion of convertible debentures

##### Year ended December 31, 2021

During the year ended December 31, 2021, the Company issued a total of 629,692 common shares at a fair value of \$211 on conversion of debentures.

### (c) Share purchase warrants

The continuity of warrants for the six months ended June 30, 2022 is as follows:

Expiry Date	Exercise Price	December 31, 2021	Issued	Exercised	Expired/ Cancelled	June 30, 2022
December 25, 2023	\$0.22	3,930,721	-	-	-	3,930,721
August 20, 2022	\$0.15	860,000	-	-	-	860,000
October 21, 2022	\$0.15	504,000	-	-	-	504,000
December 17, 2022	\$0.15	350,000	-	-	-	350,000
December 23, 2023	\$0.15	2,000,000	-	-	-	2,000,000
October 23, 2023	\$0.15	1,259,384	-	-	-	1,259,384
October 21, 2022	\$0.22	6,445,880	-	-	-	6,445,880
November 3, 2022	\$0.22	2,093,244	-	-	-	2,093,244
November 30, 2022	\$0.22	3,846,153	-	-	-	3,846,153
December 24, 2024	\$0.10	5,000,000	-	-	-	5,000,000
		26,289,382	-	-	-	26,289,382

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## **14. Share capital (continued)**

### **(c) Share purchase warrants (continued)**

The continuity of warrants for the year ended December 31, 2021 is as follows:

Expiry Date	Exercise Price	December 31, 2020	Issued	Exercised	Expired/ Cancelled	December 31, 2021
January 31, 2021	\$11.60	10,937,263	-	-	10,937,263	-
April 23, 2021	\$1.25	3,723,035	-	-	3,723,035	-
August 2, 2021	\$2.50	11,500,000	-	-	11,500,000	-
September 30, 2021	\$0.22	2,783,793	-	-	2,783,793	-
October 30, 2021	\$0.60	500,000	-	-	500,000	-
December 25, 2023	\$0.22	3,930,721	-	-	-	3,930,721
August 20, 2022	\$0.15	1,560,000	-	700,000	-	860,000
October 21, 2022	\$0.15	504,000	-	-	-	504,000
December 17, 2022	\$0.15	350,000	-	-	-	350,000
December 23, 2023	\$0.15	550,000	1,450,000	-	-	2,000,000
October 23, 2023	\$0.15	-	1,259,384	-	-	1,259,384
October 21, 2022	\$0.22	-	6,445,880	-	-	6,445,880
November 3, 2022	\$0.22	-	2,093,244	-	-	2,093,244
November 30, 2022	\$0.22	-	3,846,153	-	-	3,846,153
December 24, 2024	\$0.10	-	5,000,000	-	-	5,000,000
		36,338,812	20,094,661	700,000	29,444,091	26,289,382

### **(d) Finders' warrants**

The continuity of finders' warrants for the six months ended June 30, 2022 is as follows:

Expiry Date	Exercise Price	December 31, 2021	Issued	Exercised	Expired/ Cancelled	June 30, 2022
		#	#	#	#	#
August 20, 2022	\$0.15	78,000	-	-	-	78,000
October 21, 2022	\$0.15	25,000	-	-	-	25,000
		103,000	-	-	-	103,000

The continuity of finders' warrants for the year ended December 31, 2021 is as follows:

Expiry Date	Exercise Price	December 31, 2020	Issued	Exercised	Expired/ Cancelled	December 31, 2021
		#	#	#	#	#
August 20, 2022	\$0.15	78,000	-	-	-	78,000
October 21, 2022	\$0.15	25,000	-	-	-	25,000
		103,000	-	-	-	103,000

### **(e) Stock options**

Under the Company's Stock Option Plan, the maximum number of shares that may be reserved for issuance under the Company's Fixed Share Option Plan as of June 30, 2022 was 13,858,098 common shares (December 31, 2021 – 13,858,098). Under the Plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may be granted up to a maximum term of 5 years and vested at the discretion of the board of directors.

As at June 30, 2022, 9,043,608 options, with an average exercise price of \$0.06 per share and an average remaining life of 2.24 years have vested.

# **FIORE CANNABIS LTD**

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## **14. Share capital (continued)**

### **(e) Stock options (continued)**

Expiry Date	Exercise Price	December 31, 2021	Granted	Exercised	Expired/Cancelled	June 30, 2022
		#	#	#	#	#
April 1, 2024	\$0.88	18,750	-	-	(18,750)	-
April 22, 2024	\$0.88	60,000	-	-	(60,000)	-
April 22, 2022	\$0.085	150,000	-	-	(150,000)	-
May 15, 2023	\$0.10	2,400,000	-	-	(1,200,000)	1,200,000
May 19, 2023	\$0.10	2,400,000	-	-	(1,200,000)	1,200,000
May 20, 2023	\$0.105	136,108	-	-	-	136,108
May 5, 2024	\$0.15	4,650,000	-	-	(4,650,000)	-
May 6, 2024	\$0.15	200,000	-	-	(200,000)	-
May 21, 2024	\$0.13	1,700,000	-	-	(1,700,000)	-
August 23, 2026	\$0.08	250,000	-	-	-	250,000
March 18, 2025	\$0.05	-	7,757,500	-	(1,500,000)	6,257,500
		11,964,858	7,757,500	-	(10,678,750)	9,043,608

As at December 31, 2021, there were 11,964,858 options, with an average exercise price of \$0.13 per share and an average remaining life of 1.97 years have vested.

Expiry Date	Exercise Price	December 31, 2020	Granted	Exercised	Expired/Cancelled	December 31, 2021
		#	#	#	#	#
January 8, 2021	\$0.98	300,000	-	-	300,000	-
March 3, 2021	\$1.08	2,267,500	-	-	2,267,500	-
April 1, 2024	\$0.88	18,750	-	-	-	18,750
April 22, 2024	\$0.88	60,000	-	-	-	60,000
April 22, 2022	\$0.085	1,200,000	-	-	1,050,000	150,000
May 15, 2023	\$0.10	2,400,000	-	-	-	2,400,000
May 19, 2023	\$0.10	3,900,000	-	-	1,500,000	2,400,000
May 20, 2023	\$0.105	136,108	-	-	-	136,108
October 10, 2026	\$0.20	-	100,000	-	100,000	-
May 5, 2024	\$0.15	-	5,450,000	-	800,000	4,650,000
May 6, 2024	\$0.15	-	200,000	-	-	200,000
May 21, 2024	\$0.13	-	1,700,000	-	-	1,700,000
August 23, 2026	\$0.08	-	250,000	-	-	250,000
		10,282,358	7,700,000	-	6,017,500	11,964,858

During the three and six months ended June 30, 2021, the Company recognized share-based compensation of \$243 and \$243 respectively (June 30, 2021 - \$687 and \$689) for stock options granted and vested during the period.

The fair value of stock options at the date of grant was estimated at \$0.03 per option (December 31, 2021 - \$0.09 per option) using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2022	December 31, 2021
Risk-Free Annual Interest Rate	1.83%	0.30%
Expected Stock Price Volatility	120%	131%
Expected Life of Options and Warrants	3 years	2 years
Expected Annual Dividend Yield	0%	0%

# **FIORE CANNABIS LTD**

Notes to the Consolidated Financial Statements  
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## **14. Share capital (continued)**

### **(f) Restricted share units (“RSU”)**

On October 10, 2017, the Company adopted a RSU Plan as approved by the shareholders of the Company. The RSU Plan is designed to provide the Company with an additional tool to compensate directors, officers, consultants and other key employees of the Company. As of June 30, 2022, the maximum number of shares that may be reserved for issuance under the RSU plan was 13,858,098 (December 31, 2021 – 13,858,098) common shares. Under the plan, each vested RSU gives the eligible person the right to receive one common share of the Company.

The continuity of RSUs for the year ended December 31, 2021 is as follows:

Issuance date	December 31, 2020	Issued	Redeemed	Cancelled	December 31, 2021
May 05, 2021	-	2,100,000	2,100,000	-	-
	-	2,100,000	2,100,000	-	-

No RSUs were granted during the six months ended June 30, 2022.

## **15. General and administrative expenses**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Consulting fees	100	\$ 44	108	\$ 76
Shareholder and investor relations	162	(1)	179	137
Office and general	99	312	332	615
Professional fees	47	70	82	180
Management fees and wages	327	440	542	763
	735	865	1,243	1,771

## **16. Finance and other costs**

	Three months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Accretion expenses	\$ 99	\$ 98	\$ 197	\$ 209
Loan interest	263	198	527	364
Financing fees	32	172	60	344
Bank charges	57	37	70	57
	451	505	854	974



# **FIORE CANNABIS LTD**

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## **17. Related party transactions**

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

### **(a) Related party balances**

The Company had the following amounts due to related parties which are unsecured and have no specific terms of repayment.

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Short term loans from directors and officers <sup>(1)</sup>	<b>57</b>	62
Revolving credit promissory note from a director (Note 12 (f))	<b>2,829</b>	2,734
Due to an officer and a director for fees pursuant to consulting agreements	<b>29</b>	29
Due to officers and a director for fees and expense reimbursements	<b>143</b>	9

<sup>(1)</sup> The short term loans from directors and officers bear an average fixed interest at 10% and are payable on demand.

### **(b) Compensation of key management personnel**

Key management personnel includes the Company's directors and officers. During the three and six months ended June 30, 2022 and 2021, the compensation paid or accrued to directors and officers consisted of the following:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	\$	\$	\$	\$
Management fees	<b>215</b>	265	<b>275</b>	455
Share-based compensation <sup>(1)</sup>	<b>-</b>	756	<b>141</b>	756
	<b>215</b>	1,021	<b>416</b>	1,211

<sup>(1)</sup> During the six months ended June 30, 2022, an aggregate of 4,500,000 stock options were issued to the directors of the Company (June 30, 2021 – 5,300,000 stock options and 1,800,000 RSUs).

### **(c) Participation in Private Placements and Convertible Debentures**

A summary of related parties participation in the Company's private placements and convertible debentures for the year ended December 31, 2021 are as follows:

	<b>Number of Units</b>	<b>Price</b>	<b>Proceeds</b>
		\$	\$
April 2021 Private Placement	3,852,080	0.15	578
May 2021 Private Placement	63,244	0.15	9
October 2021 Convertible Debentures	-	-	153

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
Three and Six Months Ended June 30, 2022 and 2021  
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## 18. Commitments and contingencies

### (a) Office and operating leases

- (i) MDHS entered into a commercial lease agreement for the lease of its dispensary operating premises for a monthly rent of US\$5. The lease expired on December 8, 2020, with 3 additional 5-year term renewal options. The Company is currently in negotiations with the landlord on the share of certain leasehold improvement costs and is expected to renew the lease agreement in the near future.
- (ii) The Company entered into a lease agreement for rental of an office space in Kelowna, British Columbia for an annual rent payment of \$23 in the first year and \$25 in the second year. The lease expired on May 31, 2021 and was renewed for one year for an annual rent payment of \$25. During the year ended December 31, 2021, the lease agreement was terminated.
- (iii) The Company entered into a lease agreement for rental of an office space in Calgary, Alberta for an annual rent payment of \$25 in the first year, \$29 in the second year and \$33 in the third year. The lease expires on April 30, 2023. During the year ended December 31, 2021, the lease agreement was terminated.

### (b) Claim and litigation

#### (i) Veritas vs. Citation

On February 28, 2019, a claim was commenced against the Company by Veritas to recover a loan in the principal amount of \$1,000 plus accrued interests. Veritas claims that the loan is in default and has made a demand for repayment of the loan and interests on or before January 21, 2019.

On April 12, 2019, the Company filed a counterclaim against Veritas alleging, among other things, that the Company and Veritas entered into a loan agreement which included repayment terms consisting of \$100 and the assignment of the Company's ownership interest in the Property.

The Company intends to vigorously defend itself against the claim made by Veritas. As set out in the Company's response to civil claim, it believes that the allegations are without merit and that the loan agreement is in full force and effect.

#### (ii) Bridgemark Class Action

In July 2019, a proposed class action was commenced against Fiore and certain of its former officers and directors (among many other defendants) in relation to consulting agreements entered into by the Company in fiscal year 2019. The claim alleges a "conspiracy" amongst certain issuers and consultants under which the consultants effectively obtained shares of the issuers at far below the disclosed private placement value and then sold them into the secondary market at inflated prices. The claim also alleges misrepresentations to the secondary market in relation to certain news releases and other filings related to the private placements entered into with the consultants.

The value of the claim is currently not known.

As is typical in class actions, the defendants, including Fiore, have not yet filed defences. Fiore has, however, been defending itself. As of June 30, 2022, all upcoming steps in the litigation have been adjourned generally as against Fiore and its former officers and directors.

# **FIORE CANNABIS LTD**

Notes to the Consolidated Financial Statements  
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## **18. Commitments and contingencies (continued)**

### **(b) Claim and litigation (continued)**

#### **(iii) Former Management**

On February 28, 2022, a Notice of Civil Claim was filed by former Management of Fiore for unpaid consulting fees and expenses. A settlement agreement is being finalized by both parties in the amount of \$237 and 7,000,000 shares valued at \$140.

## **19. Segmented information**

The assets and operations of the Company are located in Canada and the United States.

	Canada	US	Total
	\$	\$	\$
<b>Six months ended June 30, 2022</b>			
Net revenue	-	768	768
Gross profit	-	(479)	(479)
Loss from operations	(1,000)	(1,285)	(2,285)
Net loss from continuing operations	(1,608)	(1,449)	(3,057)
<b>Six months ended June 30, 2021</b>			
Net revenue	-	1,523	1,523
Gross profit	-	559	559
Loss from operations	(2,141)	(417)	(2,558)
Net loss from continuing operations	(2,203)	761	(1,442)
	Canada	US	Total
	\$	\$	\$
<b>As at June 30, 2022</b>			
Current assets	99	2,921	3,020
Total assets	1,665	15,941	17,606
Total liabilities	14,952	3,662	18,614
<b>As at December 31, 2021</b>			
Current assets	87	3,859	3,946
Total assets	418	17,019	17,437
Total liabilities	14,809	2,969	17,778

## **20. Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

# **FIORE CANNABIS LTD**

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## **20. Fair value of financial instruments (continued)**

The carrying values of cash, accounts receivable, accounts payables and accrued liabilities, loans and borrowings and convertible debentures approximate their fair values due to their short-term nature. The fair value of marketable securities is based on quoted prices in active markets. The fair values of derivative asset and derivative liability are determined using the Black-Scholes option pricing model. During the year, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

The following table summarizes the Company's financial instruments as at June 30, 2022:

	FVTPL	Amortized cost	Total	Fair value hierarchy
	\$	\$	\$	
<b>Financial assets</b>				
Cash	49	-	49	N/A
Accounts receivable	-	599	599	N/A
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	-	4,013	4,013	N/A
Income tax payable	-	490	490	N/A
Loans and borrowings	-	10,415	10,415	Level 2
Convertible debentures <sup>(1)</sup>	-	3,662	3,662	Level 2
Derivative liabilities <sup>(1)</sup>	34	-	34	Level 3

<sup>(1)</sup> The fair value of convertible debentures includes the financial liability and derivative liability.

## **21. Financial risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are described below.

### **(a) 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, as far as reasonably possible, that it will have sufficient capital in order to meet its working capital and other operating requirements, fund capital expenditures, settle liabilities and meet its scheduled debt repayments. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Please refer to Note 1 for discussion on the Company's ability to cover its current liabilities.

The Company has the following gross contractual obligations:

	Total	< 1 year	1 – 3 years	3 – 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,013	4,013	-	-
Loans and borrowings	10,415	9,315	1,100	-
Convertible debentures	3,662	2,716	946	-
	18,090	16,044	2,046	-

# FIORE CANNABIS LTD

Notes to the Consolidated Financial Statements  
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## 21. Financial risk management (continued)

### (b) Currency risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has exposure is the U.S. dollar. The Company is exposed to currency risk to the extent of its cash, accounts payables and accrued liabilities, liabilities associated with assets held for sale and convertible bonds payable that are denominated in U.S. dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

As at June 30, 2022, the Company has determined that a 10% change in US dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately \$1,227 for the six months ended June 30, 2022 (June 30, 2021 - \$1,560) to net income and comprehensive income.

### (c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans and borrowings and convertible bonds payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

### (d) Covid-19

On March 11, 2020, the current outbreak of COVID-19 (Coronavirus) was declared a global pandemic, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. As a result, global equity markets and oil prices have experienced significant volatility and weakness. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

### (e) Credit risk

Financial instruments that subject the Company to credit risk primarily consist of accounts receivable. The Company maintains an allowance for estimated credit losses using an expected credit loss provision for accounts receivable. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Company's historical credit losses experienced over previous periods.

The Company sells its product in Nevada but its credit risk is not concentrated to any particular customer. The Company mitigates the risk by reviewing accounts receivable past due on an ongoing basis and by managing and monitoring the relationships with its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

As at June 30, 2022, a \$483 (US\$375) receivable from Internal Revenue Service ("IRS") for the FIRPTA income tax withheld was aged over 90 days. There was a service delay from IRS due to the outbreak of COVID-19 in 2020. Management expects to receive the full amount in fiscal 2022.

## FIORE CANNABIS LTD

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### 21. Financial risk management (continued)

#### (e) Credit risk (continued)

As at June 30, 2022, the Company's aging of receivables was as follows:

	June 30, 2022	December 31, 2021
	\$	\$
0 – 30 days	64	205
31 – 60 days	1	135
61 – 90 days	45	15
91 days and over	489	500
Gross accounts receivable	599	855
Provision for doubtful accounts	-	-
	599	855

### 22. Capital management

The Company manages its share capital as capital, which as at June 30, 2022, was \$114,570. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company does not pay out dividends in order to conserve cash reserves and to maximize ongoing development efforts. The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.