

basis in order to periodically replace the Depreciable Components will be determined by the Landlord, in its sole discretion.

Notwithstanding anything herein contained to the contrary, the Landlord will be responsible for performing or causing to be performed the work relating to the Depreciable Components, using the monies received from the Tenant and from other tenants of the Building. Nothing herein will require the Landlord to account to the Tenant for monies collected or to otherwise hold such monies in a separate or other reserve account.

- 4.10.3 Alternatively, repairs or replacements to the property of a capital nature may be funded by the Landlord and amortized, based on generally accepted accounting principles (GAAP), over the useful life of the asset and charged to the Tenant as additional Rent.

4.11 Repair on Notice.

The Tenant shall permit the Landlord and its duly authorized agents or nominees, with or without workmen and others, at all reasonable times to enter upon the Premises for the purpose of examining the state of repair, condition and use thereof, and to permit such entry after the Landlord shall have given 24 hours' notice in writing to the Tenant of such intended entry and examination and in every case the Tenant shall afford the Landlord all reasonable aid and facilities in such entry and examination and upon notice in writing of defect or want of repair being given by the Landlord to the Tenant, to cause the same to be repaired, as required by section 4.10 hereof, within 30 days from the date of the giving of such notice by the Landlord. If the Tenant shall at any time default in the performance or observance of any of the covenants in the Lease for or relating to the repair or maintenance of the Premises or any part thereof and such default shall continue for 30 days after notice in writing from the Landlord of default in respect of repair or maintenance of the Premises then the Tenant shall permit the Landlord and its duly authorized agents and nominees, with or without workmen and others, and without prejudice to the Landlord's right of re-entry, to enter into and upon the Premises and repair and maintain the same at the expense of the Tenant and the Tenant shall afford the Landlord all aid and facilities in doing or causing the same to be done, and shall repay to the Landlord on demand all costs and expenses in respect of such repairs and maintenance as aforesaid, plus an administration fee of 15% of such costs and expenses.

4.12 Business and Trade Fixtures and Improvements.

All business and trade fixtures and improvements owned or installed by the Tenant in or on the Premises at any time shall remain the property of the Tenant and shall be removed by the Tenant at the expiration of the Term or any renewal thereof or at the sooner termination thereof, provided that the Tenant at its expense shall repair any damage to the Premises caused by such removal, and provided further, that the Tenant shall not be in default under any covenant or agreement contained herein at the time of such removal, and if in default, the Landlord shall have a lien on the Tenant's business and trade fixtures and improvements as security against loss or damage resulting from any such default by the Tenant and the Tenant's business and trade fixtures and improvements or other improvements shall not be removed by the Tenant until such default is cured, unless otherwise directed by the Landlord. The Landlord may elect to

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require the Tenant to remove all or any part of the business and trade fixtures and improvements owned or installed by or on behalf of the Tenant at the expiration or termination of the Term or any renewal thereof, in which event such removal shall be done at the Tenant's expense and the Tenant shall at its expense, repair any damage to the Premises caused by such removal. If the Tenant does not remove its business and trade fixtures and improvements forthwith after written demand by the Landlord, such property shall, if the Landlord elects, be deemed to become the Landlord's property or the Landlord may remove the same at the expense of the Tenant and the cost of such removal, plus an administration fee of 15% of such costs, shall be paid by the Tenant forthwith to the Landlord on written demand, and the Landlord shall not be responsible for any loss or damage to such property as a result of such removal.

4.13 Alterations and Additions.

The Tenant shall not remove, alter or change the position or style of, or add to, the Premises or any part thereof, without in any and every such case having first submitted plans and specifications thereof to the Landlord and having obtained the prior written consent of the Landlord thereto, and, unless otherwise provided by such consent, all such alterations, additions, erections or excavations shall be done either by or under the direction of the Landlord, as the Landlord may determine, but at the cost of the Tenant. All work shall be done in a good and workmanlike manner and at such times and in such manner as the Landlord may approve, and only by contractors or tradesmen approved in writing by the Landlord. The Tenant shall reimburse the Landlord forthwith on demand for all costs and expenses incurred by the Landlord in the review and approval of any plans and specifications by the Landlord's architects and engineers. The Tenant shall obtain and pay for all required building and occupancy permits in respect of its work as aforesaid. The Tenant shall, at its own cost and expense, take out or cause to be taken out any additional insurance coverage reasonably required by the Landlord to protect the respective interests of the Landlord and the Tenant during all periods when any such work is being performed. Any and all installations, alterations, additions, partitions, improvements or fixtures other than the Tenant's business and trade fixtures and improvements in or upon the Premises, whether placed there by the Tenant or the Landlord or a previous occupant of the Premises, shall, immediately upon such placement, become and shall thereafter remain the property of the Landlord without compensation therefor to the Tenant. Notwithstanding anything herein contained, the Landlord shall be under no obligation to repair, maintain, replace or insure such installations, alterations, additions, partitions and fixtures or anything in the nature of a leasehold improvement made or installed by or on behalf of the Tenant or any previous occupant of the Premises. The Landlord may elect that any or all installations, alterations, additions, partitions, improvements or fixtures made or installed by or on behalf of the Tenant hereunder or under the provisions of any previous lease of the Premises to the Tenant or any other tenants be removed at the expiry or earlier termination of the Term or any renewal thereof and it shall be the Tenant's obligation to restore the Premises to the condition in which they were prior to such alterations, installations, additions, improvements, partitioning and fixturing. Such removal and restoration shall be at the sole expense of the Tenant.

4.14 Use of Premises.



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The Tenant shall not use the Premises nor allow the Premises to be used for any purpose other than that specified in subsection 1.1.6, nor in any manner inconsistent with such use and occupation, and the Tenant shall not, at any time during the Term or any renewal thereof, commit or suffer to be committed any waste upon the Premises nor shall the Tenant use, exercise, or carry on, or permit or suffer to be used, exercised or carried on, in or upon the Premises, or any part thereof, any noxious, noisome or offensive art, trade, business, occupation or calling, or keep, sell, use handle or dispose of any merchandise, goods or things which are objectionable, or by which the Premises or any part thereof may be damaged or injuriously affected, and no act, matter or thing whatsoever shall, at any time during the Term or any renewal thereof, be done in or upon the Premises, or any part thereof, which may result in annoyance, nuisance, grievance, damage or disturbance to any other tenants in the Building or to any occupiers or owners of any other lands or premises or to the holders of any registered easement, right of way or other encumbrance charging the whole or part of the Development. The Tenant shall use its best endeavors to prevent anything being done on the Premises which may result in the Development or any part thereof being picketed or otherwise subjected to industrial action or demonstrations, political or otherwise. In the event of such picketing, industrial action or demonstrations the Tenant shall forthwith take all actions and proceedings necessary to cause such picketing, industrial action and demonstrations to cease without delay. The Tenant shall not place in the Premises any heavy machinery or equipment without first obtaining the consent in writing of the Landlord. The Tenant shall immediately advise the Landlord of the presence of and shall do all things necessary to remove, any dangerous condition from time to time existing on the Premises and arising as a result of the act or omission of the Tenant or any person for whom the Tenant is, at law, responsible.

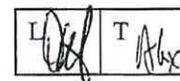
4.15 Signs.

The Tenant shall not, at any time, affix or exhibit or permit to be affixed or exhibited upon any part of the Development any sign, except such sign on the Premises as shall have been first approved in writing by the Landlord and which comply at all times with the requirements of any lawful authority having jurisdiction over the same, provided that if any such sign no longer complies with the terms of the consent given by the Landlord or the requirements of any lawful authority having jurisdiction over the same then the Landlord, after giving the Tenant 30 days' notice shall have the right to remove any such sign at the Tenant's expense and the costs, charges and expenses of such removal, plus an administration fee of 15% of such costs, shall forthwith be paid by the Tenant to the Landlord. The provisions of section 4.5 hereof shall also apply, mutatis mutandis, to any such signs.

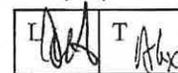
4.16 Rubbish.

The Tenant shall keep the Premises and any loading areas used by the Tenant clean and tidy and in good order and shall not permit waste or garbage to be placed or accumulate outside of the Premises but shall dispose of such waste or garbage in the manner designated by the Landlord from time to time.

4.17 Pollution.

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- 4.17.1 The Tenant represents and warrants to the Landlord that arising out of the Tenant's occupancy:
- (1) there are no Hazardous Substances situated on, in or under the Premises;
 - (2) the Tenant has not received notice of and is not aware of any violation of any law or regulation in force relating to Hazardous Substances and the protection of the environment in respect of the Premises; and
 - (3) there is no litigation or regulatory proceeding pending or threatened against the Tenant or the Premises in respect of environmental matters or the presence or use of Hazardous Substances in or about the Premises.
- 4.17.2 The Tenant covenants and agrees that following the execution of this Lease it shall indemnify and save harmless the Landlord and its directors, officers, servants, agents and employees from any and all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be commenced against or suffered by the Landlord, its property manager, their, directors, officers, servants, agents or employees or which they may sustain, pay or incur as a result of any matter or thing arising out of or resulting from, attributable to or connected with any environmental liabilities relating to the Development, or any portion thereof, caused or contributed to by the Tenant or anyone for whom it is responsible at law including, without limitation, damage from or removal of Hazardous Substances, clean-up and reclamation.
- 4.17.3 The Tenant shall, at its sole cost and expense, comply with all laws and regulations from time to time in force relating to Hazardous Substances and the protection of the environment and shall immediately give written notice to the Landlord of the occurrence of any event in, on or under the Development constituting an offence thereunder or being in breach thereof and upon the happening of such event, the Tenant shall, at its sole cost and expense, promptly remove all Hazardous Substances for which the Tenant is responsible under this Lease from the Development in a manner which conforms with all laws and regulations governing the removal of the same and remediate any damage to the Development caused by such event.
- 4.17.4 Without limiting the generality of the foregoing, the Tenant shall not discharge nor permit the discharge of any oil or grease or any deleterious, objectionable, dangerous, radioactive, poisonous or explosive matter or substance into any water, ditches, water courses, culverts, drains or sewers and the Tenant shall take all reasonable measures for ensuring that any effluent discharged shall not be corrosive, poisonous or otherwise harmful to or cause obstruction, deposit or pollution within any waters, ditches, water courses, culverts, drains or sewers or to or within any sewage disposal works or to the bacteriological process of sewage purification, and the Tenant shall forthwith at the Landlord's request provide facilities for testing and monitoring any such effluent from the Tenant's operations and shall permit the Landlord access to the Premises for the purposes

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of carrying out such testing and monitoring, and any other testing of the environmental status of the Premises as required by the Landlord or the Landlord's Mortgagees from time to time. The costs of all such monitoring and testing shall be included in Operating Costs. In addition, the Tenant shall not at any time whatsoever dispose of or permit to be disposed of on, in or under the Development, any oil or grease or any deleterious, objectionable, dangerous, poisonous or explosive substance or matter nor permit any such substance or matter to be discharged or accumulated on, in or under the Development, including without limitation, any radioactive matter or substance, any radioactivity, or any microwaves. The Tenant shall construct, maintain and operate every furnace and burner employed on the Premises so as to substantially consume or burn the smoke arising from every furnace and burner and shall not use or suffer any such furnace or burner to be used negligently so that the smoke arising therefrom is not substantially consumed or burned and shall not cause or permit any grit, dust or noxious or offensive effluvia to be emitted from any engine, furnace, burner or apparatus on the Premises without using the best practicable means reasonably available for preventing or counteracting such emissions.

4.17.5 The Tenant's obligations hereunder shall survive the expiry or earlier termination of this Lease.

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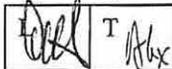
4.17.6 Provided that there is reasonable evidence to ~~suggest~~ that there is environmental damage attributable to the Tenant's use or occupancy, the Tenant shall, at its sole cost and expense obtain and provide to the Landlord a Phase 1 Environmental Report in respect of the Premises and that portion of the Land used by or available for use by the Tenant at the expiration or earlier termination of the Term or any renewal thereof. If the Premises or such portion of the Land requires any clean-up and reclamation, the Tenant shall pay for all costs and expenses in order to remediate the Land to a standard which conforms with all laws and regulation.

4.18 Abate Nuisance.

Upon written notice to the Tenant from the Landlord or from any lawful authority having jurisdiction requiring the abatement of any nuisance caused by vibration, noise or offensive smell or by any undue emission of smoke, vapour or dust caused by the Tenant or arising directly or indirectly out of the operations carried on upon the Premises, the Tenant shall forthwith abate such nuisance accordingly.

4.19 Parking and Obstruction of Roads.

The Tenant shall not permit any vehicles owned by or under the control of the Tenant to cause an obstruction on any roadways in or about the Development and the Tenant shall use its best endeavours to ensure that all persons doing business with the Tenant and their servants and workmen shall not permit any vehicles to park in such area or cause such obstruction as aforesaid. The Tenant shall also use its best endeavours to ensure that vehicles owned by or under the control of the Tenant, its employees or persons doing business with the Tenant shall observe any regulations and instructions made or given by the Landlord or by any other person, corporation or body having authority to make or give such regulations or instructions with regard to the operation and parking of

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vehicles on the said roadways or other areas provided for the parking of vehicles in the Development. The Tenant acknowledges that the Landlord may remove or cause removal of any motor vehicle of the Tenant, its employees, agents, customers or invitees parked in areas reserved for the use of any other person or obstructing any roadway and the Tenant will pay the cost of any such removal to the Landlord on demand.

4.20 Stacking Material.

The Tenant shall not leave or permit to be left or stack or permit to be stacked any material on the Development, other than in the Premises.

4.21 No Auctions.

The Tenant shall not permit any sale by auction nor any fire sale, bankruptcy sale, moving sale, going-out-of business sale or bulk sale to be held upon the Premises or any part thereof, other than annual warehouse sales in the ordinary course of business.

4.22 Will Not Terminate Agreements.

Except where required to do so by the terms of this Lease, the Tenant shall not enter into, amend or terminate any agreement with any public utility corporation or railway company relating to or in any manner whatsoever affecting the Development.

4.23 Assignment and Subletting.

4.23.1 The Tenant shall not assign this Lease or any interest therein, nor sublet the Premises or any part thereof, nor part with or share possession of all or any part of the Premises, without the prior written consent of the Landlord, which consent shall not be unreasonably withheld.

4.23.2 Notwithstanding and without prejudice to any other provision herein, in the event that the Tenant desires to assign, sublet or part with or share possession of all or any part of the Premises, or to transfer this Lease in any other manner, in whole or in part, or to transfer any estate or interest thereunder, then and so often as such event shall occur the Tenant shall give prior written notice to the Landlord of such desire, specifying therein the proposed assignee, transferee, sublessee or occupier and shall provide to the Landlord such information on the nature of the business of the proposed assignee, transferee, sublessee or occupier and its financial responsibility and standing as the Landlord may reasonably require and the terms and conditions of the proposed assignment, transfer, sublease or change in possession and shall deliver to the Landlord a copy of the assignment, transfer or sublease intended to be executed by the Tenant and the assignee, transferee or subtenant. Within 30 days after receipt of such notice, the Landlord shall notify the Tenant in writing, that:

- (1) it consents, or
- (2) it does not consent as aforesaid to the assignment, transfer, subletting or parting with or sharing possession as the case may be.

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- 4.23.3 No such assignment, transfer, subletting or parting with or sharing possession shall in any manner release the Tenant from its obligations for the payment of the Rent and the observance and performance of the covenants, terms and conditions herein provided.
- 4.23.4 The Tenant shall not permit any part of the Premises to be used or occupied by any persons other than the Tenant or any permitted subtenants and the employees of the Tenant and of any such permitted subtenant, and shall not permit any part of the Premises to be used or occupied by any licensee or concessionaire, or permit any persons to be upon the Premises other than the Tenant, such permitted subtenants, and their respective employees, customers and others having legitimate business with them.
- 4.23.5 The Tenant shall insert in every permitted sublease of the Premises a covenant by the sublessee with the sublessor to produce to the Landlord within one month immediately following the making thereof a copy of every assignment of the subdemised premises or any part thereof made by the sublessee or the persons deriving title under it.
- 4.23.6 The Tenant shall, at the request of the Landlord, require any assignee of the interest of the Tenant hereunder, at the time of such assignment, to enter into a written agreement with the Landlord whereby the assignee covenants and agrees with the Landlord to observe and perform all of the covenants, agreements, provisos, terms and conditions of this Lease, provided that if the Tenant fails to require the assignee to enter into such a written agreement at the Landlord's request the Landlord may refuse to grant its consent to the assignment, or where such consent is not required the assignment shall not be effective until such written agreement is executed by the assignee. Without in any way restricting the generality of the Landlord's right to refuse to consent to an assignment or subletting, the Landlord may refuse to grant its consent to an assignment or subletting in the event that this Lease is not in good standing.
- 4.23.7 The Tenant shall forthwith upon demand by the Landlord, pay to or reimburse to the Landlord all solicitors' fees and all other costs, charges, and expenses reasonably incurred by the Landlord in connection with the Tenant's request for consent to any assignment, subletting or parting with or sharing of possession.

4.24 Liens.

The Tenant shall not create or grant any mortgage, conditional sale agreement, security under the Bank Act (Canada) or under any personal property security statute or other encumbrance in respect of its improvements, trade fixtures, goods or merchandise or permit any such mortgage, conditional sale agreement, security under the Bank Act (Canada) or under any personal property security statute or other encumbrance to attach to the Premises. If and when any builder's or construction lien or other lien for work, labour, services or materials supplied to or for the Tenant or for the cost of which the Tenant may be in any way liable or claims therefore shall arise or be filed or any such mortgage, conditional sale agreement, security under the Bank Act (Canada) or under any personal property security statute or other encumbrance shall attach, the Tenant shall within fourteen (14) days after receipt of notice thereof procure the discharge thereof, including any certificate of action registered in respect thereof, by

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payment or in such other manner as may be required or permitted by law, and failing which the Landlord may in addition to all other remedies hereunder avail itself of its remedy under section 6.5 and may make any payments required to procure the discharge of any such lien or encumbrance, shall be entitled to be reimbursed by the Tenant as provided in section 6.5, and its right to reimbursement shall not be affected or impaired if the Tenant shall then or subsequently establish or claim that any lien, mortgage, conditional sale agreement, security under the Bank Act (Canada) or under any personal property security statute or other encumbrance so discharged was without merit or excessive or subject to any abatement, setoff or defence.

4.25 Registered Charges.

The Tenant shall pay all money owed by it under any conditional sale agreement or other charge registered or filed against the Premises, and immediately upon all of the payments having been made thereunder, the Tenant shall obtain a memorandum of satisfaction or other appropriate document of discharge and shall register the same at its own expense in the proper land title office or other appropriate office of public record as the Landlord may require to discharge the same from the title to the Premises.

4.26 Exhibit Premises.

The Landlord shall have the right to exhibit the Premises to:

4.26.1 prospective tenants or sub-tenants during the six months period prior to the expiry date of the Term or any renewal of the Term; and

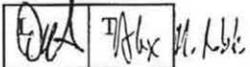
4.26.2 the Landlord's Mortgagees and prospective mortgagees and any prospective purchaser of the whole or any part of the Landlord's interest in the Development; and for such purposes the Landlord shall have the right of entry to the Premises at any reasonable time and the Tenant at its option may have a servant or agent present at the time of such entry.

4.27 Registration of Lease.

The Tenant covenants and agrees with the Landlord that the Landlord shall not be obliged to execute or deliver this Lease in form registrable in any land title office and that the Tenant shall not register this Lease or any caveat or other notice or claim based thereon. All costs and expenses in connection with any registration of this Lease or a caveat or notice thereof (if permitted by the Landlord) and any plans required for registration shall be borne by the Tenant.

4.28 Compliance with Laws.

The Tenant shall do, observe and perform all of its obligations and all matters and things necessary or expedient to be done, observed or performed by the Tenant by virtue of any law, statute, by-law, ordinance, regulation or lawful requirements of any governmental authority or any public utility or railway company lawfully acting under statutory authority and all demands and notices in pursuance thereof whether given to the Tenant or the Landlord and in any manner or degree affecting the Premises, the state of repair or condition thereof, the safety thereof, the use thereof by the Tenant or



the exercise or fulfilment of any right or obligation arising under or as a result of this Lease. If any such demand or notice is given lawfully requiring the execution of works, then:

- 4.28.1 if such notice is given to the Tenant, the Tenant shall forthwith deliver the same or a true copy thereof to the Landlord and the Tenant shall forthwith, at its own expense, execute to the satisfaction of the Landlord and the person giving such notice all such works as the Landlord may approve in writing in order to comply with the requirements of the said notice; or
- 4.28.2 if such notice is given to the Landlord, the Landlord shall notify the Tenant and thereupon the Tenant shall, at its own expense, forthwith execute to the satisfaction of the Landlord and the person giving such notice all such works as the Landlord and the person giving such notice may require in order to comply with the requirements of the said notice.

Notwithstanding the foregoing, the Landlord shall have the right to execute any such works and the Tenant shall afford to the Landlord all necessary access to the Premises and other facilities for that purpose and the Tenant shall, on demand by the Landlord, pay to the Landlord all costs and expenses incurred by the Landlord in executing and performing any and all such works.

4.29 Subordination.

This Lease is and shall be subject, subordinate and postponed to all mortgages, including any debentures and any deeds of trust and mortgages securing bonds and all indentures supplemental thereto (herein collectively called the "Mortgages") which may now or hereafter charge the Premises or any part thereof and to all renewals, modifications, consolidations, replacements and extensions of the Mortgages, to the intent that, without execution of any document other than this Lease, the Mortgages and all renewals, modifications, consolidations, replacements and extensions thereof shall have priority over this Lease notwithstanding the respective dates of execution or registration thereof. Without limiting the generality of the foregoing, the Tenant agrees to execute promptly any document in confirmation of such subordination, postponement and priority which the Landlord may request and the Tenant hereby irrevocably constitutes and appoints the Landlord the agent and attorney of the Tenant for the purpose of executing any such document and of making application in the name of the Tenant at any time and from time to time to register postponements of this Lease in favour of any of the Mortgages or any renewal, modification, consolidation, replacement or extension of any of the Mortgages in order to give effect to the foregoing provisions of this paragraph. Provided however, the subordination and postponement of this Lease to any of the Mortgages shall not be effective with respect to a specific Mortgage unless and until the Landlord's Mortgagee holding such Mortgage shall confirm in writing to the Tenant that the Tenant shall have the right, if not in default under this Lease, to remain in possession of the Premises in accordance with the terms of this Lease in the event such Landlord's Mortgagee obtains title to the Premises by way of foreclosure or otherwise.

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4.30 Attornment.

Whenever required by any of the Landlord's Mortgagees under any of the Mortgages the Tenant shall attorn to and become a tenant or licensee of such Landlord's Mortgagee or a tenant of any purchaser from such Landlord's Mortgagee in the event of an exercise by such Landlord's Mortgagees of the power of sale in any of the Mortgages set out, for the then unexpired residue of the Term upon all of the terms and conditions hereof.

4.31 Estoppel Certificate.

The Tenant shall at any time and from time to time upon five days' prior notice from the Landlord execute and deliver to the Landlord or the Landlord's Mortgagees or a prospective purchaser of the Premises or the whole or any portion of the Landlord's interest in the Premises, a statement in writing confirming the terms of this Lease, certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the modifications and that the same is in full force and effect as modified), the amount of the Rent then being paid hereunder, the dates to which the Rent and other charges hereunder have been paid, that the Landlord has complied with all the terms of this Lease, that the Premises are acceptable to the Tenant, that the Tenant shall not amend, modify or surrender this Lease or make any prepayment of the Rent other than the Rent for the current month without the prior written consent of the Landlord's Mortgagees, that there are no outstanding set-offs or equities disclosed or undisclosed as between the Landlord and the Tenant, that no money other than a maximum of one month's Rent in accordance with the provisions of the Lease has been prepaid by the Tenant to the Landlord, that the Tenant is aware of the assignment by the Landlord to the Landlord's Mortgagees of all Rent under this Lease, and any other matters pertaining to this Lease in respect of which the Landlord may desire certification. The Tenant hereby irrevocably constitutes and appoints the Landlord the agent and attorney of the Tenant for the purpose of executing and delivering such certificate or certificates for and on behalf of the Tenant.

4.32 Indemnity.

The Tenant shall indemnify and save harmless the Landlord and its property manager from and against any and all manner of claims, actions or causes of action, demands, damages, costs, losses or expenses of whatever kind (including legal fees on a solicitor and own client basis) which they may sustain, incur or be put to by reason of or arising out of this Lease, or any act or omission of the Tenant or anyone for whom the Tenant is at law responsible, or from the use or occupation of the Premises in whole or in part and without limiting the generality of the foregoing, from the non-observance or non-performance by the Tenant, or anyone for whom the Tenant is at law responsible, of any of the obligations imposed under the provisions of any laws, ordinances, regulations or requirements of any federal, provincial, municipal or other authorities, or any of the covenants and agreements in this Lease contained by the Tenant to be observed and performed or any accident or other occurrence in, upon or at the Premises contributed to in whole or in part by any fault, default, negligence, act or omission on the part of the Tenant or any person or party permitted to be thereon by the Tenant. This liability to indemnify and save harmless shall survive any termination of this Lease, and the expiry of the Term or any renewal thereof, anything in this Lease to the contrary notwithstanding.

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5.2.3 Repair.

The Landlord will, subject to the Tenant's compliance with this Lease, receipt by the Landlord of insurance proceeds under the various policies of insurance in respect of the Building and subject to Section 7.3 hereof, at all times during the Term and any renewal thereof, keep the Common Areas in a reasonable state of repair, as a prudent owner of a reasonably similar commercial property would do, having regard to the size, age and location of the Building.

5.2.4 Damage.

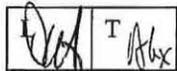
The Tenant will, at its cost, if any part of the Building including, without limitation, any part of the Common Areas, becomes damaged or destroyed through the willful act, negligence, or omission of the Tenant or any of its officers, employees, customers or other invitees, reimburse the Landlord for the cost of repairs or replacement promptly upon demand and such costs will be collectable from the Tenant in the same manner as Rent is collectable hereunder.

ARTICLE 6 - DEFAULT

6.1 Re-entry on Default.

If:

- 6.1.1 any payments of the Rent or any part thereof, whether the same are demanded or not, are not paid when they become due;
- 6.1.2 any breach, non-observance or non-performance of any covenant, agreement, stipulation, proviso, condition, rule or regulation herein contained on the part of the Tenant to be kept, performed or observed hereunder and any such breach, non-observance or non-performance shall continue for 15 days after written notice thereof to the Tenant by the Landlord;
- 6.1.3 the Premises shall be vacated or remain unoccupied for 30 days;
- 6.1.4 the Term or any renewal thereof or any of the goods and chattels of the Tenant shall at any time during the Term or any renewal thereof be seized or taken in attachment by any creditor of the Tenant;
- 6.1.5 a writ of execution, sequestration or extent shall issue against the goods and chattels of the Tenant;
- 6.1.6 the Tenant shall execute any chattel mortgage or bill of sale of its goods and chattels (other than one incidental to any public issue of bonds, debentures or other securities of the Tenant or to any reorganization of the Tenant or its amalgamation with any other company);

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such case the amount of any such damage, loss, cost or expense shall be due and payable by the Tenant to the Landlord on demand by the Landlord and the Landlord shall have the right at its option to add the cost or amount of any such damage, loss, cost or expense to the Rent hereby reserved and any such amount shall thereupon immediately be due and payable as Rent and recoverable by the Landlord by all remedies available to the Landlord for the recovery of Rent in arrears.

6.6 Landlord's Expenses Enforcing Lease.

If it shall be necessary for the Landlord to retain the services of any person for the purpose of assisting the Landlord in enforcing any of its rights hereunder or otherwise available at law, the Landlord shall be entitled to collect from the Tenant the cost of all such services including, but not limited to, all legal fees and disbursements incurred in enforcing the Landlord's rights hereunder and in connection with all necessary court proceedings at trial or on appeal on a solicitor and own client basis, as if the same were Rent reserved and in arrears hereunder.

6.7 Remedies Cumulative.

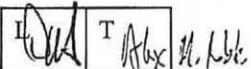
No remedy conferred upon or reserved to the Landlord under this Lease, by statute or otherwise, shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy available to the Landlord and all such remedies and powers of the Landlord may be exercised concurrently and from time to time and as often as the Landlord deems expedient.

6.8 No Waiver.

6.8.1 The failure of the Landlord to exercise any right or option in connection with any breach or violation of any term, covenant or condition herein contained shall not be deemed to be a waiver or relinquishment of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of the Rent or any portion hereunder by the Landlord shall not be deemed to be a waiver of a preceding breach by the Tenant of any term, covenant or condition of this Lease other than the failure of the Tenant to pay the particular amount of the Rent so accepted, regardless of the Landlord's knowledge of such preceding breach at the time of acceptance of such amount of the Rent.

6.8.2 The acceptance of any of the Rent from, or the performance of any obligation hereunder by, a person other than the Tenant shall not be construed as an admission by the Landlord of any right, title or interest of such person as a subtenant, assignee, transferee or otherwise in the place and stead of the Tenant.

6.8.3 The acceptance by the Landlord of a part payment of any money required to be paid hereunder shall not constitute waiver or release of the right of the Landlord to payment in full of such money.

 T. R. H. Kable

6.9 Damage or Injury.

The Landlord shall not be liable for any personal injury, death or property loss or damage sustained by the Tenant, or its employees, agents, sublessees, licensees or those doing business with it in or on the Premises, no matter now caused, and the Tenant shall indemnify the Landlord against all actions or liabilities arising out of such personal injury, death or property damage or loss. The Tenant hereby releases the Landlord and its officers, agents and employees from all claims for damages or other expenses arising out of such personal injury, death or property loss or damage. Without limiting the foregoing, the Landlord shall not be liable for any personal injury, death or property loss or damage sustained by the Tenant or its employees, agents, sublessees, licensees or invitees in or on the Premises or anywhere in the Premises caused by theft or breakage or by steam, water, rain, snow, radioactive materials, microwaves, deleterious substances, gases, pollutants or any other materials or substances which may leak into, issue or flow from any part of the Premises or any adjacent or neighbouring lands and premises or from the water, steam or drainage pipes or plumbing works of the same or from any place, or any loss or damage caused by or attributable to the condition or arrangements of any electric or other wiring or any damage caused by anything done or omitted to be done by any other tenant or occupant of the Premises, and the Tenant shall indemnify the Landlord against all actions or liabilities arising out of such personal injury, death or property damage or loss. The Tenant hereby releases the Landlord and its officers, agents and employees from all claims for damages or other expenses arising out of such personal injury, death or property loss or damage.

ARTICLE 7 - AGREEMENTS AND PROVISOS

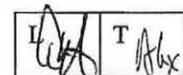
It is hereby agreed by the Landlord and the Tenant as follows:

7.1 No Warranties.

This Lease and any and all schedules annexed hereto, form an integral part hereof and set forth all the covenants, promises, agreements, conditions or understandings between the parties hereto concerning the Tenant's lease of the Premises.

7.2 Notices.

All notices, demands and requests which may or are required to be given pursuant to this Lease shall be in writing and shall be sufficiently given if delivered personally to the party or an officer of the party for whom it is intended or telecopied or mailed prepaid and registered, in the case of the Landlord and the Tenant to the respective addresses specified below the Lease date reference, or at such other addresses as the parties may from time to time advise by notice in writing. The Tenant shall require any mortgagee, assignee or sublessee of the Tenant's interest hereunder to supply their respective mailing address to the Landlord. The date of receipt of any such notice, demand or request shall be deemed to be the date of delivery or transmission of such notice, demand or request if served personally or telecopied or if mailed as aforesaid on the third day next following the date of such mailing (excluding Saturdays, Sundays and statutory holidays in British Columbia), unless there is between the date of mailing and actual receipt a mail strike or other labour dispute which adversely affects mail service in Canada, in which case:

 T. A. T. *M. N. N. N.*

7.2.1 the party giving the notice, demand or request shall deliver such notice, demand or request by an alternative method; and

7.2.2 the time of giving such notice, demand or request shall be the time of actual receipt of such notice, demand or request.

7.3 Damage and Destruction.

7.3.1 If all or any part of the Building is damaged by fire or other casualty thereby rendering all or a portion of the Premises unusable by the Tenant, then the Annual Basic Rent shall abate, in the proportion that part of the Premises which is rendered unusable bears to the whole of the Premises, ~~but only to the extent that the Annual Basic Rent is covered by insurance and paid to the Landlord:~~

7.3.2 Except as provided in subsection 7.3.3 hereof, if the Premises are damaged by fire or other casualty insured against by the Landlord hereunder, then the damage to the Premises shall be repaired by the Landlord at its expense except that repairs to installations, alterations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous tenant or occupant of the Premises or any part thereof shall be performed by the Tenant or, at the option of the Landlord, shall be performed by the Landlord at the expense of the Tenant. All repairs which the Landlord is required to make hereunder shall be made with due diligence, provided that the Landlord shall not be liable to the Tenant for any loss or damage suffered by the Tenant as a result of any delay which may arise by reason of adjustment of insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control. ~~The Tenant shall, out of its own money, make up any deficiency necessary to repair, rebuild or make fit the Premises for the purposes of the Tenant, as follows:~~

(1) ~~to the extent to which insurance coverage required to be placed under this Lease is unobtainable by the Landlord or is only obtainable at a cost which the Landlord considers unreasonable; and~~

(2) ~~to the extent of the amount of any deductible contained in any insurance policy effected by the Landlord pursuant to its covenant to insure herein contained.~~

7.3.3 If, in the Landlord's opinion, the Building is damaged by fire or other casualty to the extent that it cannot reasonably be repaired or rebuilt within 120 days after the occurrence of such damage and if the Landlord shall decide not to restore the same then the Landlord shall within ~~90 days~~ after the happening of such fire or other casualty give to the Tenant a notice in writing of such decision and thereupon the Term and any renewal of this Lease shall expire forthwith and the Tenant shall vacate the Premises and surrender the same to the Landlord. If the Building is damaged as aforesaid and the Landlord does not give notice as aforesaid, then the Landlord shall diligently proceed to repair the Building, excluding installations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous tenant or occupant of the Premises, subject to any reasonable delay which may arise by reason of adjustment of

~~14 days~~
45 days

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insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control. If the Building, excluding installations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous tenant or occupant of the Premises, is not repaired within nine months from the time of the fire or other casualty causing the damage (subject to such time period being extended by the length of any reasonable delay which may arise by reason of adjustment of insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control), then the Tenant may at its option, to be exercised within ten days of the termination of the said period of nine months (or the termination of such later period as extended hereby) by notice in writing, terminate this Lease. Upon the termination of this Lease by the Landlord as provided in this subsection 7.3.3 the Tenant's liability for the Rent shall cease as of the day following the fire or casualty, but in the event of the termination of this Lease by the Tenant as provided in this subsection 7.3.3 the Rent shall be due and payable for the period of time up to the date of the termination of this Lease by the Tenant.

7.4 Overholding.

If the Tenant shall hold over after the expiration of the Term or any renewal thereof and the Landlord shall accept the Rent or any portion thereof the new tenancy thereby created shall be deemed a monthly tenancy and not a yearly tenancy and shall be subject to the covenants and conditions herein contained insofar as the same are applicable to a tenancy from month to month, except that if the Tenant remains in possession without the Landlord's written consent, the monthly installments of Annual Basic Rent shall be 150% of the monthly installments of Annual Basic Rent payable for the last month of the Term or any renewal thereof, prorated on a daily basis for each day that the Tenant remains in possession, and in addition the Tenant shall be liable for all costs, expenses, losses and damages resulting or arising from the failure of the Tenant to deliver up possession of the Premises to the Landlord.

7.5 Inability to Perform.

Whenever and to the extent that Landlord shall be unable to fulfill, or shall be delayed or restricted in the fulfillment of any obligation hereunder by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfill any such obligation or by reason of any statute, law or order-in-council or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board, or any governmental department or officer or other authority, or by reason of not being able to obtain any permission or authority required thereby, or by reason of any other cause beyond its control whether of the foregoing character or not, the Landlord shall be entitled to extend the time for fulfillment of such obligation by a time equal to the duration of such delay or restriction, and the Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort or damage thereby occasioned, and shall not be entitled to cancel or terminate this Lease.

 T  M. Noble

7.6 Interest.

Interest on any money due to the Landlord under this Lease shall be paid by the Tenant and shall accrue at the rate of 4% above the "prime rate" per annum quoted by the Landlord's principal bank, such rate of interest to be calculated and compounded monthly, not in advance, from the respective date upon which any such money becomes due to the Landlord.

7.7 Expropriation.

If the whole or any portion of the Premises shall be acquired or condemned by an authority having the power for such acquisition or condemnation then the Term and any renewal thereof shall cease from the date of entry by such authority. Nothing herein contained shall prevent the Landlord or the Tenant or both from recovering damages from such authority for the value of their respective interests or for such other damages and expenses allowed by law.

7.8 Accrual of Rent.

The Rent shall accrue from day to day. Where the calculation of any Additional Rent is not made until the termination or expiry of this Lease, the obligation of the Tenant to pay such Additional Rent shall survive the termination or expiry of this Lease and such amounts shall be payable by the Tenant upon demand by the Landlord.

7.9 Governing Law.

This Lease shall be governed by and construed in accordance with the laws of the province in which the Premises are situated and the parties hereby attorn to the jurisdiction of the courts of that province. The parties acknowledge having expressly required that this Lease and all documents relating hereto be drawn up in the English language.

7.10 Number and Gender.

Where required the singular number shall be deemed to include the plural and the neuter gender the masculine of feminine.

7.11 Covenants.

The Landlord and the Tenant agree that all of the provisions of this Lease are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate provision thereof. Should any provision or provisions of this Lease be illegal or not enforceable it or they shall be considered separate and severable from this Lease and its remaining provisions shall remain in force and be binding upon the parties hereto as though the said provision or provisions had never been included.

7.12 Time of the Essence.

Time shall be of the essence of this Lease.

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M. K. K.

7.19 Amendments.

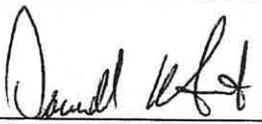
This Lease shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall not be modified, amended or waived except by an instrument in writing duly executed and delivered by the parties hereto or by their successors and permitted assigns.

 T Alex M. Noble

IN WITNESS WHEREOF the parties hereto have duly executed and delivered this Lease as of the day and year first above written.

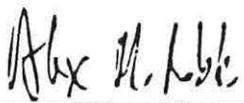
BY THE LANDLORD:

HAREWOOD INVESTMENTS LTD.

Per:  DONALD WOLF, VICE PRESIDENT
Authorized Signatory

BY THE TENANT:

TREES DISPENSARY

Per:  ALEX M. LOBLE
Authorized Signatory

	
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 Alex M. Loble

SCHEDULE "A"**DESCRIPTION OF LAND**

The Landlord and Tenant acknowledge and agree that the Development may be situated on an Airspace attached to the Lands. A separate civic address will be created for the Development as soon as the Airspace Plan has been prepared by the Landlord and filed in the appropriate Land Titles Office. For the purpose of this Lease, the Airspace shall apply to that portion of the Lands as shown on Schedule "B" attached hereto. For reference, the Lands are described as follows:

Legal Description:

Lot 1, Section 1, Nanaimo District, Plan 35453

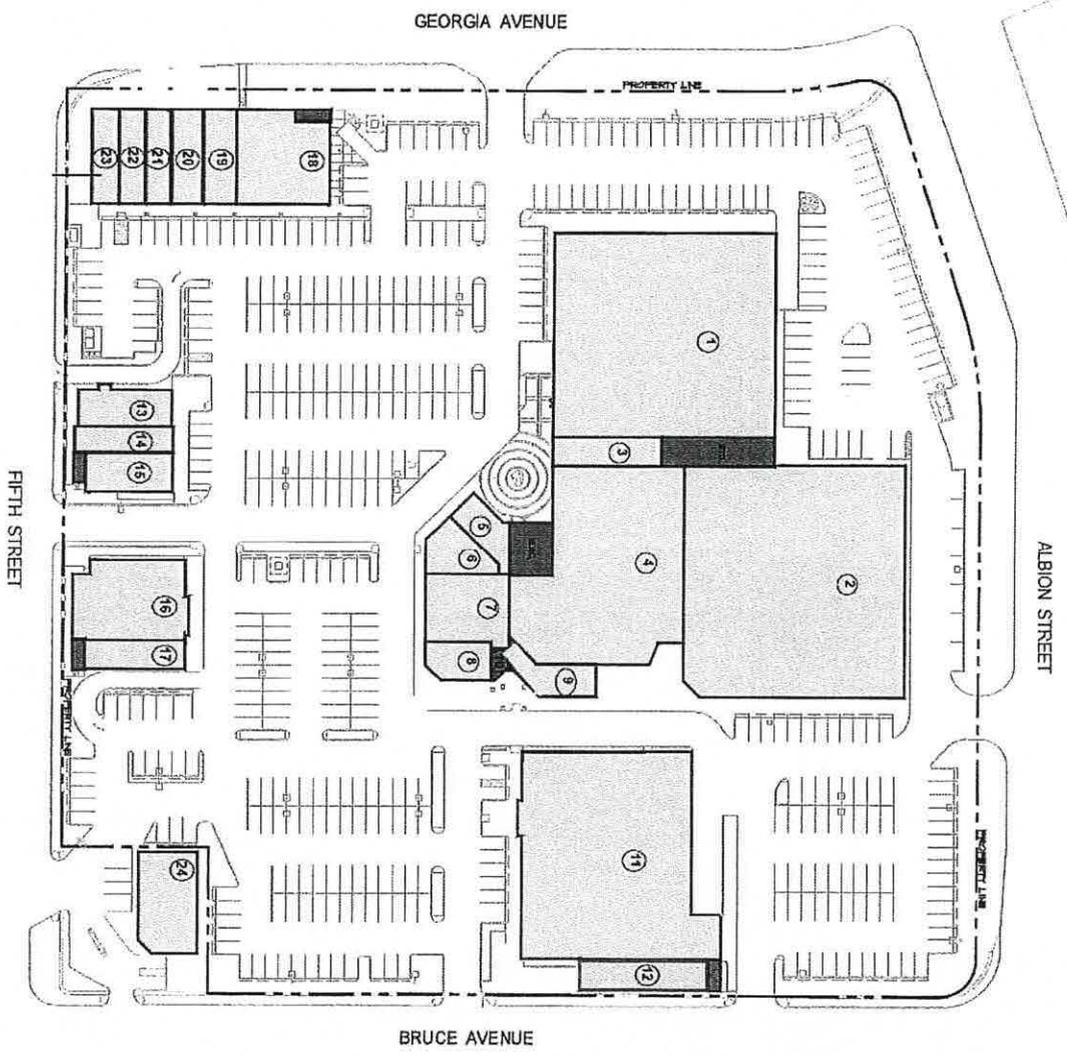
City of Nanaimo, British Columbia

Parcel Identifier: 000-088-170

 T  M. K. B. C.

SCHEDULE "B"

PREMISES AND PARKING AREA




 T
 Alex M. LLC

SCHEDULE "C"

ADDITIONAL TERMS AND CONDITIONS

1. RENEWAL OPTIONS

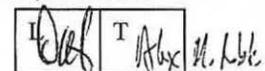
Option to Renew:

1.1 First Option

Provided that the Tenant has duly performed and is not in default of any of the terms, conditions and covenants of this Lease, the Tenant shall have the option to renew this Lease for one (1) additional term of Five (5) years upon the same terms and conditions as are contained in this Lease (hereinafter called the "Renewal Term"), except the amount of the Basic Rent, except for any Landlord's Work, Tenant Improvement Allowance, Fixturing Period, rent-free or rent-reduced periods or other inducements given to the Tenant and except this right of renewal. The Renewal Term shall commence on the day immediately succeeding the expiration of the initial term of this Lease. The Tenant may only exercise its option to renew this Lease by giving notice in writing to the Landlord at least six (6) months and no more than nine (9) months prior to the date on which the Renewal Term would commence pursuant to this provision. If the Tenant has so given notice to the Landlord and if the Tenant has performed this Lease as aforesaid up to the last day of which notice could be validly given hereunder to exercise this option for a renewal term, this Lease shall automatically be renewed for the Renewal Term even though the Basic Rent payable during the Renewal Term has not been determined at the commencement of the Renewal Term. No instrument of renewal need be executed. In the event that the Tenant fails to perform this Lease or give such notice to the Landlord as herein provided, this Lease shall automatically terminate at the end of the initial term (unless earlier terminated hereunder) and the Tenant shall have no further option to extend or renew this Lease.

1.2 Renewal Rental – First Option

The Annual Basic Rent to be paid by the Tenant to the Landlord during the Renewal Term shall be Annual Basic Rent equal to the fair market Annual Basic Rent then being charged in similar vicinities for the best use of similar premises with improvements to the extent of those in the Premises being leased for the duration of the Renewal Term, as agreed between the Landlord and the Tenant; provided that if no agreement is reached three (3) months before the date upon which the Renewal Term is to commence, the fair market Annual Basic Rent shall be determined by arbitration of a single arbitrator pursuant to the Commercial Arbitration Act (British Columbia). The cost of such arbitrator shall be born equally by the parties but each party will bear the costs of preparing for and attending the arbitration, including its legal costs. Each party shall be restricted to presenting the evidence of one expert witness and will pay the cost of its own expert witness. Each party shall be restricted to one day to present its case to the arbitrator. Except as otherwise provided for herein, the provisions of the Commercial Arbitration Act (British Columbia) shall apply and the provisions



of this clause shall be deemed to be a submission to arbitration pursuant to the Commercial Arbitration Act (British Columbia) and amending acts. Notwithstanding anything contained herein, the Annual Basic Rent during the Renewal Term shall not be less than the Annual Basic Rent paid or payable by the Tenant during the last year prior to the commencement of the Renewal Term.

2. TENANT IMPROVEMENT ALLOWANCE

The Landlord will pay to the Tenant, as a contribution towards the cost of the Tenant's Work, installed by or on behalf of the Tenant, the lesser of the actual cost of such improvements or the sum of **Twenty Dollars (\$20.00)** multiplied by the rentable area of the Premises, plus the applicable Tax thereon (the "Tenant Improvement Allowance"). Unless the Tenant is in default under this Lease, such Tenant Improvement Allowance shall be payable to the Tenant within thirty (30) days of completion of all of the following:

- 3.1 fifty-five (55) days after substantial completion of the construction of the Premises;
- 3.2 opening for business by the Tenant;
- 3.3 completion of the Tenant's Work in accordance with approved plans and specifications, and payment by the Tenant of all sums to be paid relating to the Tenant's Work;
- 3.4 discharge of any liens that may have been filed against the Premises and/or the Building, with respect to the work done by the Tenant on the Premises;
- 3.5 receipt by the Landlord of a statutory declaration confirming the payment in full of all costs relating to the work done by the Tenant on the Premises and/or the Building;
- 3.6 receipt by the Landlord of evidence satisfactory to the Landlord that the Tenant has placed insurance required by the Lease;
- 3.7 receipt by the Landlord of all copies of occupancy certificates and/or final inspection reports by authorities having jurisdiction; and
- 3.8 receipt by the Landlord of a complete set of as built drawings including a list of all consultants (their name, telephone number, facsimile number and contact person), contractors, sub-contractors, trades and sub-trades who provided work or materials, including those that will be installing the furniture, fixture and equipment on the Premises and/or the Building on behalf of the Tenant.

 T  M. K. K. K.

3. **FIXTURING PERIOD**

Provided the Lease has been signed by the Tenant and the Tenant has provided proof of insurance as per the Lease, the Tenant is permitted to have occupancy of the Premises for a period of Three (3) calendar months prior to the Commencement Date (May 1, 2018 – July 31, 2018), whether exclusively or in common with the Landlord, its contractors, sub-contractors or employees for the purpose of installing leasehold improvements (the "Leasehold Improvements") and the Tenant shall be responsible for its utility costs and shall be bound by all the provisions of the Lease saving those requiring payment of Basic Rent and Additional Rent. Should the Tenant open for business during this period, the period shall remain Basic and Additional Rent Free. Basic Rent, Additional Rent and all other leasehold costs shall commence on August 1, 2018.

4. **SIGNAGE**

The Tenant shall be permitted to install its signage on the exterior of the Leased Premises and will provide to the Landlord drawings and specifications for its signage to be installed on the exterior of the Leased Premises for approval by the Landlord, such Landlord approval not to be unreasonably withheld.

Any and all signage to be installed on the Leased Premises shall be supplied by the Tenant at the Tenant's sole expense.

Notwithstanding anything contained herein to the contrary, the Tenant acknowledges that all signage is subject to design guidelines established for the Commercial Building (the "Signage Design Guidelines") and the approval as per the applicable municipal's signage format. The Tenant shall be responsible for obtaining approval as per the applicable municipal's signage format for its signage in accordance with the Signage Design Guidelines.

5. **OPTION TO TERMINATE**

Should the Tenant not obtain a provincial distribution license for the Premises, the Tenant shall have the option to terminate the Lease, upon three (3) months' written notice of its intention to do so. The Tenant shall pay a one-time penalty equal to three (3) months gross rent plus tax, calculated on rent payable during the first (1) year of the Term, held as a security deposit in lieu of this option being exercised.

 T  M. Kubic

THIS LEASE dated for reference July 18, 2015

In pursuance of the Land Transfer Form Act.

BETWEEN:

**NEAL ENTERPRISES LTD. and
695 ALPHA STREET HOLDINGS LTD.**
750 Hillside Avenue
Victoria BC V8T 1Z4

(hereinafter called the "Landlord")

OF THE FIRST PART

AND:

EDEN MEDICINAL SUPPLIES INC.
695 Alpha St
Victoria BC V8Z 1B5

(hereinafter called the "Tenant")

OF THE SECOND PART

AND:

DOUGLAS GRAHAM STEPHEN
141-1027 Davie St
Vancouver BC V6E 4L2

and

KOLTEN TAEKEMA
8898 Marshall Road
Victoria BC V8L 1C5

(jointly and severally referred to as the "Indemnitor")

OF THE FOURTH PART

WITNESS:

I. DEFINITIONS

In this Lease unless there is something in the subject matter or the context necessarily inconsistent therewith, the following expressions will have the following meanings:

- 1.01 "Building" means the building or buildings situate on the Lands;
- 1.02 "Contaminants" has the meaning set out in clause 9.01;
- 1.03 "Environmental Laws" has the meaning set out in clause 9.01;

- 1.04 "Fire" means the events defined in paragraph 7.01.01;
- 1.05 "Lands" means the lands so defined in Article II;
- 1.06 "Plan" means the plan so defined in Article II;
- 1.07 "Premises" means the Lands together with the Building;
- 1.08 "Proportionate Share" has the meaning set out in paragraph 6.10.05;
- 1.09 "Rent" means the rent so defined in Article IV;
- 1.10 "Tenant's Improvements" has the meaning set out in clause 5.04; and
- 1.11 "Term" means the term so defined in Article III.

II. DEMISE OF PREMISES

IN CONSIDERATION of the rents reserved and the covenants and agreements of the Tenant hereinafter contained, the Landlord doth demise and lease unto the Tenant the entire lands and buildings civically described as 695 Alpha Street, Victoria, British Columbia (herein called the "Premises") located on that certain parcel or tract of lands and premises (herein called the "Lands") described as

PARCEL IDENTIFIER: 008-386-625
 AMENDED LOT 3 (DD 174908I), BLOCK 2, SECTION 4, VICTORIA DISTRICT, PLAN 865

together with all ways, paths, privileges, advantages, benefits and appurtenances belonging or pertaining to the Premises.

III. TERM AND RENEWAL

- 3.01 **TO HAVE AND TO HOLD** the Premises for and during the term (herein called the "Term") of FIVE (5) years, commencing on the 1st day of September, 2015 and ending on the 31st day of August, 2020.
- 3.02 The Landlord agrees with the Tenant that if the Tenant duly and strictly observes and performs the covenants, agreement and provisos herein on the part of the Tenant to be observed and performed, the Landlord will at the expiration of the Term hereof, upon the Tenant's written request delivered to the Landlord no later than six months prior to the expiration of the Term (or an applicable renewal term), grant to the Tenant a renewal lease of the demised Premises for one further term of FIVE (5) years subject to the same terms, covenants, agreements and provisos as are herein contained except as to any rights of renewal, any provision expressed to be for the initial term only, and except as to the Rent. The Rent for each year of the renewal term will be based on the prevailing fair market rate for similarly-improved premises of similar size, quality, use and location in buildings

similar to the Building, but shall not be less than the rate of Rent at the end of the term set out herein and be determined as follows:

- (a) by written agreement;
- (b) failing agreement, by arbitration pursuant to clause 8.03 hereof, but with costs divided equally between the Landlord and the Tenant.

If the renewal option is exercised, the renewal term will expire 31 August, 2025 .

- 3.03 The terms, conditions, and covenants set out in this Lease on the part of the Tenant will apply to any early possession of the Premises granted to the Tenant.
- 3.04 If the City of Victoria prohibits or otherwise prevents the conduct of the Tenant's business at any time the Tenant may give the Landlord not less than one month's notice in writing and may surrender the Premises and terminate this lease at the end of the notice period. In the event of registration of this Lease, the Tenant, at its sole cost and expense will also register a release of charge with respect to the registered lease.

IV. RENT

- 4.01 **That Tenant covenants with Landlord to pay rent** unto the Landlord for the Term the sum of TWO HUNDRED NINETY-TWO THOUSAND SIX HUNDRED (\$292,600) DOLLARS (herein called the "Rent") payable in instalments and at the times set out in clause 6.01 of this Lease.
- 4.02 Interest will be paid by the Tenant to the Landlord at the rate of eighteen per centum (18%) per annum upon all rentals or other payments required to be made hereunder from the due date for payment thereof until the same are fully paid and satisfied and the Tenant will pay and indemnify the Landlord against all legal costs and charges, including counsel fees, lawfully and reasonably incurred in enforcing payment thereof and in obtaining possession of the Premises after default of the Tenant, or upon expiration or earlier termination of the term of this Lease, or in enforcing any covenant, proviso or agreement of the Tenant herein contained.
- 4.03 Each and every sum of money arising to be paid by the Tenant to the Landlord pursuant to any provision of this Lease, whether by way of indemnity or otherwise howsoever, will, from and after the due date for payment thereof, be deemed to be and be construed as rent and all rights and remedies available to the Landlord for the collection of rent in arrears may be resorted to by the Landlord for the collection thereof with interest and costs as herein provided.
- 4.04 All Rent and additional rent provided for in this Lease will be deemed to accrue from day to day, and if for any reason it becomes necessary to calculate Rent or additional rent for irregular periods of less than one (1) year or month provided in this Lease, as the case may be, an appropriate pro rata adjustment will be made on a daily basis in order to compute Rent or additional rent, as the case may be, for such irregular period.

- 4.05 The Tenant will also pay to the Landlord, as additional rent, all other amounts which the Tenant is required to pay or discharge under this Lease including, but not limited to, its proportionate share of Operating Cost together with all penalties, interest, and costs; and in the event of failure by the Tenant to pay or discharge any of such other amounts, the Landlord will have the rights, powers and remedies provided herein or by law in the case of nonpayment of Rent.

V. LANDLORD'S COVENANTS

THE LANDLORD COVENANTS AND AGREES with the Tenant during the term:

- 5.01 For quiet enjoyment;

- 5.02 Repairs and Maintenance:

5.02.01 To maintain the structural elements of the Premises in good repair.

- 5.03 Deleted

- 5.04 Tenant's Fixtures

To permit the Tenant to alter, install and maintain fixtures, articles and improvements (the "Tenant's Improvements") upon the Premises, provided that all alterations and improvements conform to all municipal and provincial laws and regulations, and are firstly approved by the Landlord in writing, or the agent for the Landlord. The Tenant will be responsible for payment of all costs of improvements and upgrades to the Premises which may be required by municipal and other authorities of competent jurisdiction resulting from the Tenant's use of the Premises or the installation of the Tenant's Improvements.

- 5.05 Deleted

- 5.06 Insurance:

To insure against liability and for "all risks" property coverage as would a prudent building owner.

- 5.07 Taxes:

To pay or cause to be paid all valid taxes, rates and assessments now or hereafter levied, rated or assessed against the Lands and all improvements thereon including, without limiting the generality of the foregoing, all sewer taxes and charges, all water rates and garbage charges.

All of the Landlord's covenants recited in this Lease will be expressly subject to the Tenant's obligations including those enumerated in clauses 6.10 and 7.03 of this Lease.

VI. TENANT'S COVENANTS

THE TENANT COVENANTS AND AGREES with the Landlord during the term:

6.01 Rent:

To pay the rent in monthly instalments as follows:

- 6.01.01 The sum of \$4,400.00 on September 1, 2015 and on the 1st day of each month thereafter until and including July 1, 2016;
- 6.01.02 The sum of \$4,675.00 on September 1, 2016 and on the 1st day of each month thereafter until and including August 1, 2017;
- 6.01.03 The sum of \$ 4,950.00 on September 1, 2017 and on the 1st day of each month thereafter until and including August 1, 2018;
- 6.01.04 The sum of \$5,225.00 on September 1, 2018 and on the 1st day of each month thereafter until and including August 1, 2019; and
- 6.01.05 The sum of \$ 5,500.00 on September 1, 2019 and on the 1st day of each month thereafter until and including August 1, 2020.

6.02 Post-Dated Cheques:

To provide the Landlord with 12 post-dated cheques for monthly rent and payments of GST in advance for each year of the term.

6.03 Service Charges:

To pay all charges for telephone service, electric power, gas, oil, heat, water, security, scavenging, and all other utilities and services associated with the Premises.

6.04 View and Repair:

- 6.04.01 To maintain the Lands and Premises in the same good and tenantable repair as at the date of possession of the initial Term, reasonable wear and tear excluded;
- 6.04.02 At all reasonable times to permit the Landlord to enter the Premises to view the state of repair, and to repair;
- 6.04.03 To notify forthwith the Landlord of any damage or defect to the Premises, the Building or any fixtures or equipment thereto.

6.05 Licence Fees:

To pay every valid tax and licence fee levied or charged in respect of any business carried on in the Premises;

6.06 Cleanliness and Repair:

The Tenant will at all times keep the Premises in a clean and sanitary condition, free of vermin and in accordance with the laws, directions, rules and regulations of the governmental authorities having jurisdiction, and will keep the Premises (including, without limiting the generality of the foregoing, all interior fixtures, the exterior store front, if any, and all permitted signs and all parts thereof) in good order and condition and in good repair (reasonable wear and tear excepted) and otherwise presentable and will maintain in good operating order all services and equipment including those affecting the heating, interior or display lighting, air-conditioning and plumbing, if any, of the Premises (reasonable wear and tear excepted) and will replace all broken glass with glass of equal quality and will keep the sidewalk and curb in front of the Premises free from snow and ice. The use by the Tenant of electrical or other services will at no time exceed the capacity of any transmission equipment (including wiring, mains, pipes, conduits, valves and connections) or any other fixtures or equipment within the Premises or elsewhere within the Building or be such as to constitute a hazard. The Tenant will remove garbage from the Premises, replace lamps and ballasts as necessary, and perform such other acts as the Landlord or its agent may reasonably direct.

6.07 Compliance with Law:

Not to do or permit any act on the Premises in contravention of any statute, by-law, rule or regulation of any government authority:

6.08 Interior Redecoration:

To periodically redecorate the interior and exterior of the Premises in accordance with the reasonable requirements of the Landlord or its agent;

6.09 Deliver Up the Premises:

To deliver up the Premises upon the latest of the expiry of the Term and the renewal thereof;

6.10 Operating Cost and Taxes:

6.10.01 "Operating Cost" means, subject to the exclusions and deductions set out below, the total, without duplication, of the costs, expenses, fees, rentals, disbursements, and outlays (in this definition referred to collectively as "costs") of every kind paid, payable, or incurred by or on behalf of the Landlord on an accrual basis consistent with generally accepted accounting principles and fully chargeable in the year in which they were incurred (except as expressly set out below) in accordance with generally

accepted accounting principles in the maintenance, repair, operation, administration, and management of the Lands and Premises. Without limiting the generality of the foregoing, Operating Cost shall include:

- (1) all salaries, wages, fringe benefits, severance pay, and termination payments paid to or for all personnel, including supervisory personnel and managers, and all costs of obtaining or dismissing such personnel, to the extent that they are employed by the Landlord (or a person with whom it does not deal at arm's length) in connection with the maintenance, repair, operation, administration, or management of the Lands and Premises or any part of it, and amounts paid to professionals and independent contractors, including any management companies, for any services provided in connection with the maintenance, repair, operation, administration, or management of the Lands and Premises or any part of it;
- (2) costs of providing security, supervision, traffic control, janitorial, landscaping, window cleaning, waste collection, disposal and recycling, and snow removal services, and the costs of machinery, supplies, tools, equipment, and materials used in connection with the operation, administration, or management of the Lands and Premises or any rentals thereof;
- (3) costs of providing electric light and power, fuel, water, telephone, steam, gas, sewage disposal, and other utilities, and costs of replacing building-standard electric light fixtures, ballasts, tubes, starters, lamps, light bulbs, and controls;
- (4) costs of all insurance which the Landlord is obligated or permitted to obtain under this Lease;
- (5) sales, goods and services, and excise or other taxes on goods and services provided by or on behalf of the Landlord in connection with the maintenance, repair, operation, administration, or management of the Building net of input tax credits, refunds, or rebates (to the extent the Landlord receives and utilizes same);
- (6) taxes levied against the Lands and Premises to the extent not charged directly to the Tenant under clause 6.05 hereof; and costs (including legal and other professional fees and interest and penalties on deferred payments) incurred by the Landlord in contesting, resisting, or appealing any Taxes;
- (7) capital tax, if applicable, being the applicable amount (as hereinafter defined) of any tax or taxes imposed on the Landlord by any governmental authority based upon or computed by reference to the paid-up capital or place of business of the Landlord as determined for the purposes of such tax or taxes; and for the purpose of this paragraph the phrase "applicable amount" of such tax or taxes

means the amount of tax that would be payable if the Lands and Premises were the only property of the Landlord, and such portion as the Landlord allocates, acting reasonably, to the Lands and Premises of any large corporations tax, minimum corporate tax, or other tax imposed on the Landlord by any governmental authority to the extent such tax is not actually credited against any income tax payable by the Landlord;

- (8) costs of repairs, alterations, and replacements to the Building (including those required to comply with applicable laws or the requirements of the Landlord's insurers which become effective or are imposed after substantial completion of the original construction of the relevant structure) to the extent reasonably allocated by the Landlord to any fiscal period; and amortization of the cost of any repairs, alterations, or replacements except to the extent charged in accordance with the foregoing provisions of this paragraph, in the case of each item of repair, alteration, or replacement to be calculated on a straight line basis over such period the Landlord determines is reasonable having regard to the nature of the repair, alteration, or replacement, or 15 years, whichever is lesser;
- (9) depreciation (excluding depreciation on the costs of original components of the electrical, mechanical, and other systems installed as part of the original construction of the Building) of the costs of machinery, equipment, facilities, furniture, furnishings, systems, and property (in this paragraph called "machinery") installed in or used in connection with the Building (except to the extent that the costs are charged fully in the fiscal period in which they are incurred):
 - (a) if a principal purpose of such machinery is to conserve energy, reduce the cost of other items included in Operating Cost, or comply with applicable laws or requirements of the Landlord's insurers which become effective or are imposed after substantial completion of the Building, or such machinery is used for normal maintenance of the Building, or
 - (b) if, as in the case of the electrical, mechanical, and other systems, such machinery by its nature requires periodic or substantial replacement;

in the case of each item of machinery to be calculated on a straight line basis over its useful life or 15 years, whichever is lesser;
- (10) interest on the unamortized or undepreciated portion of the costs referred to in paragraphs (9) and (10) of this definition, calculated monthly, from the date on which the relevant costs were incurred, at an annual rate of interest that is 0.5% above the Prime Rate in effect on the first day of the fiscal period in which the relevant costs were

incurred (the applicable rate of interest to be adjusted by the Landlord on the first day of each fiscal period to the annual rate of interest that is 0.5% above the Prime Rate then in effect);

- (11) management fees or management agent fees and administrative charges of a management company, if any, for the Lands and Premises or any part of it or, if the Landlord chooses to manage the Lands and Premises or any part of it through itself or through a company or other person with whom it does not deal at arm's length, a management fee to the Landlord in an amount comparable to that which would be charged by a first-class real estate management company for management of similar buildings in Victoria;

excluding therefrom the following (except as specifically included above):

- (12) depreciation;
- (13) capital costs of constructing the Building, of replacements of parts of the Building, and of additions to the Building to comply with all bylaws, regulations, and orders made by any governmental authority with respect to the Building and the operating systems of the Building;
- (14) debt service costs;
- (15) any taxes on the income or profits of the Landlord to the extent they are not imposed in lieu of Taxes;
- (16) repairs to the footings, foundations, structural columns and beams, structural subfloors, bearing walls, exterior walls and windows, and roofs of the Building made within the first year of the Lease;

and deducting therefrom the following:

- (17) net insurance proceeds received by the Landlord to the extent (but only to the extent) that such proceeds reimburse the Landlord for costs which have been charged as Operating Cost; and
- (18) net recoveries by the Landlord in respect of warranties or guarantees relating to the construction of the Building to the extent (but only to the extent) that the repair costs in respect of the work covered by such warranties or guarantees have been charged as Operating Cost.

6.10.02 The Landlord will present the Tenant with a copy of the real property tax notice upon receipt thereof and the Tenant will pay its Proportionate Share of the gross amount of such taxes forthwith to the Landlord to the extent the same has not been paid under paragraph 6.10.03 hereof.

- 6.10.03 Within two months of the end of each calendar year during the Term, and prior to the commencement of the Term, the Landlord will furnish to the Tenant an estimate of the Operating Expenses and the Tenant will pay to the Landlord on the first day of each and every month during the calendar year, in addition to the rent payable under Article IV and clause 6.01, One-Twelfth (1/12th) of its Proportionate Share of such estimated Operating Expenses.
- 6.10.04 In the event that the actual Operating Expenses in any year exceed the estimated Operating Expenses for that year, the Tenant agrees to pay, within ten (10) days of written demand by the Landlord its Proportionate Share of such excess and in the event that the actual Operating Expenses in any year are less than the estimated Operating Expenses for that year, the Proportionate Share of Operating Expenses for the following year will be reduced accordingly. The actual Operating Expenses will be calculated by the Landlord or the management agent for the Landlord for each year in accordance with generally accepted accounting principles.
- 6.10.05 The Proportionate Share is hereby agreed to be 100% of all Operating Cost.

6.11 Liens:

To indemnify and save harmless the Landlord respecting Builder's or other liens for any work done or materials provided or services rendered for improvements or alterations made by the Tenant to the Premises.

6.12 Use:

To use the Premises only for the purpose of a medicinal cannabis dispensary and assistance facility under the name Eden Medicinal Society or such other name or use as the Landlord may, in writing, consent to. The Tenant will not, at any time during the Term or any renewal of the Term, commit or suffer to be committed any waste upon the Premises or the Lands, nor will the Tenant use, exercise, or carry on, or permit or suffer to be used, exercised or carried on, in or upon the Premises or the Lands, or any part, any dangerous, noxious, noisome, odorous or offensive act, trade, business, occupation or calling, or keep, sell, use, handle or dispose of any merchandise, goods or things which are objectionable, or by which any of the Premises, the Building, or the Lands, or any part, may be damaged or injuriously affected. The Tenant will not use the Premises nor allow the Premises to be used in any manner which may result in annoyance, nuisance, grievance, damage or disturbance to other tenants or occupants of the Building or other buildings on or near the Lands or to the holders of any registered easements, rights of way or other encumbrance charging the whole or part of the Lands or the Building. The Tenant will not use the Premises nor allow the Premises to be used in any manner which may void or make voidable any policy of insurance carried by the Landlord or which may result in any increase of premium for any such policy of insurance. The Tenant will immediately advise the Landlord of the presence of, and will do all things necessary to remove any dangerous condition from time to time existing on

the Premises or the Lands and arising as a result of the act or omission of the Tenant or any person for which the Tenant is at law responsible. The Tenant will be responsible for payment of all costs of improvements and upgrades to the Premises which may be required by municipal and other authorities of competent jurisdiction resulting from the Tenant's use of the Premises or the installation of the Tenant's Improvements or any other tenant's improvements.

6.13 Suitability:

The Tenant will ensure that the Premises are suitable for the intended use and will, at its own expense and subject to clause 7.05 hereof perform all modifications as may be necessary to bring the Premises into compliance with any and all statutes, by-laws, rules or regulations regarding such use. The Landlord makes no representations as to the suitability of the Premises for the use contemplated herein. The Tenant will obtain all necessary building permits and approvals as required by the relevant regulatory authorities for the Tenant's improvement work, if any. Such permits and approvals must be secured before the tenant commences its improvement work. If required by the municipal authorities, the Tenant will also make application for an occupancy permit for the Premises upon completion of the Tenant's improvement work.

6.14 Signs:

The Tenant will not erect or place, or allow to be erected or placed, or maintained any signs or awnings of any nature or kind whatsoever either on the exterior walls of the Premises, on the walls of the Building or in any display windows on the Premises (including signs placed in the interior of the Premises for exterior view) without first obtaining the Landlord's written consent, which consent will not be unreasonably withheld. Any permitted signs must be installed at the Tenant's expense, must be professionally installed in a manner which will not allow leakage or damage to the Building or its siding, and must be in compliance with all applicable laws, bylaws, and regulations of all relevant authorities.

6.15 To remove snow and ice from the sidewalk, paths and ways in front of the Premises.

VII. MUTUAL COVENANTS OF LANDLORD AND TENANT

THE LANDLORD AND THE TENANT covenant and agree each with the other that:

7.01 Fire:

7.01.01 Whenever the Building or Premises will be damaged or altered by fire, lightning, tempest, earthquake, impact of air craft, acts of God or the Queen's enemies, riots, insurrection, civil commotion, explosions, structural defects, or weaknesses or by any other cause (all of which causes of damage, destruction or alteration are hereinafter collectively called "Fire") and so that in the Landlord's reasonable opinion the Premises are thereby rendered unfit or

incapable of use in whole or in part for the purposes of the Tenant, then:

A. If in the reasonable opinion of the Landlord the Building is so badly damaged that it is incapable of being restored to its prior condition within 180 days of such Fire, this Lease will terminate and the Rent and all other monies payable hereunder by the Tenant will be payable only up to the time of such Fire;

B. If in the reasonable opinion of the Landlord the Building is capable of being restored within 180 days of such Fire, but the Premises are wholly unfit for the purposes of the Tenant, the Landlord will so restore the Building to its prior condition within 180 days and the Rent and all other monies payable hereunder by the Tenant will abate from the date of such Fire until the Building has been restored;

C. If in the reasonable opinion of the Landlord the Building is capable of being restored to its prior condition within 180 days and the Premises are partially fit for the purposes of the Tenant the Landlord will restore the Building to its prior condition within 180 days and the Rent and all other monies payable hereunder by the Tenant will abate from the date of such Fire until the Building has been restored in the proportion that the floor area of the Premises rendered unfit for the purposes of the Tenant bears to the floor area of the whole of the Premises.

D. The Landlord's obligation to restore the Building in subparagraphs B and C will not extend to the leasehold improvements or trade fixtures situated in the Premises or otherwise derogate from the Tenant's obligation to repair under clause 6.04, nor will the Tenant be entitled to any fixturing or other allowance from the Landlord. In addition any abatement of rent to which the Tenant is entitled under this Article will not extend beyond the date by which in the reasonable opinion of the Landlord the Tenant should have completed its repairs with reasonable diligence.

7.01.02 The Tenant will notify the Landlord within five days of a Fire of whether the Premises are in its opinion rendered unfit or incapable of use for the purposes of the Tenant in whole or in part, as provided in paragraph 7.01.01;

7.01.03 If after a Fire the Landlord fails to restore the Building within the time prescribed in paragraph 7.01.01 pursuant to subparagraph 7.01.01 B or C, then the Tenant will have the right to terminate this Lease without notice and the instalments of Rent and other monies

payable hereunder by the Tenant will be apportioned and payable only up to the date of such Fire;

7.01.04 If the partial destruction is repaired within 14 days of the date of destruction, there will be no abatement of rent.

7.01.05 If there is doubt as to whether the Building can be restored within the said 180 day period or as to whether the Premises are rendered unfit or incapable of use by the Tenant the Landlord may refer any such matter to the architect for the Building whose certificate will be conclusive.

7.02 Expropriation:

If the whole or any part of the Lands will be taken under Statute or expropriation proceedings, then:

7.02.01 The Tenant will have no claim upon the Landlord for the value of the unexpired term of this Lease, but the parties will each be entitled to separately advance their claims for compensation for the loss of or damage to their respective interest in the Premises and the parties will each be entitled to receive and retain such compensation as may be awarded to each respectively. If an award of compensation made to the Landlord specifically includes an award for the Tenant, the Landlord will account therefor to the Tenant.

7.03 Taxes:

7.03.01 The Tenant will pay or pay to the Landlord in each year of the Term within 30 days of receipt by the Tenant of a written demand by the Landlord, all taxes, rates and assessments assessed against the Landlord which are levied in respect of any personal property affixed to the Premises by the Tenant after commencement of the Term or arising by reason of use of the Premises by the Tenant, and will pay all such rates, taxes and assessments which are referred to in this clause.

7.03.02 The Tenant will pay as and when due or upon receipt by the Tenant of a written demand from the Landlord, any sales tax, business transfer tax, value added tax, goods and services tax, harmonized sales tax, or tax of a like nature which may at any time be imposed on the receipt by the Landlord of rent or additional rent under this Lease. Despite any other section or clause in this Lease, the amount payable by the Tenant under this paragraph shall be deemed not to be rent, but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for recovery to Rent under this Lease.

7.04 Assignment and Subletting:

Except with respect to operating in conjunction with Eden Medicinal Society, the Tenant will not assign, sublet or part with possession of the Premises or any part thereof or part with or share the occupation or control of the Premises without the prior written consent of the Landlord, such consent not to be withheld unreasonably. It will be reasonable for the Landlord to consider, among other things, the financial position, credit rating, and credit references of any prospective assignee or subtenant together with that of the principals thereof, as well as any proposed change of use of the premises in considering a request for consent. Upon receipt of request for such consent or upon a purported assignment or sublet without consent, the Landlord may terminate this Lease. If the Tenant is a company, any act which results in any change in the present effective voting control of the Tenant from the person holding the voting control immediately prior to such act (whether the change of control passes to an existing shareholder or not) or an amalgamation or merger will be deemed an assignment. A reasonable condition of the Landlord's consent to an assignment to a company will be the indemnity of performance of the Tenant's covenant by its shareholders, or in case of a deemed assignment by change in control or amalgamation of a corporate tenant, by any shareholders. In the event of the Landlord's consent to the proposed assigning or subletting, the Tenant and any Indemnitor, previous assignor, or other person liable under this Lease will not be released from any covenant to be observed or performed under the provisions of this Lease. As a condition of the Landlord's consent to any assignment or subletting, the Tenant will pay the Landlord's legal and other costs directly related thereto.

7.05 Alterations:

The Tenant will not make alterations to the Premises without first submitting plans of the same to the Landlord and obtaining the prior written consent of the Landlord, which consent will not unreasonably be withheld. Any tenant improvement work will be performed at the Tenant's sole cost by qualified and licensed contractors and sub-contractors who will be subject to the reasonable approval of the Landlord. The Landlord will deliver up the Premises to the Tenant on an "as is where is" basis, except that it will perform the Landlord's work set out in Schedule A, if any. The Tenant will perform all further preparatory work at the Tenant's cost. The Initial condition of the Premises will be taken from completion of the said Tenant's work.

7.06 Hours of Business:

The Tenant will conduct its business in the Premises at such times and on such days as it may see fit.

7.07 Default of Tenant:

Whenever during the said term the Tenant fails to pay Rent when due hereunder and such failure is not remedied five (5) days after notice from the Landlord that such Rent is in arrears, or the Tenant fails to observe or perform any of its

covenants and agreements herein contained (other than the payment of Rent) and persists in such failure after ten (10) days' notice by the Landlord requiring that the Tenant rectify such breach, or in the case of any such breach which reasonably would require more than ten (10) days to rectify unless the Tenant commences rectification within the ten (10) day notice period and thereafter diligently and continuously proceeds with the rectification of such breach, the Landlord may at its election, in addition to and without limiting any other rights, elections, or remedies available at law:

- 7.07.01 enter into and upon the Premises or any part thereof in the name of the whole and the same have again, repossess and enjoy and the Term will immediately cease and expire; or,
- 7.07.02 pay in whole or in part any taxes, rates or charges which the Tenant has agreed to pay hereunder, or observe and perform or cause to be observed or performed, any of the Tenant's covenants and agreements, or any part thereof, and for such purpose may do such things as may be requisite, including, without limiting the generality of the foregoing, entering upon the Premises or any part thereof as the Landlord may consider necessary. All expenses incurred and expenditures made by or on behalf of the Landlord under this paragraph 7.07.02 will be forthwith paid by the Tenant as additional rent;

7.08 Right to Relet:

Upon the Landlord becoming entitled to re-enter, as herein provided, it may either terminate this lease or it may from time to time without terminating the Tenant's obligations under this lease, make alterations and repairs considered by the Landlord necessary to facilitate a reletting, and relet the Premises or any part thereof as agent of the Tenant for such term or terms and at such rental or rentals and upon such other conditions as the Landlord in its reasonable discretion considers advisable. Upon each reletting all rent and other moneys received by the Landlord from the reletting will be applied, first to the payment of costs and expenses of the reletting including brokerage fees and solicitor's fees and costs of the alterations and repairs, second to the payment of indebtedness other than rent due hereunder from the Tenant to the Landlord, and third to the payment of rent due and unpaid hereunder. The residue, if any, will be held by the Landlord and applied in payment of future rent as it becomes due and payable. If the rent received from the reletting during a month is less than the rent to be paid during that month by the Tenant, the Tenant will pay the deficiency to the Landlord. The deficiency will be calculated and paid monthly. No re-entry by the Landlord will be construed as an election on its part to terminate this lease unless a written notice of that intention is given to the tenant. Despite a reletting without termination, the Landlord may elect at any time to terminate this lease for a previous breach.

7.09 Security Deposit:

The Tenant has paid a deposit of \$10,000. This deposit will be applied to the first month's gross Rent and the balance will be held as a security deposit. Any security deposit will be held by the Landlord without liability for interest as security for the faithful performance by the Tenant of all of the terms, covenants and conditions of this Lease required to be kept and performed by the Tenant. If at any time during the Term Minimum Rent or Percentage Rent shall be overdue or unpaid, or if the Tenant has failed to keep and perform any of the terms, covenants and conditions of this Lease required to be kept and performed by it, then the Landlord may, at its option, (but it shall not be required to), appropriate and apply all or any portion of the deposit to the payment of any overdue sum or to compensate the Landlord for all loss or damage sustained or suffered due to the breach by the Tenant of the terms, covenants, and conditions of this Lease required to be kept and performed by it. Such appropriation or application shall not be deemed to be in substitution for any other claims that the Landlord may have under this Lease or in law. Should all or part of the deposit be appropriated and applied by the Landlord as aforesaid then the Tenant will, on demand, forthwith remit to the Landlord a sufficient amount in cash to restore the deposit to its original sum. Should the Tenant comply with all of the terms, covenants and conditions of this Lease required to be kept and performed by it and pays all sums due hereunder then the deposit shall be returned in full to the Tenant within thirty (30) days after the expiration of the Term or any renewal thereof. The Landlord may deliver the deposit to any purchaser of the Landlord's interest in the Premises and the Landlord shall thereby be discharged of any further liability with respect to such deposit. The Landlord may commingle the deposit with its own funds and shall not hold the deposit as a trustee.

7.10 Right of Termination:

If and whenever the Landlord is entitled to re-enter the Premises, or does re-enter the Premises, the Landlord may at its option terminate this Lease by giving written notice of termination to the Tenant, or by posting notice of termination in the Premises, and in such event the Tenant will forthwith vacate and surrender the Premises, provided that no re-entry by the Landlord will be construed as an election on its part to terminate this Lease unless a written notice of that intention is given to the Tenant. Despite a sub-letting without termination, the Landlord may elect at any time to terminate this Lease for a previous breach. If the Landlord terminates this Lease for any breach and elects to claim damages for such breach the Tenant will pay to the landlord on demand therefor:

- 7.10.01 basic rent up to the time of re-entry or termination, whichever is earlier;
- 7.10.02 all additional charges and additional rent payable by the Tenant pursuant to the provisions hereof up until the date of re-entry or termination whichever is later;

- 7.10.03 such expenses as the Landlord may incur or have incurred in connection with re-entering or terminating and reletting, or collecting sums due or payable by the tenant or realizing upon assets seized including the full amount of all brokerage expense, legal fees and disbursements incurred or the expenses of keeping the Premises in good order and repairing or maintaining the same or preparing the premises for re-letting; and
- 7.10.04 as liquidated damages for the loss of basic rent and other income of the landlord expected to be derived from this Lease during the period which would have constituted the unexpired portion of the term and had it not been terminated, the amount, if any, by which the rental value of the Premises for such period established by reference to the terms and provisions of this Lease, exceeds the rental value of the Premises for such period established by reference to the terms and provisions upon which the Landlord re-lets them, if such re-letting is accomplished within a reasonable time after termination of this Lease, and otherwise with reference to all market and other relevant circumstances. Rental value is to be computed in each case by reducing to present worth at an assumed interest rate of 8% per annum all basic rent and other amounts to become payable for such period and where the ascertainment of amounts to become payable requires it, the landlord may make estimates and assumptions which will govern unless shown to be unreasonable or erroneous.

7.11 Non-Waiver of Default:

The waiver or acquiescence by either party in any default by the other party under any covenant and agreement of this Lease will not be deemed to be a waiver of such covenant and agreement or any covenant and agreement of this Lease.

7.12 Removal of Fixtures:

All alterations, decorations, additions and improvements made by the Tenant or made by the Landlord on the Tenant's behalf become on affixation the property of the Landlord. No alteration, decoration, addition or improvement will be removed from the Premises before the end of the Term without prior consent in writing from the Landlord. Upon termination of this Lease the alterations, decorations, additions and fixed improvements excepting Tenant's trade fixtures will remain the property of the Landlord as part of the reversion, but the Tenant will remove all or some of the alterations, decorations, additions and fixed improvements if and to the extent requested by the Landlord and restore the premises so as to leave them in a good and substantial state of repair. Every installation, removal or restoration by the Tenant of its fixtures will be done at the sole expense of the Tenant and the Tenant promptly will make good or reimburse the Landlord the cost of making good all damage to structural elements relating to the Premises, or to the heating, ventilating, air conditioning, electrical or other mechanical systems in the Building caused thereby.

The Tenant may at any time during the term remove its furniture and trade fixtures provided that it repairs any damage occasioned thereby and it replaces the said furniture and trade fixtures with items of a comparable class and quality, unless the Landlord will have first consented to any such non-replacement, which consent will not be unreasonably withheld.

7.13 Overholding:

If the Tenant continues to occupy the Premises with the consent of the Landlord after the expiry of the later of the Term and the last renewal thereof without any written agreement except this Lease, the Tenant will be a monthly Tenant at twice the monthly rent then in effect under this Lease and otherwise on the terms and conditions herein set out. It is mutually agreed and understood that the said twice monthly rent will not apply during any period of time that the amount of any renewal rent has been remitted to arbitration pursuant to clause 8.03 hereof.

7.14 Default, Execution, Bankruptcy, Abandonment:

7.14.1 If the rent hereby reserved, or any part thereof, be not paid when due or in the case of non-payment of any other sums which the Tenant is obligated to pay under any provisions hereof, or in case the Premises will be vacated or become vacant or remain unoccupied for ten (10) days or be used for any purpose other than as aforesaid, or in case the term hereby granted or any goods, chattels or equipment of the Tenant will be taken or exigible in execution or in attachment or if a writ of execution will issue against the Tenant or in case the Tenant will become insolvent or commit an act of bankruptcy or become bankrupt or take the benefit of any Act that may be in force for bankrupt or insolvent debtors or become involved in voluntary or involuntary winding-up proceedings or in case the Tenant will not observe, perform and keep all and every of the covenants, agreements, provisions, stipulations and conditions herein contained to be observed, performed and kept by the Tenant, or if the Tenant will make a bulk sale of its goods or Premises (other than in the routine course of its business or without first having obtained the consent of the Landlord, which will not be unreasonably withheld), then and in any of such cases, at the option of the Landlord, the full amount of the current month's and the next ensuing three months' instalments of rent will immediately become due and payable and the Landlord may immediately distrain for the same, together with any arrears then unpaid and the said term will immediately, at the option of the Landlord become forfeited and determined and the Landlord may without notice or any form of legal process forthwith re-enter upon and take possession of the Premises or any part thereof in the name of the whole and remove and sell the Tenant's goods, chattels and equipment therefrom any rule of law or equity to the contrary notwithstanding and in addition

to any remedy otherwise provided, the Landlord may seize and sell the goods, chattels and equipment of the Tenant at any place to which the Tenant or any other person may have removed them in the same manner as if they had remained and been distrained upon the Premises.

- 7.14.2 If the Tenant files a Notice of Intention or Proposal under the Bankruptcy And Insolvency Act or similar or succeeding legislation, then:
- (a) The Landlord may, at the Landlord's discretion, require that any subsequent payments due under this Lease by the Tenant to the Landlord be made by bank draft or certified cheque; and
 - (b) The Tenant will not oppose an application made by the Landlord to a Court of competent jurisdiction for a declaration that the provisions of the Bankruptcy And Insolvency Act s. 65.2(1) do not apply to this Lease.
- 7.14.3 In the event that a Court of competent jurisdiction holds that the provisions of the Bankruptcy And Insolvency Act s. 65.2(1) apply to this Lease and the Tenant elects to repudiate this Lease, then the Tenant will not later than immediately after court approval of the Proposal pay to the Landlord, in cash, bank draft or certified cheque, an amount equal to the lesser of six months rent under the Lease, or the amount of rent remaining under the Lease from the date of repudiation of the Lease.
- 7.14.4 In the event that the provisions of the Bankruptcy And Insolvency Act s. 65.2(1) are held not to be applicable to the Landlord, then this Lease will, at the option of the Landlord, cease and determine, and the term will immediately become forfeit and void and the then current month's rent and the next ensuing six months' rent will immediately become due and payable by the Tenant, and the Landlord may re-enter and take possession of the Premises as though the Tenant or other occupant or occupants of the Premises were holding over after expiration of the term without any right whatsoever; PROVIDED, however, that any and all of the rights of the Landlord set out above in this paragraph 7.14.2 will be deemed to be and will be unenforceable unless and until the Tenant has defaulted in payment of rent or additional rent or any other covenant by the Tenant herein contained and failed to remedy such default pursuant to the provisions for remedy of default by the Tenant herein.

7.15 Sale or Mortgage:

In the event of a sale of or the raising of funds charged upon the Lands by the Landlord, this Lease may be assigned by the Landlord to such purchaser, mortgagee or Trustee for such lender. In such event, if required by the Mortgagee or Trustee for a lender the Tenant (and any permitted mortgagee of the Tenant) will execute and deliver an instrument sufficient to subrogate its rights hereunder to the rights of such mortgagee of the Landlord, or trustee, and such other instruments as may in the circumstances be required. In the event the Tenant is required to execute such an instrument the Landlord will use its best efforts to secure a letter of non-disturbance from the mortgagee or trustee for the lender (in favour of the Tenant or permitted mortgagee of the Tenant).

7.16 Insurance:

7.16.01 The Tenant will throughout the Term hereof keep in full force and effect at its sole cost and expense in the names of the Tenant, the Landlord and the Landlord's mortgagees, if applicable, as their respective interests may appear, the following insurance:

- (a) insurance upon the Tenant's property normally located within the Building, and any property which is repaired at the Tenant's expense under this Lease, including stock in trade, inventory, furniture, fittings, leasehold improvements, and Tenant's fixtures in an amount equal to the full replacement cost thereof, against at least the perils of fire, sprinkler leakage, theft, vandalism, riot, civil commotion, impact of aircraft, water damage, earthquake, flood, and any perils not mentioned above which are included in normal "all risks" coverage. The decision of the Landlord as to full replacement cost of the property insured will be conclusive;
- (b) insurance against all explosion, rupture or failure of boilers, pressure vessels or equipment within or serving the Premises exclusively;
- (c) liability insurance against claims for personal injury liability, death or property damage occurring upon, in or about the Premises and the Building, including personal liability, liability assumed by contract, Tenant's legal liability, and non-owned automobile liability. Such policy will have a limit of not less than \$3,000,000 in respect of any one occurrence and not less than \$3,000,000 for injury or death to a single person and not less than \$3,000,000 in respect of any single instance of property damage, will provide for cross liability and severability of interest and will provide that it will be primary insurance and will not call into contribution any other insurance available to the Landlord or its mortgagees;

- (d) plate glass coverage if available;
- (e) business interruption insurance; and
- (f) such other types of insurance, or such greater amount or additional coverage with respect to insurance of the types set out above, as would be carried by a prudent tenant and as the Landlord or its mortgagees may from time to time require.

7.16.02 All the foregoing policies will be kept in good standing and in full force and effect at all times throughout the Term or any renewal thereof, will be reviewed annually by the Tenant to ensure that they are up to date, and will be in a form and with insurers acceptable to the Landlord. All the foregoing policies will contain a waiver of any right of subrogation or recourse by the Tenant's insurers against the Landlord or the Landlord's mortgagees, their contractors, agents and employees, whether or not any loss is caused by the act, omission or negligence of the Landlord, its mortgagees, their contractors, agents or employees. The Tenant will obtain undertakings in favour of the Landlord from its respective insurers that none of the foregoing policies will be cancelled or allowed to lapse or be materially changed, as against the Landlord or its mortgagees until at least thirty (30) days' written notice has been given to the Landlord and its mortgagees to that effect. The Tenant will furnish the Landlord and keep it furnished at all times with certified copies of all such insurance policies in force and copies of such undertakings or other evidence thereof satisfactory to the Landlord. All of the foregoing policies will not be invalidated as respects the interests of the Landlord or the Landlords' mortgagees by reason of any breach or violation of any warranties, representations, declarations, or conditions contained in the policies.

7.17 Limit to Liability

The Landlord will not be responsible for any loss, damage or expense caused by any overflow or any leakage of water, ice, snow, gas, or oil from any part of the Building or any adjoining buildings, occasioned by the use, misuse or abuse thereof or by the breaking or bursting of any tanks or pipes or plumbing fixtures, or in any other manner or by seepage from adjoining lands or premises or by any accident or misadventure due or arising from the use and operation of machinery, heating apparatus, electric wiring and appliances, gas or other pipes and appliances or any fixtures or by reason of any structural defects in the Building or Premises or by any other matter or thing whatsoever.

7.18 Liability and Indemnity:

The Tenant covenants to indemnify and hold harmless the Landlord from and against all losses and damage and liability for and claims in respect of damages and injuries to persons or property, or expenses due to or arising out of:

7.18.01 any act or neglect of the Tenant, its agents, employees, invitees, licensees or contractors on the Lands, and,

7.18.02 any failure by the Tenant to observe and perform any of the covenants in this Lease on its part to be observed and performed;

7.19 "For Rent" Signs

The Landlord will have the right during the ninety (90) day period prior to expiration of the Term as regards prospective tenants and throughout the term as regards prospective purchasers to enter the Premises without disrupting the Tenant's business and at reasonable times to show them to prospective tenants or purchasers, and place thereon a notice of reasonable size stating that the Premises are "For Rent" or "For Sale" and the Tenant will not move, remove, obstruct or deface that notice or permit the same to be moved, removed, obstructed or defaced.

VIII GENERAL AND INTERPRETIVE PROVISIONS

THE LANDLORD AND THE TENANT COVENANT AND AGREE each with the other that:

8.01 Regulations:

For the purposes of the good and welfare of all tenants in the building, their servants, agents, customers and invitees, the Tenant will observe and perform the Regulations of the Landlord. The Landlord may for said purpose and for regulation of the safe and efficient operation of the Building from time to time amend or vary the same or add further reasonable rules and regulations not repugnant to the condition of this Lease and to be uniformly instituted and applied within the Building. In the event that the Tenant fails to comply with the regulations or violates them, the Landlord will have the right to take such action as it deems necessary to ensure the regulations are complied with and any monies expended by the Landlord therefor will be paid by the Tenant on demand and if not paid will be construed as rent in arrears. For the enforcement of regulations the Landlord will have available to it all remedies of this Lease provided for a breach thereof and all legal remedies whether or not provided for in this Lease both at law and in equity.

8.02 Notice:

Any notice which is required to be given under the terms of this Lease may effectively be given by a party hereto by delivery or by mailing it by registered mail directed to the other party at the address hereinbefore set out or at such other address as the other party may in writing provide, which notice will be deemed to be received on delivery or on expiry of the day on which such notice would be reasonably delivered by such mailing. In the event of disruption to postal service a notice will be delivered and not mailed.

8.03 Arbitration:

If there is any dispute between the parties as to any matter arising out of this Lease, including, without limiting the generality of the foregoing, any reduction of, addition to or abatement or apportionment of the Rent, then such dispute will be referred for settlement to arbitration by a sole arbitrator according to and subject to the provisions of the **Arbitration Act**. Any arbitration will be held in the Capital Regional District and that the rules of the British Columbia Arbitration and Mediation Institute will apply.

8.04 Amendment:

This Lease will not be modified or amended, except by an instrument in writing signed by the parties hereto or by their successors and assigns.

8.05 Entire Agreement:

Subject to the provisions of any written collateral agreement this Lease contains the entire Agreement between the parties and it is admitted so that they will be forever estopped from asserting to the contrary that there is any condition precedent or warranty of any nature whatsoever or any collateral warranty or covenant whatsoever to the within Lease.

8.06 Headings:

The headings in this Lease are inserted for convenience of reference only, and are not a part of the agreements created by this Lease.

8.07 Interpretation:

Wherever the singular or masculine is used in this Lease, it will be deemed to include the plural or the feminine, or the body politic or corporate, as the context may require.

8.08 Successors and Assigns:

This Lease will enure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

8.09 Lease Preparation:

The Landlord and Tenant will bear equally the cost of preparation of this Lease including all legal fees, disbursements, and tax.

8.10 Registration:

In the event that the Tenant wishes to register this Lease all costs of preparation of a registrable form of Lease and plan and all other costs of registration will be borne solely by Tenant. In case the Tenant wishes registration of this Lease, the Landlord may require that a short form or notice form of lease be used instead of the full contents of this Lease.

8.11 Joint and Several:

In the event that a party to this Lease consists of more than one person, the rights and obligations of such people will be joint and several, unless they are stated to have unequal interests in which case their obligations to the other party or parties will be joint and several while their rights will be as tenants in common.

8.12 Force Majeure:

Whenever and to the extent that the Landlord will be unable to fulfil, or will be delayed or restricted in the fulfilment of any obligation hereunder in respect of the supply or provision of any service or utility or the doing of any work or the making of any repairs by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfil such obligation or by reason of any statute, law or order-in-council or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board, or any governmental department, or officer, or other authority, or by reason of not being able to obtain any permission or authority required thereby, or by reason of any other cause beyond its control with the exception of lack of funds whether of the foregoing character or not, the Landlord will be entitled to extend the time for fulfilment of such obligation by a time equal to the duration of such delay or restriction, and the Tenant will not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned, or to cancel this Lease.

8.13 Invalidity:

If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent be declared invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and enforceable to the fullest extent permitted by law.

8.14 Time:

Time shall be of the essence of this Lease and of every part hereof, except as herein otherwise provided.

IX ENVIRONMENTAL MATTERS

9.01 Definitions:

For the purposes of this Article and Lease, the following definitions will apply:

"Contaminants" means any explosives, radioactive materials, asbestos materials, urea formaldehyde, chlorobiphenyls, hydrocarbon contaminants, underground tanks, pollutants, contaminants, hazardous, corrosive or toxic substances, special waste or waste of any kind or any other substance the storage, manufacture, disposal, treatment, generation, use, transport, remediation or release into the environment of which is prohibited, controlled, regulated or licensed under Environmental Laws.

"Environmental Laws" means any and all statutes, laws, regulations, orders, bylaws, permits and other lawful requirements of any federal, provincial, municipal, or other governmental authority having jurisdiction over the Lands now or hereafter in force with respect in any way to the environment, health or occupational health and safety, including all applicable guidelines and standards with respect to the foregoing as adopted by any of those governmental authorities from time to time.

9.02 Restriction on Contaminants:

The Tenant will not use or permit to be used the Premises or the Lands or any part thereof for the sale, storage, manufacture, disposal, treatment, generation, use, transport, remediation, release into the environment of, or any other dealing with, any Contaminants except if (and so long as) approved by the Landlord in writing, at its sole discretion (which approval may be withdrawn at any time notwithstanding any provision of this Lease) and whenever such approval is given, the Tenant will attend to such sale, storage, manufacture, disposal, treatment, generation, use, transport, remediation, release into the environment or other dealing with the Contaminants in accordance with the written directions of and conditions imposed by the Landlord from time to time. Without limiting the generality of the foregoing, the Tenant will take all reasonable measures to ensure that any effluent or other substance discharged, spilled, emitted, released or permitted to escape, seep or leak into any ditches, culverts, drains or sewers on or adjacent to the Lands does not contain any Contaminants or any other substance harmful to any sewage disposal works or to the bacteriological process of sewage purification.

9.03 Compliance with Environmental Laws:

The Tenant will promptly and strictly comply with and conform to the requirements of all Environmental Laws at any time or from time to time in force, together with any requirements of the Landlord's insurers, regarding the proper and lawful sale, storage, manufacture, disposal, treatment, generation, use, transport,

remediation, release into the environment of, or other dealing with, Contaminants on, in, under or from the Premises or the Lands.

9.04 Evidence of Compliance:

The Tenant will, at the Landlord's request from time to time, provide the Landlord with a certificate of a senior officer of the Tenant certifying that the Tenant is in compliance with all Environmental Laws and that no adverse environmental occurrences have taken place at the Premises other than as disclosed in writing to the Landlord pursuant to clause 9.08 hereof. In addition, the Tenant will obtain, at its own cost at the Landlord's request from time to time, a report from an independent environmental consultant designated or approved by the Landlord verifying that the Premises are free of Contaminants or to the extent Contaminants have been in, on, or under the Premises, verifying the nature and extent of the Contaminants in, on, under or migrating from the Premises and advising of the recommended method of containment, disposal, storage or remediation of the Contaminants in, on, under or migrating from the Premises in order to comply with Environmental Laws.

9.05 Records:

The Tenant will, at its own cost at the Landlord's request from time to time, provide the Landlord with copies of all permits, orders, reports, studies, investigations and other records which are in the possession or control of the Tenant relating to any Contaminants used in or generated by the Tenant's business conducted at the Premises or located on, in or under the Premises or the Lands and such other evidence or compliance with Environmental Laws that the Landlord may require. The Tenant will also maintain complete records of all goods and products sold, stored, manufactured, disposed or, treated, generated, used, transported, released into the environment or otherwise dealt with at the Premises and will permit the Landlord to examine such records and will provide the Landlord with copies of such records on request.

9.06 Access by Landlord:

The Tenant will permit the Landlord to enter the Premises at all reasonable times upon twenty-four (24) hours' notice (but if the Landlord determines there is an emergency, no notice is required), to verify the absence of any Contaminants in, on or under the Premises or the Lands and the Tenant's compliance with this Article IX, to examine any goods in or at the Premises and to take samples of any goods which the Landlord or its agents or employees may consider to be or may suspect are or contain a Contaminant and to take such steps as the Landlord may deem necessary for the safety and preservation of the Premises and the Lands. No such entry will constitute an eviction or breach of the Landlord's covenant for quiet enjoyment or entitle the Tenant to any abatement in rent.

9.07 Authorizations:

The Tenant will provide the Landlord promptly on request with such written authorizations as the Landlord may require from time to time to make inquiries at any governmental authorities regarding the Tenant's compliance with Environmental Laws.

9.08 Notice to Landlord:

The Tenant will promptly notify the Landlord in writing of:

- 9.08.01 the existence of any Contaminants in, on or under the Premises or any part thereof, except as expressly approved by the Landlord in writing pursuant to Clause 9.02 hereof;
- 9.08.02 the existence of any Contaminants or any occurrence or condition, on the Premises or the Lands or any real property adjoining or in the vicinity of the Lands which could subject the Tenant, the Landlord or the Lands to any fines, penalties, orders or proceedings under Environmental Laws;
- 9.08.03 any enforcement, order, investigation, litigation or other governmental, regulatory, judicial or administrative action instituted, contemplated or threatened against the Tenant or the Premises pursuant to Environmental Laws; and
- 9.08.04 all claims, actions, orders or investigations, made or threatened by any third party against the Tenant or the Premises relating to damage, contribution, cost recovery, compensation, loss or injuries resulting from any Contaminants brought onto or created on the Premises by the Tenant or its employees, agents, contractors, subtenants, licensees or invitees or arising from the use or occupation of the Premises hereunder or the exercise of the Tenant's rights hereunder, or any breach of Environmental Laws arising from any of the foregoing.

9.09 Removal of Contaminants:

The Tenant will, promptly at its own cost and at the Landlord's request from time to time, remove any and all Contaminants from the Premises and remediate any contamination of the Premises or the Lands or any other lands resulting from the Contaminants brought onto or created on the Premises by the Tenant or its employees, agents, contractors, subtenants, licensees or invitees or arising from the use or occupation of the Premises hereunder or the exercise of the Tenant's rights hereunder, all in accordance with Environmental Laws. On termination of this Lease, the Tenant will leave the Premises free from any and all Contaminants brought onto or created on the Premises by the Tenant or its employees, agents, contractors, subtenants, licensees or invitees or resulting from the use or occupation of the Premises hereunder or the exercise of the Tenant's rights hereunder.

9.10 Ownership of Contaminants:

If the Tenant will bring or create upon the Premises or the Lands any Contaminants then, notwithstanding any rule of law to the contrary, such Contaminants will be and remain the sole and exclusive property of the Tenant and will not become the property of the Landlord, notwithstanding the degree of affixation of the Contaminants or the goods containing the Contaminants to the Premises or the

Lands and notwithstanding the expiry or earlier termination of this Lease. This clause supersedes any other provision of this Lease to the contrary.

9.11 Indemnity:

The Tenant and any Indemnitor jointly and severally covenant that they will indemnify and save harmless the Landlord and its directors, officers, employees, agents, successors and assigns, from any and all liabilities, actions, damages, claims, losses, costs and expenses whatsoever (including, without limitation, the full amount of all legal fees, costs, charges and expenses and the costs of removal, treatment, storage and disposal of Contaminants and remediation of the Lands) which may be paid by, incurred by or asserted against the Landlord or its directors, officers, employees, agents, successors or assigns for, with respect to, or as a direct or indirect result of the presence of any Contaminants on, in or under, or the escape, seepage, leakage, spillage, discharge, emission or other release of any Contaminants from, any part of the Premises and to the extent caused by any act or omission of the Tenant or its employees, agents, contractors, invitees, licensees or subtenants, any part of the Lands, into the environment including without limitation into or upon any real or personal property, the atmosphere or any watercourse, body of water or wetlands.

9.12 Survival of Tenant's Obligations:

The obligations of the Tenant under this Article relating to Contaminants (including, without limitation, the Tenant's obligation regarding remediation and its indemnity) will survive the expiry or earlier termination of this Lease and any limitation periods will commence to run from the time that the Landlord discovers the condition and not from the termination of the Lease.

9.13 Subtenants and Occupants:

Notwithstanding the Article herein dealing with assignments, subletting or other parting with possession by the Tenant, the Tenant will cause any subtenant or other occupant of the Premises hereunder, who has been approved by the Landlord in accordance with this Lease, to comply with the provisions of this Article and as a condition of obtaining the Landlord's approval of such subtenant or occupant, the Tenant will cause such subtenant or occupant to enter into an agreement in writing with the Landlord whereby such subtenant or occupant covenants to comply with the provisions of this Article as if it was the tenant hereunder, including obtaining the Landlord's consent where required and permitting access and inspections by the Landlord, all without releasing the Tenant from its obligations under this Article.

X **INDEMNITY**

The following will apply in the event there is an Indemnitor to this Lease.

10.01 In consideration of the sum of One Dollar (\$1.00) now paid by the Landlord to the Indemnitor and other valuable consideration (the receipt whereof is hereby acknowledged), the Indemnitor hereby covenants with the Landlord that the Tenant and the Indemnitor will duly perform and observe each and every

covenant, proviso, condition, undertaking and agreement in this Lease on the part of the Tenant to be performed and observed, including the payment of rent and all other amounts agreed to be paid or payable under this Lease on the days and at the times and in the manner herein specified.

- 10.02 The Indemnitor covenants with the Landlord that the Indemnitor is jointly and severally bound with the Tenant for fulfilment of all obligations of the Tenant under this Lease. In the enforcement of its rights hereunder the Landlord may proceed against the Indemnitor as if the Indemnitor were named Tenant on this Lease.
- 10.03 The Indemnitor hereby waives any right to require the Landlord to proceed against the Tenant or to proceed against or to exhaust any security held from the Tenant or to pursue any other remedy whatsoever which may be available to the Landlord, before proceeding against the Indemnitor.
- 10.04 None of the following or any combination thereof will release, discharge or in any way change or reduce the obligations of the Indemnitor.
- (a) neglect or forbearance of the Landlord in endeavouring to obtain payment of the Rent or other amounts required to be paid under this Lease, as and when due;
 - (b) delay by the Landlord in enforcing performance or observance of the covenants, provisos, conditions or agreements to be performed or observed by the Tenant under this Lease;
 - (c) any extension of time given by the Landlord to the Tenant, or any other act or failure to act of or by the Landlord;
 - (d) bankruptcy of the Tenant;
 - (e) re-entry or other termination of this Lease.
- 10.05 In the event of the termination of this Lease and the tenancy hereby created, except by surrender accepted by the Landlord, or in the event of disclaimer of this Lease pursuant to any statute, then at the option of the Landlord the Indemnitor will execute a new lease of the Premises between the Landlord as Landlord and the Indemnitor as Tenant for a term equal in duration to the residue of the Term remaining unexpired at the date of such termination or such disclaimer. In all other respects, such new lease will be upon the same terms and conditions as are set forth in this Lease.
- 10.06 The obligations of the Indemnitor under this Article X will extend to the Term and to any overholding by the Tenant thereafter and to any renewal or extension of the Term which results from the exercise by the Tenant of any right or option contained in this Lease; and
- 10.07 The Indemnitor will submit to the jurisdiction of the governing laws of this Lease in any action or proceeding brought by the Landlord to enforce its rights under this Article X.

10.08 The Indemnitor being more than one person, the obligations of the Indemnitor herein are joint as well as several.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written, have caused their duly authorized representatives to sign this agreement on their behalf as of the day first above written.

SIGNED AND DELIVERED

in the presence of:

) **NEAL ENTERPRISES LTD.**
) by its authorized representative:
)
)
) _____
)
) **I have authority to bind the company.**
)
)

SIGNED AND DELIVERED

in the presence of:

) **695 ALPHA STREET HOLDINGS LTD.**
) by its authorized representative:
)
)
) _____
)
) **I have authority to bind the company.**
)
)

SIGNED AND DELIVERED

in the presence of:

) **EDEN MEDICINAL SUPPLIES INC.**
) by its authorized representative:
)
)
) _____
)
) **I have authority to bind the company.**
)
)
) _____
)
) **I have authority to bind the company.**
)

SIGNED AND DELIVERED

in the presence of:

)
)
)
) _____
) **DOUGLAS GRAHAM STEPHEN**
)

SIGNED AND DELIVERED

in the presence of:

)
)
)
) _____
) **KOLTEN TAEKEMA**
)

SCHEDULE A**LANDLORD WORK**

- Landlord will repair or replace the roof of the Building and provided a dry environment for the Tenant.
- Landlord will close the skylight opening to provide security for the Tenant.

This is Exhibit "L" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

	City	Tenant	Landlord	Name	EMAIL	SF	Commencment	End of Term	Base Rent	Annual Base Rent	
1	#101, 76 St. Clair Ave W	Toronto	11819496 CANADA INC.	SHEMESH INVESTMENTS INC.	Joseph Shemesh	joseph@superiorclosets.com	1670	June 1, 2020	May 31, 2025	\$48.00 \$50.00	\$80,160.00 \$83,500.00
2	3812a Bloor Street West	Toronto	11819496 CANADA INC.	2581703 Ontario Ltd.	Elzbieta Opinska-Guevara	eladeguevara@hotmail.com	750	May 1, 2020	April 30, 2025	\$44.00 \$44.88 \$45.78 \$48.07 \$50.47	\$33,000.00 \$33,000.00 \$33,660.00 \$34,333.20 \$36,049.86 \$37,852.29
3	5485 Dundas Street West	Etobicoke	11819496 CANADA INC.	Pinnacle International (Alder Place) Ltd.			3112	June 1, 2020	May 31, 2024	\$34.00 \$35.00	\$105,808.00 \$108,920.00
4	1483A Bowen Road	Nanaimo	Trees Corporation	1083710 B.C. Ltd	Martina Lee	martina@martinalee.ca	TBC	March 1, 2020	February 28, 2025	TBC	\$30,240.00 \$30,870.00 \$31,500.00 \$32,130.00 \$32,760.00
5	#1, 305 Port Union Road	Toronto	OCH Ontario Consulting Corp.	2550812 Ontario Inc.	Graeme sperber	Graeme@somersetconstruction.ca	2029	August 1, 2020	July 31, 2025	\$19.50 \$21.50 \$22.50 \$23.50 \$24.50	\$39,565.50 \$43,623.50 \$45,652.50 \$47,681.50 \$49,710.50
6	B2 - 395 Ontario Street	St. Catherines	OCH Ontario Consulting Corp.	HENLEY SQUARE SHOPPING CENTRE INC.	Tracy Thibodeau	tracy.t@dhpm.ca	1901	November 1, 2019	October 31, 2024	\$20.00 \$22.00 \$24.00	\$38,020.00 \$41,822.00 \$45,624.00
7	#1, 131 Kennedy Road	Brampton	OCH Ontario Consulting Corp.	1310984 Ontario Inc.	Daniel Kershen	daniel.kershen@valueinsightrealty.com	2800	September 1, 2020	August 31, 2025	\$40.00 \$42.00	\$112,000.00 \$117,600.00
8	#17, 1735 Kipling Ave	Toronto	11819496 CANADA INC.	D. Sud & Sons Limited		accounting@sudgroup.com	1128	March 1, 2020	February 28, 2025	\$55.00	\$62,040.00
9	695 Alpha Street	Vitoria	Trees Corporation	NEAL ENTERPRISES LTD. and 695 ALPHA STREET	Ron Neal	lantop@ronneal.com	TBC	September 1, 2020	31, August 2025	TBC	\$132,000.00 \$140,250.00 \$148,500.00 \$156,750.00 \$165,000.00
10	3007 New Street	Burlington	2707461 Ontario Ltd.	entino and Gina Rasile (in trust for 567045 Ont	Joe Cosentino	josentino@metrofloors.com	2500	October 1, 2019	Septmeber 30, 2024	\$25.00 \$35.00 \$36.00 \$37.00 \$38.00	\$62,500.00 \$87,500.00 \$90,000.00 \$92,500.00 \$95,000.00
11	#5, 680 Rexdale Boulevard	Etobicoke	OCH Ontario Consulting Corp.	2159121 Ontario Inc	Kirti Chavda	kirti.chavda@rogers.com	1225	August 1, 2020	July 31, 2025	\$48.98 \$51.43 \$53.88 \$56.33 \$58.78	\$60,000.00 \$63,000.00 \$66,000.00 \$69,000.00 \$72,000.00
12	1545 Fort Street	Victoria	Trees Corporation	il and Mrs. Goldie Siga as Executor of the will c	Andrew Lee	lee@burrproperties.com	1700	January 1, 2021	December 31, 2025	\$21.00 \$22.00 \$23.00 \$24.00 \$25.00	\$35,700.00 \$37,400.00 \$39,100.00 \$40,800.00 \$42,500.00
13	#103, 230 Cook Street	Victoria	Trees Corporation	230 Cook Street Holdings Ltd.	Philip Pincus	ppincus@castledelovements.ca	891	April 30, 2023 May 1, 2024	April 1, 2024 April 30, 2027	\$80.00 \$75.00	\$71,280.00 \$66,825.00
14	#105, 510 5 Street	Nanaimo	Trees Corporation	Harewood Investments Ltd.	Melissa Reyes	mreyes@bosaproperties.com	2004	TBC	July 31, 2028	\$30.00 \$32.50 \$35.00	\$60,120.00 \$65,130.00 \$70,140.00
									21710		

Op. Cost	Annual Op. Cost	Deposit	Term	Renewal	Notice Due	Comments	Response
\$23.83	\$39,796.10	\$41,284.89	5 yrs	2 x 5 yrs	June 1, 2024		
TBC	TBC	\$7,215.00	5 yrs	2 x 5 yrs	January 1, 2024		
\$16.44	\$51,161.28	\$30,148.65	4 yrs	1 x 1 yr	February 1, 2024	Lanlord has right to terminate at the end of initial term by giving 90 day notice	
TBC	0	TBC	5 yrs	TBC	December 1, 2024	confirm SF (BOMA measurement)/ Confrim Deposit if any	supporting evidence of either 1 or 2x renewal option.
TBC	\$ 34,420.44	\$4,142.54	5 yrs	2 x 5 yrs	No timeline indicated		
\$10.19	\$19,371.19 \$ 24,324.00	\$6,120.38	5 yrs	2 x 5 yrs	No timeline indicated		
TBC	\$ 47,600.04	TBC	5 yrs	1 x 5 yrs	TBC		
\$15.00	\$16,920.00	\$55,352.50	5 yrs	2 x 5 yrs	by June 2024		
TBC	\$ 33,645.11	\$10,000.00	5 yrs	No option	N/A	no option to renew / review BOMA measurment certificate to confirm SF	agreement.
N/A	N/A	\$5,208.33	5 yrs	2 x 5 yrs	April 1, 2024		
TBC	\$ 15,492.00	\$8,165.36	5 yrs	2 x 5 yrs	June 1, 2025		
TBC	\$ 13,143.36	\$8,729.78	5 yrs	3 x 5 yrs	June 30, 2025	b. The Landlords will defer 15% of the monthly net rent for years 1 and 2 of the term, such deferred rent will be equally added to years 3, 4 and 5 of the term for recovery.	
TBC	\$ 2,410.10	TBC	1 yr	TBC	TBC	Fifth extension term / missing original lease	
TBC	TBC	\$20,636.94	10 yrs	1 x 5 yrs	at least 6 months or no more than 9 months prior to the date	October 29, 2026	

This is Exhibit "M" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI



Trees Corporation

Interim Condensed Consolidated Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited)

(Expressed in Canadian Dollars)

TREES CORPORATION

Interim Condensed Consolidated Statements of Financial Position

(unaudited, expressed in Canadian dollars)

As at

	Notes	September 30, 2023	March 31, 2023
Assets		\$	\$
Current assets			
Cash		280,403	113,605
Trade and other receivables		100,210	82,831
Inventory	7	648,395	299,725
Prepaid expenses		18,004	25,361
Total current assets		1,047,012	521,522
Non-current assets			
Property and equipment	8	4,546,647	2,731,590
Prepaid lease deposits and rents	5	248,543	177,764
Notes receivable	6	-	2,543,912
Right-of-use assets, net	11	4,550,046	3,918,783
Intangible assets	9	1,989,954	1,530,113
Total non-current assets		11,335,190	10,902,163
Total assets		12,382,202	11,423,685
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,823,038	2,024,615
Current portion of lease liability	11	830,292	512,615
Current portion of long-term debt	13	1,340,721	1,279,489
Shareholder loans	15	1,878,889	1,808,106
Total current liabilities		6,872,941	5,624,825
Non-current liabilities			
Lease liability	11	4,121,741	3,804,371
Long-term debt	13	1,160,000	1,160,000
Convertible debt	14	1,305,175	1,073,630
Total non-current liabilities		6,586,916	6,038,001
Total liabilities		13,459,857	11,662,826
Shareholders' equity			
Share capital	16	35,811,925	35,419,666
Contributed surplus	17	3,441,567	3,475,994
Deficit		(40,331,146)	(39,134,800)
Total shareholders' deficiency		(1,077,654)	(239,141)
Total liabilities and shareholders' equity		12,382,202	11,423,685

Subsequent Events (Note 23)

Approved on Behalf of the Board of Directors

(signed) "Fraser Clarke"

Fraser Clarke

Director

November 14, 2023

(signed) "Jeff Holmgren"

Jeff Holmgren

Director

November 14, 2023

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

TREES CORPORATION

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited, expressed in Canadian dollars)

	Notes	Three Months Ended		Six Months Ended	
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
		\$	\$	\$	\$
Revenue					
Cannabis sales		4,387,845	2,490,597	8,436,486	4,456,937
Smoking accessory sales		30,357	43,824	77,596	71,483
Other revenue	22	139,724	105,214	206,185	210,428
Gross revenue		4,557,926	2,639,635	8,720,267	4,738,848
Cost of goods sold		2,958,531	1,733,907	5,709,096	3,131,849
Gross margin		1,599,395	905,728	3,011,171	1,606,999
Store level expenses					
Wages expense		446,021	381,262	861,389	504,773
Operating costs		588,088	153,845	1,195,310	290,278
Total store level expenses		1,034,109	535,107	2,056,700	795,051
Net margin/(loss)		565,286	370,621	954,471	811,948
Corporate expenses					
Lease expense		32,164	17,999	61,629	115,155
Amortization and depreciation	12	498,479	391,825	948,472	802,718
General and administrative expenses		436,783	345,595	593,026	1,293,573
Lease write-downs and termination expenses		-	(17,006)	-	9,201
Impairment of property and equipment	8	60,344	-	60,344	-
Total corporate expenses		1,027,770	738,413	1,663,471	2,220,647
Loss before other items		(462,484)	(367,792)	(708,999)	(1,408,699)
Other (income) expenses					
Finance costs	10	216,672	268,601	432,614	422,472
Interest income		-	(62,246)	-	(120,572)
Transaction costs		4,900	42,066	4,900	117,437
Gain on debt settlements	16	-	148,200	42,130	(460,566)
Share based compensation	16, 17	(43,355)	170,686	7,703	325,984
Loss before income taxes		(640,701)	(935,100)	(1,196,346)	(1,693,454)
Deferred income tax recovery		-	-	-	(68,476)
Net loss and comprehensive loss		(640,701)	(935,100)	(1,196,346)	(1,624,978)
Loss per share					
Basic & diluted		(0.0032)	(0.0100)	(0.0059)	(0.0114)
Weighted-average number of shares outstanding		201,848,825	159,340,492	201,848,825	143,067,815

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

TREES CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(unaudited, expressed in Canadian dollars)

		Six Months Ended	Six Months Ended
	Notes	30-Sep-23	30-Sep-22
Cash provided by (used in):		\$	\$
Operating activities			
Net loss for the period		(1,196,346)	(1,624,978)
Add (deduct) items not affecting cash:			
Amortization and depreciation	12	948,472	802,718
Deferred income tax recovery		-	(68,476)
Finance costs	10	188,560	136,798
Share-based compensation	16, 17	7,703	343,984
Impairment of property and equipment	8	60,344	-
Loss (gain) on debt settlements and modifications		42,130	(460,566)
Lease write-downs and termination expenses		-	9,201
		50,863	(861,319)
Change in non-cash working capital	18	144,653	191,458
Cash flow used in operating activities		195,516	(669,861)
Investing activities			
Property and equipment		(7,719)	(37,450)
Intangible assets and goodwill		(3,700)	-
Corporate acquisitions and reorganizations	4	4,001	(6,749)
Refunds/(deposits) on leases		-	17,892
Notes receivable		(114,388)	(342,800)
Cash flow provided by (used in) investing activities		(121,806)	(369,107)
Financing activities			
Proceeds from issuance of shares	16	250,000	1,025,000
Share issue costs	16	-	(37,445)
Lease liability payments		(301,912)	(34,932)
Long-term debt		-	(47,957)
Proceeds from issuance of convertible debt		145,000	-
Shareholder loans		-	185,000
Cash flow provided by financing activities		93,088	1,089,667
Net change in cash for the period		166,798	50,699
Cash, beginning of the period		113,605	210,333
Cash, end of the period		280,403	261,032

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

TREES CORPORATION

Interim Condensed Consolidated Statements of Shareholders' Deficiency

For the six months ended September 30, 2023 and fifteen months ended March 31, 2023

(unaudited, expressed in Canadian dollars)

	<i>Notes</i>	Share Capital	Contributed Surplus	Deficit	Total Equity (Deficiency)
		\$	\$	\$	\$
Balance at December 31, 2021		32,440,717	2,506,664	(26,656,539)	8,290,842
Net loss		-	-	(12,478,262)	(12,478,262)
Acquisition of IPCo		266,999	-	-	266,999
Common Shares issued pursuant to Miraculo Acquisition		818,395	-	-	818,395
Warrants issued and conversion option	14, 16	-	413,027	-	413,027
Shared-based compensation	16	-	556,302	-	556,302
Shares issued and to be issued on settlement of debt		951,000	-	-	951,000
Shares issued in a private placement		1,025,000	-	-	1,025,000
Shared issued for services		74,000	-	-	74,000
Share issue costs		(156,445)	-	-	(156,445)
Balance at March 31, 2023		35,419,666	3,475,994	(39,134,800)	(239,141)
Net loss		-	-	(1,196,346)	(1,196,346)
Shares issued	16	58,000	-	-	58,000
Conversion of warrants	16	334,259	(84,259)	-	250,000
Incentive shares	16	-	42,130	-	42,130
Shared-based compensation	16	-	7,703	-	7,703
Balance at September 30, 2023		35,811,925	3,441,567	(40,331,146)	(1,077,654)

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

TREES CORPORATION**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended September 30, 2023 and 2022
(unaudited, expressed in Canadian dollars)

1. Corporate Information

Trees Corporation (“Trees”, and, together with its subsidiaries, the “Company”) was formed upon the amalgamation of Trees Corporation (“Trees PrivateCo”) and 1287406 B.C. Ltd. (“406”) on December 22, 2021 under the Canada Business Corporations Act (the “CBCA”) pursuant to the terms of an amended and restated amalgamation agreement dated November 10, 2021 (the “406 Amalgamation Agreement”). The 406 Amalgamation Agreement provided for, among other things, the amalgamation of Trees PrivateCo and 406 and the continuation as one corporation under the name Trees Corporation (the “406 Amalgamation”), in accordance with the provisions of the CBCA. The Company’s common shares (“Common Shares”) are listed on the Cboe under the symbol “CBOE:TREE”.

The Company’s head office is located at suite 190-7070e Farrell Road SE Calgary, Alberta T2H 0T2 and its registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

Trees is as an independent retail cannabis operator that currently operates in the Provinces of Ontario and British Columbia, where as at March 31, 2023, Trees operated eight (8) fully licensed retail cannabis stores in Ontario and five (5) Trees Cannabis stores in British Columbia under a brand license agreement in exchange for a royalty fee. On April 11, 2023, the Company closed the previously announced acquisition of 5 stores in BC and opened a ninth store in Ontario increasing Trees’ total corporate owned store count to 14 stores as of the date of these financial statements (refer to Note 4). Trees reports its operations under a single operating segment capturing retail sales of cannabis and cannabis related accessories. Refer to note 23 – subsequent events.

All disclosures related to Common Shares of the Company in these interim condensed consolidated financial statements and related notes give retroactive effect to the 2021 fifteen pre-consolidation shares for every one post-consolidation share consolidation of Trees PrivateCo.

Announcement of Business Combination with 420 Investments Inc.

On July 12, 2023, the Company entered into a business combination agreement (the “Business Combination Agreement” or “BCA”) with 420 Investments Ltd. (“420”), a private arm’s length company incorporated under the Business Corporations Act (Alberta), pursuant to which the Company and 420 are to amalgamate, constituting a reverse takeover of the Company by 420 under the policies of the Cboe (the “BCA Transaction”). 420 intends to conduct a brokered private placement financing of subscription receipts (“Subscription Receipts”), led by one or more agents, to be completed prior to the closing of the BCA Transaction (the “Concurrent Financing”).

The amalgamated company resulting from the completion of the BCA Transaction (the “Resulting Issuer”) is to be named “420 Investments Ltd.” or such other name as directed by 420. Subject to the approval of the Cboe, the Common Shares of the Resulting Issuer (the “Resulting Issuer Shares”) are to trade on the Cboe under a new trading symbol to be determined by 420. Concurrently with the execution of the Business Combination Agreement, the directors, officers and certain significant shareholders of each of the Company and 420 have entered into support agreements, pursuant to which such parties have agreed to vote in favour of the BCA Transaction at the meetings of the shareholders of the Company and 420, respectively.

Prior to the closing of the BCA Transaction and subject to obtaining the required approval of the shareholders of the Company, the Common Shares are to be consolidated on such ratio as is required for the shareholders of the Company to hold 20.65% and the shareholders of 420 to hold 79.35% of the issued and outstanding Resulting Issuer Shares immediately following the closing of the BCA Transaction.

Subsequent to September 30, 2023, on November 2, 2023, 420 unilaterally terminated the business combination agreement. The Company reserves all of its rights against 420 with regard to the unilateral termination by 420 of the BCA. Refer to Note 23 – Subsequent Events for further detail.

2. Basis of Presentation and Going Concern

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Except as described herein, the Company uses the same accounting policies and

TREES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended September 30, 2023 and 2022
(unaudited, expressed in Canadian dollars)

methods of computation as in the annual consolidated financial statements of the Company for the fifteen months ended March 31, 2023, which should be read in conjunction with these interim condensed consolidated financial statements. The accounting policies have been applied consistently by the Company for the periods presented. Effective January 1, 2023, the Company adopted the amendments to IAS 1 requiring entities to disclose their material accounting policy information, instead of significant accounting policies.

The preparation of these interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Except as disclosed herein, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these interim condensed consolidated financial statements are unchanged from those disclosed in the annual consolidated financial statements of the Company for the fifteen months ended March 31, 2023. Actual results may differ from these estimates.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

These interim condensed consolidated financial statements were approved by the Board of Directors on November 14, 2023.

Going concern

During the six months ended September 30, 2023, the Company recorded positive cashflow from operations of \$195,516 and anticipates ongoing positive operating cashflows barring unforeseen changes or circumstances in its current operations. These interim condensed 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. Although cashflow from operations for the six months ended September 30, 2023 is positive, the Company has incurred a net loss from operations for the same period of \$1.2 million (net loss of \$12.5 million for the fifteen-month period ended March 31, 2023) and as at that date had an accumulated deficit of \$40.3 million (March 31, 2023 - \$39.1 million). However, the Company anticipates a transition to positive net earnings in the remaining six month period ending March 31 2024. At September 30, 2023, the Company had a working capital deficiency of \$5.8 million (March 31, 2023 - \$5.1 million deficiency). A debt in the amount of \$900,000 is now in default and the Company is currently in discussions to extend the maturity of this debt (see note 12 – long term debt). Please refer to note 23 – Subsequent events. The Company will continue to have to raise funds in order to meet its debt repayment and interest obligations until such time as sufficient profitable revenues are achieved. Although the Company 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 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 interim condensed consolidated financial statements.

3. Recent Accounting Pronouncements and Changes to Accounting Policies

Effective April 1, 2023, the Company adopted the following new accounting pronouncements. The impact of adoption was not material to these interim condensed consolidated financial statements.

- In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.
- In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies.
- In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*. The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies.

TREES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended September 30, 2023 and 2022
(unaudited, expressed in Canadian dollars)

- In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases.

4. Acquisitions

a) Acquisition of BC Stores

On April 11, 2023 the Company closed its previously disclosed transaction with 1015712 B.C. Ltd. d/b/a Trees Cannabis (“101”) for the acquisition of 5 operating stores on Vancouver Island, British Columbia (“BC Stores”).

The previously announced 101 transaction was pending approval from the British Columbia Liquor and Cannabis Regulation Branch (the “LCRB”) on all five stores, the last of which has now been received, granting the Company a license to operate cannabis retail stores in the province.

BC Stores contributed \$3.0 million of revenue and 0.2 million of income before tax from the closing date of the BC Stores Acquisition to September 30, 2023. If the acquisition occurred on April 1, 2023, BC Stores would have contributed \$3.2 million of revenue and \$0.2 million of income before tax for the six months ended September 30, 2023.

The BC Stores Acquisition meets the definition of a business combination under IFRS 3 and has been accounted for as a corporate acquisition. Management is in the process of gathering the relevant information that existed at the date of closing of the BC Stores Acquisition to determine the fair value of the net identifiable assets acquired.

The consideration received pursuant to the BC Stores Acquisition was the fair value of the 101 Note (refer to Note 6), which approximated its carrying value at the date of acquisition. The value of the net assets acquired was provisionally estimated at the acquisition date as follow:

Fair value of 101 Note	\$2,744,997
Total consideration	\$2,744,997
Cash	\$4,001
Inventory	\$153,900
Prepaid lease deposits	\$70,779
Intangible assets	\$770,449
Right-of-use asset	\$936,959
Property and equipment	\$2,196,151
Accounts payable	(\$434,148)
Lease liability	(\$936,959)
GST Payable	(\$16,135)
Net assets acquired	\$2,744,997

5. Prepaid lease deposits and rents

	Lease Deposits
	\$
Balance at December 31, 2021	248,875
Write-down	(33,444)
Camp Acquisition (Note 4)	17,892
Deposit utilization	(55,559)
Balance at March 31, 2023	177,764
Acquisition of BC Stores (Note 4)	79,779
Balance at September 30, 2023	248,543

The Company records deposits paid in accordance with conditional lease agreements and binding lease agreements, which are typically utilized as payment of rent for the first and last month of the lease term. Lease write-downs are recorded for forfeiture of non-refundable deposits paid in accordance with conditional lease agreements that the Company has elected to terminate during the period.

6. Notes Receivable

	September 30, 2023	March 31, 2023
	\$	\$
101 Note	-	2,543,912
	-	2,543,912
Note receivable - current	-	-
Note receivable – long term	-	2,543,912

On February 10, 2021, in connection with the 101 Acquisition, 101 issued the 101 Note in favour of the Company for the purpose of funding 101's operations until the closing of the 101 Acquisition. The outstanding principal amount of the 101 Note bore interest at the rate of 8.5% per annum. The 101 Note matured and was settled on the date of closing of the Acquisition of BC Stores (Note 4).

7. Inventory

	September 30, 2023	March 31, 2023
	\$	\$
Cannabis	623,807	284,284
Cannabis accessories	24,588	15,441
Total inventory	648,395	299,725

Inventory relates to cannabis and cannabis accessories that are anticipated to be sold within the next 12 months.

8. Property and Equipment

	Leasehold improvements	Furniture & fixtures	Technology equipment	Total
Cost - balance at December 31, 2021	3,454,821	38,087	206,586	3,699,493
Additions	39,228	6,148	12,562	57,937
Camp Acquisition	409,477	4,043	40,479	453,998
Impairment	(190,156)	-	(3,400)	(193,556)
Cost - balance at March 31, 2023	3,713,370	48,277	256,226	4,017,873
Additions	5,004	2,715	-	7,719
Impairment	(60,344)	-	-	(60,344)
Acquisition of BC Stores (Note 4)	2,196,151	-	-	2,196,151
Cost - balance at September 30, 2023	5,854,180	50,992	256,226	6,161,398
Accumulated depreciation – balance at December 31, 2021	(397,723)	(18,079)	(49,474)	(465,276)
Depreciation expense	(752,676)	(265)	(68,066)	(821,007)
Accumulated depreciation – balance at March 31, 2023	(1,150,399)	(18,344)	(117,540)	(1,286,283)
Depreciation expense	(305,115)	(3,137)	(20,216)	(328,468)
Adjustments	(3,677)	(38,088)	41,765	-
Accumulated depreciation – balance at September 30, 2023	(1,459,191)	(59,569)	(95,991)	(1,614,751)
Net book value				
March 31, 2023	2,562,971	29,934	138,686	2,731,590
September 30, 2023	4,394,989	(8,576)	160,235	4,546,647

The bulk of capital assets of the Company relate to investments in store design and construction. Depreciation of capital costs associated with each retail store begins on the first day of store operations.

During the six months ended September 30, 2023, the Company recorded an impairment charge of \$60,344 related to leasehold improvements for a non-operational lease of which the lease was terminated.

9. Intangible Assets

	Business License	Intellectual Property and Other	Total
Balance at December 31, 2021	849,738	13,808	863,546
Acquisition of IPCo	-	266,999	266,999
Miraculo Acquisition	-	525,492	525,492
Camp Acquisition	356,758	-	356,758
Write off of Miraculo Intangibles	-	(467,010)	(467,010)
Participation Agreement	-	724,145	724,145
Amortization	(640,252)	(99,566)	(739,818)
Balance at March 31, 2023	566,244	963,869	1,530,113
Acquisition of BC Stores (Note 4)	774,149	-	774,149
Amortization	(302,859)	(11,448)	(314,308)
Balance at September 30, 2023	1,037,534	952,420	1,989,954

For the six months ended September 30, 2023, an amortization charge of \$302,859 and \$11,448 was recorded on the Company's business license, and intellectual property and other assets, respectively.

On April 11, 2023, the Company completed the Acquisition of BC Stores, resulting in the recognition of \$774,149 of intangible value of business licenses. Refer to Note 4 for additional details on the Acquisition of BC Stores. The intangibles are amortized over the remaining life of the underlying store lease agreements.

On December 9, 2022 the Company entered into a Participation agreement with an arms-length party, and recognized a related intangible value of \$724,145. Refer to note 13 – long term debt for details on the nature of this agreement.

10. Finance Costs

Finance costs are comprised of the following:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Accretion of lease liability (Note 11)	82,649	174,241	183,550	250,756
Interest on debt and shareholder loans (Notes 13,14,15)	134,023	94,360	249,064	171,715
Total	216,672	268,601	432,614	422,471

11. Right-of-Use Asset and Lease Liability

Right-of-Use Asset

Balance at December 31, 2021	5,940,273
Terminations	(2,137,865)
Lease addition from Camp Acquisition	669,626
Depreciation expense for the period	(553,251)
Balance at March 31, 2023	3,918,783
Lease addition from Acquisition of BC Stores (Note 4)	936,959
Depreciation expense for the period	(305,696)
Balance at September 30, 2023	4,550,046

Lease Liability

Balance at December 31, 2021	6,192,103
Terminations	(2,265,966)
Lease addition from Camp Acquisition	757,431
Lease payments	(812,653)
Interest (finance costs)	446,071
Balance at March 31, 2023	4,316,986
Current portion of lease liability	512,615
Non-current portion of lease liability	3,804,371
Lease payments	(485,462)
Lease addition from Acquisition of BC Stores (Note 4)	936,959
Interest (finance costs) (Note 10)	183,550
Balance at September 30, 2023	4,952,033
Current portion of lease liability	830,292
Non-current portion of lease liability	4,121,741

For the six months ended September 30, 2023, the Company recognized \$61,628 (six months ended September 30, 2022 – \$115,155) of rent expenses related to short-term leases in the interim condensed consolidated statements of loss and comprehensive loss. Short-term leases relate to non-operational short-term conditional lease agreements.

The following is a summary of the contractual undiscounted cash outflows for lease obligations:

	As at September 30, 2023
	\$
Less than one year	1,056,822
Between one and five years	3,557,478
Greater than five years	2,715,214
Total	7,329,514

12. Amortization and Depreciation

Amortization and depreciation costs are comprised of the following:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Property and equipment depreciation (Note 8)	167,957	119,925	328,468	279,570
Intangible asset amortization (Note 9)	177,673	165,787	314,308	326,799
Right-of-use asset depreciation (Note 11)	152,849	106,114	305,696	196,350
Total	498,479	391,826	948,472	802,719

13. Long-Term Debt

Changes in Long-term debt during the following periods;

	Six Months Ended September 30, 2023	Fifteen Months Ended March 31, 2023
Balance, beginning of period	2,439,489	2,301,544
Additions	-	106,483
Repayments	-	(86,027)

Non-cash debt settlements	-	(1,052,000)
Interest	61,232	169,489
Participation Agreement liability	-	1,000,000
Balance, end of period	2,500,721	2,439,489
Government relief	160,000	160,000
September 2021 Debentures (note 14)	440,721	379,489
Licensed producer	900,000	900,000
Participation agreement liability	1,000,000	1,000,000
Balance, end of period	2,500,721	2,439,489
Current portion of long-term debt	1,340,721	1,279,489
Non-current portion of long-term debt	1,160,000	1,160,000

Licensed Producer: The Company received debt funding from a Canadian licensed cannabis producer (the “Licensed Producer”) for the purpose of constructing and opening stores in the province of Ontario. The debt is a first secured loan by way of a general collateral agreement over all of the Company’s operating assets. Each tranche of debt funding has a term of three years, is callable on the first anniversary of its issuance, and accrues interest at a rate of 8.5% per annum. As at September 30, 2023 the balance outstanding on the debt was \$900,000. The loan matured in equal installments of \$300,000 on each March 17, 2023, May 29, 2023, and June 24, 2023 and is in default. The Company is currently in discussions with the Licensed Producer to extend the maturity of this debt.

Government Relief: During 2020, the Company received a \$60,000 government assistance COVID-19 loan to provide working capital support through the COVID-19 crisis. The loan is an extendible revolving facility, with any outstanding balance convertible to a reducing term facility on December 31, 2020. If the Company repays the loan in full on or before December 31, 2023, it shall be entitled to a credit in the amount of 25% of the converted loan balance. If the loan is not repaid in full on or before December 31, 2023, the Company may extend the term from January 1, 2024 to December 31, 2025. Monthly interest payments commence on any unpaid balance beginning on January 1, 2024 at a rate of 5.0% per annum. In connection with the OCH Amalgamation, the Company assumed \$60,000 government assistance COVID-19 loan on the same terms. In connection with the Miraculo acquisition, the Company assumed \$40,000 government assistance COVID-19 loan on the same terms. As at September 30, 2023 the aggregate balance outstanding was \$160,000 from all three loans.

Participation Agreement Liability: The Company entered into a Participation Agreement on December 9, 2022 and recognized a related obligation measured at \$1.0 million. The liability provides for Participating Interest payments from the Company’s Retail Locations, calculated and accrued on a calendar monthly basis with the first payment to be made upon the later of (a) 30 days following the end of the first calendar month that is six months from the Closing Date, or (b) 30 days following the end of the first calendar month upon achievement of three (3) consecutive months of corporate Adjusted EBITDA of \$50,000 or greater. The agreement further provides that, in the event of a change of control, the Company is required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of \$1.0 million, which at the election of 10003, may be settled in cash or Common Shares of the Company. The Company has recognized the obligation to make payments under this agreement on the interim condensed consolidated balance sheet as at September 30, 2023, as a non-current financial liability initially measured at \$1.0 million. The Company subsequently measures the liability at amortized cost and will record Participating Interest payments as finance charges in the interim condensed consolidated statements of loss and comprehensive loss.

14. Convertible Debt

As at	September 30, 2023	March 31, 2023
Camp Debenture	180,000	180,000
Aug’23 Promissory Notes	175,000	-
November 2022 Secured Convertible Debentures	950,175	893,630
Convertible debt	1,305,175	1,073,630

September 2021 Debentures (principal value \$1.2 million): On September 10, 2021, October 28, 2021, and November 5, 2021, the Company closed private placements of 58.8% per year secured convertible debentures (the "September 2021 Debentures") for aggregate gross proceeds of \$710,000. \$500,000 of the face value of the September 2021 Debentures were converted to Common Shares upon the completion of the 406 Amalgamation. September 2021 Debentures with a face value of \$210,000 were not converted and are no longer eligible to be converted and have therefore been reclassified as long-term debt. The unconverted portion of the September 2021 Debentures mature on the two-year anniversary of the date of issuance. The Company has the right, but not the obligation, to elect to prepay the principal amount and all accrued interest thereon up to a date of prepayment determined by the Company at any time, in the Company's sole discretion. The principal amount of \$210,000 along with accrued interest in the amount of \$230,721 are due in November of 2023 and are included in the current portion of long-term debt on the interim condensed consolidated statement of financial position as of September 30, 2023.

Camp Debenture (principal value \$0.2 million): In connection with the Camp Acquisition, the Company issued the Camp Debenture in the amount of \$180,000. The Camp Debenture bears interest at 7.5% per annum compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into Common Shares in the capital of Trees ("Debenture Shares") at the option of the holder, no sooner than July 13, 2023 (the first anniversary of the closing date), at a conversion price being the greater of (X) \$0.15 per share, and (Y) the closing price of Trees' Common Shares at the close of trading on the date prior to the conversion date, less a 10% discount.

November 2022 Secured Convertible Debentures (principal value \$0.9 million): On October 21, 2022 and November 28, 2022 the Company completed the closing of a non-brokered private placement (the "November 2022 Convertible Debenture Financing") of 200 and 745 units ("Nov Units"), respectively, of the Company at a price of \$1,000 per Nov Unit for gross proceeds of \$945,000. Each Nov Unit consists of (i) one 12.0% per annum secured convertible promissory note bearing a principal amount of \$1,000 (each, a "Nov Convertible Note"), convertible into Common Shares of the Company at a conversion price of \$0.015 per common share (the "Nov Conversion Price") and maturing thirty-six (36) months from the closing of the November 2022 Convertible Debenture Financing; and (ii) 66,667 common share purchase warrants of the Company (each, a "Nov Warrant"). Each Nov Warrant entitles the holder thereof to purchase one common share at a price of \$0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the November 2022 Convertible Debentures, the volume weighted-average share price of the Common Shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds \$0.06, the Company may, upon 30 days' prior notice, convert the Nov Convertible Notes into Common Shares at the conversion price of \$0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the Common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds \$0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Nov Warrants to a date that is 30 days from the date of the notice (the "Acceleration"). The Company has accrued interest of \$106,115 to September 30, 2023.

For accounting purposes, the November 2022 Convertible Debentures were separated into their liability and equity components (\$785,750 and \$159,250 respectively) by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 20% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (both the conversion feature and the detachable warrants) was determined at the time of issue as the difference between the face value of the November 2022 Convertible Debentures and the fair value of the liability component.

On January 3, 2023, the Company granted \$60,000 of Convertible Debentures on the same terms and conditions as the November 2022 Convertible Debenture Financing, to executives of the Company in recognition of their services to the Company. The equity \$10,110 and \$49,890 respectively) were calculated using the methodology described above.

Aug'23 Promissory Notes (principal value \$175,000): On August 18, 2023, the Company issued promissory notes (the "Aug'23 Promissory Notes") in the aggregate amount of \$175,000. \$145,000 of the issuance was to arms-length lenders and \$30,000 was issued to an executive of the Company in lieu of salary. The Aug'23 Promissory Notes accrue interest at the rate of 15% per annum, and is payable without penalty at any time by the Company, with maturity being the earlier of August 18, 2025 or such date on which a Change of Control of the Company occurs where change of control is defined as: (i) a transaction or series of related transaction in which a person, or a group of related persons, acquires common shares in the capital of the Company representing more than 50% of the outstanding voting power of the Company, or (ii) a sale of all or substantially all of the assets of the Company ("Change of Control"). If a Change of Control of the Company does not occur prior to August 18, 2025, all outstanding obligations of the Aug'23 Promissory Notes shall be payable in cash on the maturity date. If, prior to August 18, 2025, a Change of Control of the Company occurs, the Aug'23 Promissory Notes will be automatically converted into common shares at an amount equal to: (i) 150% of the then

outstanding principal amount, plus (ii) all accrued and unpaid interest outstanding as at the date of the Change of Control; with the price per common share to be determined at the time of the occurrence of the Change of Control. The principal balance of the Aug'23 Promissory Notes and accrued interest has been classified as a long-term debt on the Statements of Financial Position.

15. Shareholders Loans

On December 31, 2019, certain shareholders of the Company provided short-term bridge financing arrangements to the Company in the amount of \$270,000 and a further \$650,000 during the twelve months ended December 31, 2020, for a total of \$920,000. These shareholder loans accrue interest at 10% per annum. Shareholder loans are subordinate to long-term debt funding provided by the Licensed Producer (Note 13 – *Long Term Debt*). No repayments of shareholder loans or accruing interest was permitted prior to June 1, 2021 unless the debt provided by the Licensed Producer and related accruing interest were repaid in full. On December 31, 2021, the repayment terms of the loans were amended to provide that all unpaid principal amounts together with accrued and unpaid interest thereon would become immediately due and payable on the earlier of (i) January 1, 2023; (ii) upon the occurrence of an Event of Default (as defined therein); or (iii) upon the closing of a Change of Control. The amount of the loans including accrued interest as at September 30, 2023 is \$1,288,651.

On January 29, 2021, the Company and Ontario Cannabis Holdings Corp. (“OCH”) entered into a merger agreement (the “OCH Amalgamation”), whereby the Company assumed loans from shareholders in the amount of \$409,960 to fund operating and capital expenditures during the development phase of the business. The shareholder loans accrue interest at a rate of 8% per annum and were to mature on January 1, 2023 subject to extension by mutual agreement. The amount of the loans including accrued interest as at September 30, 2023 is \$510,812.

The above shareholder loans in the aggregate amount of \$1,799,463 as of September 30, 2023, became due and payable on January 1, 2023 however extension to the maturity date to November 14, 2023 was granted in connection with the Business Combination Agreement with 420. Refer to Note 23 – Subsequent Events. The loans, along with accrued interest, are classified as current liabilities on the interim condensed consolidated statements of financial position at September 30, 2023.

In 2021, the Company obtained loans from a director in the amount of \$65,000 and has accrued interest totalling \$16,029 to September 30, 2023. The loans bear interest at 10% per annum and are due on demand.

During the three months ended September 30, 2022, certain shareholders of the Company provided \$185,000 in bridge financing loans, bearing interest at 12% per annum, which were repaid through the issuance of units of the November 2022 Convertible Debenture placement (refer to note 14 – *Convertible Debt*).

Composition of Shareholder loans:

	September 30, 2023	March 31, 2023
	\$	\$
Shareholders individually holding less than 5% shares in the Company	1,878,889	1,808,106
Total debt	1,878,889	1,808,106
Debt – current portion	1,878,889	1,808,106

16. Share Capital

(a) Authorized Common Shares

The Company is authorized to issue an unlimited number of Common Shares with no par value. As of September 30, there were 201,848,825 Common Shares issued and outstanding.

The holders of Common Shares are entitled to the following: (i) one vote per Common Share at meetings of shareholders of the Company; (ii) dividends as and when declared by the Board, and, (iii) upon liquidation, to receive such assets of the Company as are distributable to the holders of Common Shares after payment of the Company’s creditors.

Common shares, issued and outstanding

	Six Months Ended September 30, 2023		Fifteen Months Ended March 31, 2023	
	Number of Shares (#)	Amount (\$)	Number of Shares (#)	Amount (\$)
Balance, beginning of period	162,715,492	35,419,666	82,733,911	32,440,717
Issued pursuant to the acquisition of IPCo	-	-	5,933,333	266,999
Issued pursuant to Miraculo Acquisition	-	-	13,639,917	818,395
Issued pursuant to a private placement	-	-	34,166,665	1,025,000
Issued pursuant to the settlement of debt	5,800,000	58,000	20,400,000	816,000
Issued for services	-	-	2,466,666	74,000
Issued pursuant to settlement of liabilities	-	-	3,375,000	135,000
Issued pursuant to the exercise of warrants	33,333,333	334,259	-	-
Share issue costs	-	-	-	(156,445)
Balance, end of period	201,848,825	35,811,925	162,715,492	35,419,666

- a) On April 5, 2023, the Company settled a debt with an arms length service provider in the amount of \$58,000 in exchange for 5,800,000 Common Shares.
- b) On April 5, 2023, 16,666,666 of the warrants issued pursuant to the November'22 Financing were exercised for 16,666,666 Common Shares for gross proceeds of \$250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 Common Shares being granted, combined a total of 33,333,333 commons shares were issued in connection with the early exercise of these warrants. The incentive shares were assigned a value of \$42,130 and were accounted for as a debt modification, resulting in a charge of \$42,130 on the interim condensed consolidated statement of comprehensive loss for the six months ended September 30, 2023. Valuation was determined on the same basis as the valuation of the Nov Warrants (refer to Note 14 above).

(b) Share Purchase Warrants

The following table summarizes the outstanding Share Purchase Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price (\$)
Warrants issued pursuant to Miraculo Acquisition ⁽¹⁾	6,819,922	0.11
Warrants issued pursuant to May'22 Financing ⁽²⁾	17,083,333	0.05
Warrants issued pursuant to contract services ⁽³⁾	300,000	0.05
Warrants issued pursuant to November'22 Financing ⁽⁴⁾	46,333,334	0.015
Warrants issued pursuant to November'22 Financing ⁽⁵⁾	4,000,000	0.015
Balance, September 30, 2023	74,536,589	0.032

- (1) On March 15, 2022, in conjunction with the closing of the Miraculo Acquisition, the Company issued 6,819,922 warrants to purchase Common Shares exercisable at a price of \$0.11 per share until December 31, 2024. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.8 years; expected volatility of 100%; and risk-free interest rate of 1.82%.
- (2) On May 6, 2022 the Company completed the closing of a non-brokered private placement (the "May 2022 Financing") of 34,166,665 units ("May Units") of the Company at a price of \$0.03 per May Unit for gross proceeds of approximately \$1,025,000. Each May Unit is comprised of one common share (each, a "Common Share") and one-half of one common share purchase warrant (each whole warrant, (a "May Warrant") of the Company. Each May Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.05 per Common Share for a period of two years from the date of issuance, subject to an accelerated expiry date at the option of the Company in the event that the closing price of the Common Shares on the facilities of the Neo Exchange Inc. is greater than \$0.20 for ten non-consecutive trading days (the "Acceleration Provision"). In connection with the closing of the May 2022 Financing, 17,083,333 May Warrants were issued to subscribers of the offering. Each May Warrant entitles the holder thereof to acquire one share at a price of \$0.05 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provisions. The Company issued certain insiders an aggregate of 1,866,666 May Units in lieu of a cash

commission and issued an aggregate of 1,866,666 broker warrants ("Broker Warrants") of the Company. Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of \$0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units issued under the Private Placement. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.

- (3) In connection with the closing of the May 2022 Financing, the Company also issued an aggregate of 600,000 May Units to a former director of the Company in settlement of an aggregate of \$18,000 in indebtedness resulting in the issuance of 300,000 warrants on the same terms as the May Warrants.
- (4) In connection with the November 2022 Convertible Debenture Financing, the Company issued an aggregate of 63.0 million Nov Warrants of the Company. Each Nov Warrant entitles the holder thereof to acquire one common share at a price of \$0.015 per share until October 20, 2025, subject to the Acceleration Provision. Refer to Note 14 - *Convertible Debt*, for further details on the valuation of Nov Warrants. As described in 16(a)(b) above, on April 5, 2023, 16,666,666 of the Nov Warrants were exercised for 16,666,666 Common Shares for gross proceeds of \$250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 Common Shares being granted, combined a total of 33,333,333 common shares were issued in connection with the early exercise of these warrants. The incentive shares were assigned a value of \$42,130 and were accounted for as a debt modification, resulting in a charge of \$42,130 on the interim condensed consolidated statement of comprehensive loss for the six months ended September 30, 2023.
- (5) In connection with the grant of \$60,000 convertible debentures to executives on January 2, 2023 (Refer to Note 14 - *Convertible Debt*), the Company issued an aggregate of 4.0 million warrants on the same terms and conditions as the warrants issued in connection with the November 2022 Convertible Debenture Financing. The warrants were allocated a total value of \$10,110.

(c) Broker Warrants

The following table summarizes the outstanding Broker Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020	29,085	5.70
Additions ⁽¹⁾⁽²⁾⁽³⁾	1,120,794	0.20
Expired ⁽¹⁾⁽⁴⁾	(33,085)	5.01
Balance, December 31, 2021	1,116,794	0.20
Broker warrants issued pursuant to May'22 Financing ⁽⁵⁾	1,866,666	0.03
Balance, March 31, 2023 and September 30, 2023	2,983,460	0.09

- (1) Prior to the completion of the OCH Amalgamation, and in connection with the January 2020 Offering, the Company granted 4,000 Broker Warrants with a nil strike price, which immediately vested and expired on December 31, 2021.
- (2) On February 16, 2021, the Company issued 1,105,128 Broker Warrants to certain brokers as partial compensation for their engagement in the completion of the February 2021 Offering. The Broker Warrants are exercisable at a price equal to the conversion price of the February 2021 Debentures (\$0.20 per warrant) until February 16, 2024.
- (3) On December 21, 2021 and in conjunction with a subscription receipts financing, the Company issued 11,666 Broker Warrants with a strike price of \$0.30 per share and a term of two years from the date of completion of the 406 Amalgamation.
- (4) Broker Warrants granted on March 8, 2019 with a strike price of \$5.70 per share expired without exercise on March 9, 2021.
- (5) In connection with the closing of the May 2022 Financing, the Company issued certain insiders an aggregate of 1,866,666 May Units (including 933,333 May Warrants) in lieu of a cash commission and issued an aggregate of 1,866,666 Broker Warrants (933,333 May Warrants). Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of \$0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units (inclusive a May Warrant) issued under the Private Placement. Consequently a total

of 1,866,666 May Warrants were issued. The fair value of the Broker Warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.

(d) Share Based Compensation

i. Stock Options

The following table summarizes the Options grants and activity:

	Number of options (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020 and 2021	211,013	2.55
Granted	9,193,982	0.03
Forfeited/Cancelled	(850,000)	0.03
Balance, March 31, 2023 and September 30, 2023	8,554,995	0.09

Outstanding Options				Exercisable Options	
Options Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (\$/share)	Number Exercisable	Weighted-Average Exercise Price (\$/share)	
8,554,995	3.7	0.09	5,773,667	0.12	

Of the total of 8,554,995 options outstanding at September 30, 2023, 2,153,286 expire on June 16, 2027; 6,190,696 expire on May 19, 2027; and 211,013 expire on August 1, 2030.

On May 19 and June 16, 2022, the Company granted an aggregate of 9,193,982 stock options to employees of the Company. The options vest equally at the end of each of the three years from the dates of grant, have an exercise price of \$0.03 per share, and expire on May 19, 2027 and June 16, 2027, respectively. 850,000 of the options were forfeited in the fourth quarter of 2022 upon departure of an employee.

The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 5 years; expected volatility of 100%; no forfeitures, and risk-free interest rates between 2.75% and 3.31%, respectively, per annum.

ii. Performance Unit Plan

The Company issues performance share units ("PSUs") to certain executive officers of the Company to purchase Common Shares at an exercise price of \$nil upon achievement of certain milestones.

The PSUs vest in accordance with the achievement of specific performance measures as follows: 1/3 upon completion of a public listing of the Common Shares, 1/3 upon commencing operations of the Company's 25th retail cannabis store, and 3) 1/3 upon commencing operations of the Company's 50th retail cannabis store.

On each vesting date, the Company may, in its sole discretion, settle the vested PSU obligation by either:

- issuing such number of Common Shares equal to the number of PSUs vested;
- pay an amount in cash equal to the fair market value per Common Share of the Common Shares multiplied by the number of PSUs vested; or
- any combination of the foregoing.

The following table summarizes the PSU grants and activity:

	Number of PSUs (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2021	573,402	\$0.00
Forfeited/Cancelled ⁽²⁾	(315,387)	\$0.00

Balance, March 31, 2023 and September 30, 2023	258,015	\$0.00
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During the period from January 1, 2022 to September 30, 2023: 315,387 PSUs allocated to a former officer were cancelled upon his resignation.

iii. Restricted Share Unit Plan

The Company issues restricted share units ("RSUs") to certain executive officers and directors of the Company to purchase Common Shares at an exercise price of \$nil upon achievement of certain milestones.

The RSUs vest in accordance with the achievement of specific performance measures as follows: 1/4 upon achieving an enterprise store count of 15, 1/4 upon achieving \$15.0 million of annualized enterprise store revenues based on trailing 3-months, 3) 1/4 upon achieving an enterprise store count of 20, and 4) 1/4 upon achieving \$20.0 million of annualized enterprise store revenues based on trailing 3-months

On each vesting date, the Company may, in its sole discretion, settle the vested RSU obligation by either:

- issuing such number of Common Shares equal to the number of RSUs vested;
- pay an amount in cash equal to the fair market value per Common Share multiplied by the number of RSUs vested; or
- any combination of the foregoing.

The following table summarizes the RSU grants and activity:

	Number of RSUs (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2021	-	-
Granted ⁽¹⁾	20,471,085	\$0.00
Forfeited/Cancelled ⁽²⁾	(4,094,217)	\$0.00
Balance, March 31, 2023 and September 30, 2023	16,376,868	\$0.00

During the period from January 1, 2022 to September 30, 2023: 20,471,085 RSUs were granted to directors and officers of the Company; 1,364,739 RSUs granted to a director were cancelled upon her resignation; and 2,729,478 RSUs granted to an officer and director were cancelled upon his resignation.

Exercise Price (\$/share)	Outstanding RSUs			Exercisable RSUs	
	Options Outstanding	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price (\$/share)	Number Exercisable	Weighted-Average Exercise Price (\$/share)
-	16,634,883	3.85	-	4,094,217	-

On May 19 and June 16, 2022, the Company granted an aggregate of 20,471,085 RSUs to Senior Managements and Directors of the Company. Each unit entitles the holder to receive one common share of the Company for no consideration upon the satisfaction of the following performance conditions:

- 25% of the units upon the Company opening the 15th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 1)
- 25% of the units upon the Company achieving \$15,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 2). The Company achieved this vesting hurdle in the three-month period ended December 31, 2022.
- 25% of the units upon the Company opening the 20th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 3)
- 25% of the units upon the Company achieving \$20,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 4).

17. Contributed Surplus

The following table summarizes the changes in contributed surplus:

	Six Months Ended September 30, 2023	Fifteen Months Ended March 31, 2023
Balance, beginning of period	3,475,994	2,506,664
Issuance of warrants		253,777
Share-based compensation expense	7,703	556,302
Shares to be issued on settlement of debts		135,000
Conversion option and warrants	(42,130)	159,250
Shares issued on satisfaction of the debt settlement agreement		(135,000)
Balance, end of period	3,441,567	3,475,994

- (1) The Company recorded \$7,703 in share-based compensation expense for the six months ended September 30, 2023 (fifteen months ended March 31, 2023: \$556,302).
- (2) On April 5, 2023, 16,666,666 of the warrants issued pursuant to the November'22 Financing were exercised for 16,666,666 Common Shares for gross proceeds of \$250,000. The Company reclassified \$42,129 related to the warrants exercised from contributed capital to share capital.

18. Change in Non-Cash Working Capital

The net change in working capital is comprised of:

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Trade and other receivables	(17,378)	(350,029)
GST/HST net receivable	(16,134)	93,078
Inventory	(194,770)	(72,956)
Prepaid expenses	7,357	(7,992)
Accounts payable and accrued liabilities	365,578	529,357
Change in non-cash working capital	144,653	191,458
Related to operating activities	144,653	191,458
Related to investing activities	-	-
Related to financing activities	-	-

19. Commitments and Contingencies

The Company has entered into numerous cash commitments pertaining to payments on retail leases that are payable over the next five years, as follows:

<i>(\$ thousands)</i>	Total	2023	2024	2025	2026	2027
Retail leases	3,931	1,064	968	644	633	622

20. Key Management and Personnel Compensation

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

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Executive earnings	\$156,000	\$98,125

21. Related Party Transactions

The key management personnel of the Company for the three and six months ended September 30, 2023 were Campbell Becher (CEO) and Jeff Holmgren (President and CFO) along with members of the non-executive Board.

As at September 30, 2023, the Company had the following transactions with related parties, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements. Transactions with related parties were conducted in the normal course of operations.

Shareholder loans

Certain shareholders of the Company have provided loans to the Company in the amount of \$1,878,889 (including accrued interest) as at September 30, 2023. These shareholder loans accrue interest at rates between 8% and 10% per annum. See Note 15 - *Shareholder Loans*, for additional information.

As at September 30, 2023, accounts payable and accrued liabilities on the statements of financial position include a debt owing of \$46,875 to Mr. Conquergood (previous CEO), relating to his severance in connection with his resignation on February 7, 2022. Repayment terms pursuant to a settlement agreement included a lump sum payment of \$23,125 in January 2023 with the remaining obligation of payable in monthly installments beginning in November 2022 until December 2023. In August, the Company paid the installment payment of \$23,125 which was due on January 30, 2023. The Company is therefore in breach of the settlement agreement. Pursuant to the settlement agreement, the Company agreed to a consent judgement order, providing Mr. Conquergood with the right to obtain court judgement for collection of the unpaid balance of debts owing totalling \$46,875 as at September 30, 2023. Mr. Conquergood exercised his right to consent judgement in March 2023, however no further action has been taken to collect due to ongoing settlement negotiations. On August 18, 2023, Mr. Conquergood amended his settlement agreement extending maturity to November 14, 2023.

In January 2023, the Company issued \$60,000 in secured convertible debentures on the same terms and conditions as the November 2022 Convertible Debentures unit offering (refer to note 14 – Convertible Debt), as repayment of debts owing to executives of the Company.

22. Other Revenue

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Brand license revenue	-	105,214	-	210,428
Strategic consumer data sales	139,724	-	206,185	-
Total	139,724	105,214	206,185	210,428

On April 11, 2023 the Company closed the 101 Acquisition (see note 4a – Acquisition of B.C. stores) adding 5 retail cannabis stores operating in British Columbia (3 in Victoria, 2 in Nanaimo) to the portfolio. The closing of this transaction resulted in the transition of previously recognized brand license store revenues to corporate store revenues in April 2023.

23. Subsequent Events

Subsequent to September 30, 2023, the Company reported the following:

- a) *Termination of Business Combination with 420 Investments Inc.*
420 Investments Ltd. unilaterally terminated the business combination agreement dated July 12, 2023, entered into between the Company and 420 (the “BCA”), effective as of November 2, 2023. The Company reserves all of its rights against 420 with regard to the unilateral termination by 420 of the BCA. The board of directors of the Company intends to undertake a comprehensive review to identify and consider a range of alternatives and their potential to enhance shareholder value. These alternatives could include, but are not limited to, a merger or business combination with another party, an asset sale, a strategic partnership or any combination of the foregoing. The Company does not intend to set a definite schedule to complete its evaluation process and cautions that there are no assurances or guarantees that the process will result in a transaction, or if a transaction is undertaken, terms or timing of such a transaction.
- b) *Closure of 1 retail store in B.C.:*
On November 9, 2023, the Company closed its retail location located at 695 Alpha Street in Victoria, BC due to poor operating results. The Company is currently reassessing its long term strategy to maximize value for this license permit.

This is Exhibit "N" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI



Trees Corporation

Consolidated Financial Statements

March 31, 2023 and December 31, 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trees Corporation

Opinion

We have audited the consolidated financial statements of Trees Corporation and its subsidiaries (together, the “Company”), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity (deficiency) and cash flows for the fifteen months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and its consolidated financial performance and its consolidated cash flows for the fifteen months then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“GAAS”). 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 audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$12,478,262 for the fifteen months ended March 31, 2023 (net loss of \$13,371,723 for the year ended December 31, 2021) and, as of that date had an accumulated deficit of \$39,134,801 (December 31, 2021 - \$26,656,539) and a working capital deficiency of \$5,103,303 (December 31, 2021 - \$915,447). 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 Matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the fifteen months ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters description	How our audit addressed the key audit matters
<p>Acquisition of IPCo</p> <p><i>Refer to note 1 – Corporate Information, note 3 – Summary of significant accounting policies, judgments and estimates, note 4 – Acquisitions and note 6 – Notes Receivable</i></p> <p>On March 24, 2022, the Company and 1015712 B.C. Ltd. d/b/a Tree Cannabis (“101”) renegotiated the terms of the previous purchase agreement entered into on October 22, 2019 into two components – a share purchase component and an asset purchase component – whereby the Company purchased all of the shares of 11391461 Canada Ltd. (“IPCo”) in exchange for 5,933,333 common shares valued at \$0.045 per share for a total consideration of \$266,999, and 101 transferred all of the “Trees” registered trademarks, including logos (the “Trees IP”) to IPCo at fair market value. In connection with the 101 acquisition on February 10, 2021, the Company loaned 101 funds for which it received a promissory note (the “101 Note”).</p> <p>The Company accounted for this transaction in accordance with IFRS 2 and IAS 38 respectively by recording the acquisitions of trademarks of \$266,999. No goodwill or additional intangible assets were recognized by the Company.</p> <p>The Company evaluated the 101 Note as at March 31, 2023 and determined that the carrying value exceeded the recoverable value by \$2,154,177. This amount has been recorded as an impairment to the 101 Note.</p> <p>The acquisition of IPCo, transfer of registered trademarks, and valuation of the 101 Note for impairment were considered a key audit matter given the significance of the transaction to the consolidated financial statements, the complexity of accounting for the transaction, and the high estimation uncertainty related to the fair value model of 101 Note, which included the growth margin estimate, inflation rate, revenue growth rate, terminal growth rate, and discount rate.</p>	<p>We responded to this matter by performing procedures in relation to the acquisition of IPCo. Our audit work in relation to this included but was not limited to the following:</p> <ul style="list-style-type: none"> • We analyzed the purchase agreements to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations. In addition, consulted with our internal technical accounting specialists on management’s position memo relating to the acquisition of IPCo. • We obtained an understanding of management’s internal control process as it relates to the determination of key inputs and assumptions. • We tested the mathematical accuracy of management’s valuation model related to the Amended 101 Note. • We evaluated the reasonableness of significant assumptions used by management in the valuation model related to the growth margin estimate, inflation rate, revenue growth rate, terminal growth rate, and discount rate. • We performed a sensitivity analysis of the valuation model by developing a range of independent estimates of key assumptions. • we assessed the appropriateness of the disclosures in the notes to the consolidated financial statements including the assumptions used in the acquisition and valuation model.
<p>Convertible debentures</p> <p><i>Refer to note 3 – Summary of Significant accounting policies, judgments and estimates and note 14 – Convertible debentures</i></p> <p>In October 2022 and November 2022 the Company completed the closing of a non-brokered private placement of 200 and 745 units (the “Nov Units”), respectively, of the Company at a price of \$1,000 per Nov Unit for gross proceeds of \$945,000. Each Nov Unit consists of (i) one 12.0% per annum secured convertible promissory note bearing a principal amount of \$1,000, convertible into common shares of the Company at a conversion</p>	<p>We responded to this matter by performing procedures in relation to the issuance of convertible debentures. Our audit work in relation to this included but was not limited to the following:</p> <ul style="list-style-type: none"> • We analyzed the convertible debentures agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations. • We obtained an understanding of management’s internal control process as it relates to the determination of key inputs and assumptions used in the valuation of the liability

price of C\$0.015 per common share with a maturity of thirty-six months and (ii) 66,667 common share purchase warrants of the Company which entitles the holder to purchase one common share at a price of C\$0.015 per share until October 20, 2025, subject to acceleration. The acceleration includes the conversion or acceleration of the expiry of warrants by the Company when certain conditions are met.

For accounting purposes, the Nov Units were separated into their liability and equity components respectively by first valuing the liability component. The fair value of the liability component at the time of issue was calculated assuming a discount rate of 20% per annum, which was estimated by management to be the rate for similar debentures without a conversion feature. The fair value of the equity components - the conversion feature and the detachable warrants - was determined at issue date as the difference between the face value of the Nov Units and the fair value of the liability component.

The issuance of the Nov Units was considered a key audit matter given the significance of the transaction to the consolidated financial statements, the complexity of the accounting for the transaction, and the separation into liability and equity components.

Impairment of goodwill

Refer to note 3 – Summary of significant accounting policies, judgments and estimates and note 9 – Intangible assets and goodwill

In accordance with IAS 36, *Impairment of Assets*, management is required to test goodwill for impairment annually, or when facts and circumstance suggest they may be impaired. Goodwill arising from business combinations is allocated to each of the Company's cash-generating units ("CGU") that is expected to benefit from the synergies of the combination. The recoverable amount of the CGU to which the goodwill has been allocated is tested for impairment. As at March 31, 2023 the Company had goodwill of \$5,099,050 before the impairment test. An impairment test was performed as of March 31, 2023, and as a result an impairment of \$5,099,050 was recognized for goodwill. For the purpose of the impairment test, the recoverable amount of the Company's CGU has been determined by management based on an assessment of its value in use following a discounted cash flow approach over a period of ten years. Management made certain assumptions in determining the cash flow projections based on its internally approved budgets and include management's best estimate of expected market conditions. The future cash flows used in the model are inherently uncertain and could materially change over time as a result of changes to the key assumptions estimated by management, revenue growth, discount rate, terminal growth rate, costs, future tax, risk premiums applicable to the CGU's operations and future capital expenditure.

We considered this a key audit matter due to the subjectivity and complexity in performing procedures to test the key assumptions

component of the convertible debentures on the date of recognition.

- We evaluated the reasonableness of significant assumptions used by management in the separation of the convertible debentures into the liability and equity components by first valuing the liability component on the initial recognition date..
- We assessed the appropriateness of the disclosures in the consolidated financial statements including the assumptions used in initial recognition of the convertible debentures.

We responded to this matter by performing procedures in relation to the impairment of goodwill assets. Our audit work in relation to this included but was not limited to the following:

- We evaluated the appropriateness of the value-in-use method and discounted cash flow projection models.
- We reviewed the controls and methodology used to develop information for assessing the recoverable amount including the risk assessment process, and the nature and extent of the oversight and governance over financial reporting.
- We evaluated the assumptions applied to key inputs, such as forecasted revenues, gross margin, operating expenses, long-term growth rates and discounted rates used by management in the discounted cash flow projection models.
- We performed a 'retrospective review' to compare management's assumptions in the prior year's expected future cash flows to the actual results to assess the Company's budgeting process.
- We evaluated the reasonableness of the Company's impairment model and the discount rates by comparing the Company's weighted average cost of capital against publicly available market data.
- We tested the mathematical accuracy of management's impairment model and supporting calculations.
- We assessed the appropriateness of the disclosures in the notes to the consolidated financial statements of the assumptions used in the impairment assessment of goodwill.

used by management in determining the recoverable amount of the Company's CGU, which involved significant judgment from management.	
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Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis ("MD&A") but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the MD&A and we do not express any form of assurance conclusion thereon.

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

We obtained the MD&A prior to the date of this auditors' report. If, based on the work we have performed on this MD&A, we conclude that there is a material misstatement of this MD&A, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 GAAS 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 GAAS, 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 purposes 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 auditors' 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Laurence W. Zeifman, CPA, CA.

Zeifmans LLP

Toronto, Ontario
June 29, 2023

Chartered Professional Accountants
Licensed Public Accountants

TREES CORPORATION**Consolidated Statements of Financial Position**

(expressed in Canadian dollars)

As at

	Notes	March 31, 2023	December 31, 2021
Assets		\$	\$
Current assets			
Cash		113,605	1,316,517
Trade and other receivables		82,831	12,494
GST/HST net receivable		-	90,293
Inventory	7	299,725	192,279
Prepaid expenses		25,361	22,500
Notes receivable	6	-	300,000
Total current assets		521,522	1,934,083
Non-current assets			
Property and equipment	8	2,731,590	3,234,217
Prepaid lease deposits and rents	5	177,764	248,875
Notes receivable	6	2,543,912	3,202,195
Right-of-use assets, net	11	3,918,783	5,940,273
Intangible assets	9	1,530,113	863,546
Goodwill		-	5,099,050
Total non-current assets		10,902,162	18,588,157
Total assets		11,423,684	20,522,240
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,024,615	1,863,253
Current portion of lease liability	11	512,615	877,734
Current portion of long-term debt	13	1,279,489	43,544
Shareholder loans	15	1,808,106	65,000
Total current liabilities		5,624,825	2,849,530
Non-current liabilities			
Lease liability	11	3,804,371	5,314,369
Long-term debt	13	1,160,000	2,258,000
Convertible debt	14	1,073,630	-
Shareholder loans	15	-	1,551,866
Deferred tax liability		-	257,633
Total non-current liabilities		6,038,001	9,381,868
Total liabilities		11,662,826	12,231,399
Shareholders' equity (deficiency)			
Share capital	16	35,419,666	32,440,717
Contributed surplus	17	3,475,993	2,506,664
Deficit		(39,134,801)	(26,656,539)
Total shareholders' equity (deficiency)		(239,142)	8,290,842
Total liabilities and shareholders' equity (deficiency)		11,423,684	20,522,240

Commitments and Contingencies (Note 19)

Subsequent Events (Note 25)

Approved on Behalf of the Board of Directors*(signed)* "Fraser Clarke"

Fraser Clarke

Director

June 29, 2023

(signed) "Jeff Holmgren"

Jeff Holmgren

Director

June 29, 2023

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

TREES CORPORATION**Consolidated Statements of Loss and Comprehensive Loss**

(expressed in Canadian dollars)

<i>For the period of</i>	<i>Notes</i>	Fifteen Months Ended 31-Mar-23	Twelve Months Ended 31-Dec-21
		\$	\$
Revenue			
Cannabis sales		11,277,699	4,297,209
Smoking accessory sales		186,218	84,886
Consulting services		-	21,868
Brand license royalties		544,586	-
Gross revenue		12,008,503	4,403,963
Cost of goods sold		7,905,215	2,994,580
Gross profit		4,103,288	1,409,383
Store level expenses			
Wages expense		1,723,843	910,442
Operating costs		754,495	513,797
Total store level expenses		2,478,338	1,424,239
Net profit/(loss) - store level		1,624,950	(14,856)
Corporate expenses			
Lease expense		204,916	333,263
Amortization and depreciation	12	2,114,076	1,053,882
General and administrative expenses		2,796,995	2,109,174
Lease write-downs and termination expenses	11	101,058	-
Loss on sale of intangible assets	9	435,043	-
Impairment of notes receivable		2,154,177	769,609
Impairment of inventory		29,343	
Impairment of property and equipment	8	153,131	6,306
Impairment of goodwill	9	5,099,050	-
Total corporate expenses		13,087,789	4,272,234
Loss before other items		(11,462,839)	(4,287,090)
Other (income) expenses			
Finance costs	10	963,224	1,603,980
Interest income		(310,131)	(149,490)
Transaction costs	4	713,834	4,656,619
Loss on valuation of convertible debt		-	4,546,365
Gain on debt settlements	22	(556,339)	-
Gain on contract renegotiation		-	(2,500,000)
Share based compensation	16, 17	556,302	927,160
Loss before income taxes		(12,829,729)	(13,371,723)
Deferred income tax recovery		(351,467)	-
Net loss and comprehensive loss		(12,478,262)	(13,371,723)
Loss per share			
Basic & diluted		(0.09)	(1.43)
Weighted-average number of shares outstanding		138,959,956	9,379,423

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

TREES CORPORATION

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

<i>For the period of</i>	<i>Notes</i>	Fifteen Months Ended 31-Mar-23	Twelve Months Ended 31-Dec-21
Cash provided by (used in):		\$	\$
Operating activities			
Net loss for the period		(12,478,262)	(13,371,723)
Add (deduct) items not affecting cash:			
Amortization and depreciation	<i>12</i>	2,114,076	1,053,882
Deferred income tax recovery		(352,172)	-
Finance costs	<i>10</i>	422,321	954,159
Share-based compensation	<i>16, 17</i>	556,302	927,160
Loss on valuation of convertible debt		-	4,546,365
Impairment of property and equipment	<i>8</i>	153,131	6,306
Impairment of goodwill	<i>9</i>	5,099,050	-
Impairment of notes receivable	<i>4</i>	2,154,177	769,609
Transaction costs		596,397	4,656,619
Gain on debt settlements	<i>22</i>	(556,339)	-
Gain on contract renegotiation		-	(2,500,000)
Loss on sale of intangible assets	<i>9</i>	435,043	-
Lease write-downs and termination expenses	<i>11</i>	101,058	-
		(1,754,513)	(2,957,623)
Change in non-cash working capital	<i>18</i>	608,809	233,713
Cash flow used in operating activities		(1,145,704)	(2,723,910)
Investing activities			
Property and equipment		(57,937)	(1,009,972)
Intangible assets and goodwill		40,000	-
Corporate acquisitions and reorganizations	<i>4</i>	(2,821)	1,994,555
Refunds/(deposits) on leases		9,608	3,024
Notes receivable		(1,568,894)	791,773
Cash flow provided by (used in) investing activities		(1,580,045)	1,779,380
Financing activities			
Proceeds from issuance of shares	<i>16</i>	1,025,000	2,030,000
Share issue costs	<i>16</i>	(44,445)	(290,693)
Lease liability payments		(366,582)	(320,238)
Long-term debt		(86,027)	644,073
Proceeds from issuance of convertible debt		994,890	-
Shareholder loans		-	65,000
Change in non-cash working capital	<i>18</i>	-	(69,402)
Cash flow provided by financing activities		1,522,836	2,058,740
Net change in cash for the period		(1,202,912)	1,114,210
Cash, beginning of the period		1,316,517	202,307
Cash, end of the period		113,605	1,316,517
Supplementary disclosure			
Cash interest paid		523,153	647,482

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

TREES CORPORATION

Consolidated Statements of Shareholders' Equity (Deficiency)

(expressed in Canadian dollars)

For the 15 months ended March 31, 2022 and the 12 months ended December 31, 2021

	Notes	Share Capital	Contributed Surplus	Deficit	Total Equity (Deficiency)
		\$	\$	\$	\$
Balance at December 31, 2020		8,200,570	2,292,056	(13,284,817)	(2,792,191)
Net loss		-	-	(13,371,722)	(13,371,722)
Share-based compensation		-	927,160	-	927,160
OCH Amalgamation		1,552,921	-	-	1,552,921
Conversion and settlement of debt in Common Shares		18,735,366	-	-	18,735,366
Shares issued in a private placement		2,030,000	-	-	2,030,000
Shares issued upon vesting of PSUs		712,552	(712,552)	-	-
406 Amalgamation		1,500,000	-	-	1,500,000
Share issue costs		(290,693)	-	-	(290,693)
Balance at December 31, 2021		32,440,717	2,506,664	(26,656,539)	8,290,842
Net loss		-	-	(12,478,262)	(12,478,262)
Acquisition of IPCo	4	266,999	-	-	266,999
Common Shares issued pursuant to Miraculo Acquisition	4	818,395	-	-	818,395
Warrants issued pursuant Miraculo Acquisition	4,16	-	197,777	-	197,777
\$945,000 convertible debenture equity value	4, 14, 16	-	159,250	-	159,250
Broker warrants issued	16	-	56,000	-	56,000
Share-based compensation	16	-	556,302	-	556,302
Shares issued on settlement of debt	16, 17	951,000	-	-	951,000
Shares issued in a private placement	16	1,025,000	-	-	1,025,000
Shares issued for services	16	74,000	-	-	74,000
Share issue costs		(156,445)	-	-	(156,445)
Balance at March 31, 2022		35,419,666	3,475,993	(39,134,801)	(239,141)

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

TREES CORPORATION

Notes to the consolidated financial statements

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(expressed in Canadian dollars, unless otherwise noted)

1. Corporate Information

Trees Corporation (“Trees”, and, together with its subsidiaries, the “Company”) was formed upon the amalgamation of Trees Corporation (“Trees PrivateCo”) and 1287406 B.C. Ltd. (“406”) on December 22, 2021 under the Canada Business Corporations Act (the “CBCA”) pursuant to the terms of an amended and restated amalgamation agreement dated November 10, 2021 (the “406 Amalgamation Agreement”). The 406 Amalgamation Agreement provided for, among other things, the amalgamation of Trees PrivateCo and 406 and the continuation as one corporation under the name Trees Corporation (the “406 Amalgamation”), in accordance with the provisions of the CBCA. The Company’s common shares (“Common Shares”) are listed on the Cboe under the symbol “CBOE:TREE”

The Company’s head office is located at suite 190-7070e Farrell Road SE Calgary, Alberta T2H 0T2 and its registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

Trees is as an independent retail cannabis operator that currently operates in the Provinces of Ontario and British Columbia, where as at March 31, 2023, Trees operated eight (8) fully licensed retail cannabis stores in Ontario and five (5) Trees Cannabis stores in British Columbia under a brand license agreement in exchange for a royalty fee. Subsequent to March 31, 2023, the Company closed the acquisition of the 5 stores in BC and opened a ninth store in Ontario increasing Trees’ total corporate owned store count to 14 stores (refer to note 4 – *Acquisition of IPCo and note 25 – Subsequent events*). Trees reports its operations under a single operating segment capturing retail sales of cannabis and cannabis related accessories.

All disclosures related to common shares of the Company in these consolidated financial statements and related notes give retroactive effect to the 2021 fifteen pre-consolidation shares for every one post-consolidation share consolidation of Trees PrivateCo.

Ontario Cannabis Holdings Corp. Amalgamation

On January 29, 2021, the Company and Ontario Cannabis Holdings Corp. (“OCH”) entered into a merger agreement (the “OCH Amalgamation Agreement”) whereby the Company acquired all of the issued and outstanding securities of OCH through the amalgamation (the “OCH Amalgamation”) of OCH and a wholly-owned subsidiary of the Company. The agreement closed on March 1, 2021. Refer to Note 4 for additional information on the OCH Amalgamation.

1015712 B.C. Ltd. Purchase Agreement

On October 22, 2019, Trees entered into an initial asset purchase agreement with 1015712 B.C. Ltd. d/b/a Trees Cannabis (“101”), which agreement was ultimately superseded and replaced by a second amended and restated asset purchase agreement between Trees and 101 on February 24, 2020, and further amended and restated on January 26, 2021 (the “101 Purchase Agreement”). The 101 Purchase Agreement contemplated the purchase by Trees of the assets to operate up to eight retail cannabis stores in the province of British Columbia, subject to the receipt by Trees of all requisite licenses and approvals from the provincial regulator, the British Columbia Liquor and Cannabis Regulation Branch (the “LCRB”). 101 currently operates four existing retail cannabis stores in the Province of British Columbia with a fifth store anticipated to open in April 2022 in Victoria, British Columbia.

Pursuant to terms of the 101 Purchase Agreement, the Company agreed to acquire, subject to certain conditions, all or substantially all of the assets of 101 relating to eight unique cannabis retail stores owned and operated by 101 (collectively, the “101 Purchased Stores”) located in British Columbia (the “101 Acquisition”).

In connection with the 101 Acquisition, on February 10, 2021, 101 issued a secured grid promissory note (the “101 Note”) in favour of the Company for the purpose of funding 101’s operations until the closing of the transactions contemplated by the 101 Purchase Agreement. Refer to Note 8 for additional information.

On March 24, 2022, The Company completed amendments to the 101 Purchase Agreement and closed the first component of the 101 Acquisition. On April 11, 2023 the Company closed the 101 Acquisition (see note 25 – Subsequent events).

MetroCannabis Acquisition

On May 11, 2021, as amended on October 26, 2021, OCH Ontario Consulting Corp. (“Ontario Consulting”), a wholly-owned subsidiary of the Company, acquired all of the issued and outstanding common shares in the capital of 11819496 Canada Inc. (operating as

TREES CORPORATION

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MetroCannabis) ("MetroCannabis") for an aggregate purchase price of \$7,500,000 (the "MetroCannabis Acquisition"). On October 26, 2021, the Company renegotiated the terms of the MetroCannabis Acquisition with a reduction of the purchase price to \$5.0 million. The MetroCannabis Acquisition added a total five licensed retail cannabis stores to the Company's portfolio of retail cannabis stores, four of which are operational as of the date of these Financial Statements. Refer to Note 5 for additional information.

406 Amalgamation and Related Transactions

On December 23, 2021, Trees PrivateCo and 406 completed the 406 Amalgamation pursuant to the terms of the 406 Amalgamation Agreement. The Company is the entity resulting from the 406 Amalgamation.

All disclosures related to equity securities of the Company in the accompanying consolidated Financial Statements and related notes reflect the Trees PrivateCo Consolidation (as defined in Note 6) for all periods presented, unless otherwise noted. Prior period information including numbers of securities and per share amounts has been restated to reflect the Trees PrivateCo Consolidation at the ratio of fifteen pre-consolidation shares for every one post-consolidation share.

Miraculo Inc. Acquisition

On March 15, 2022, the Company completed the acquisition of Miraculo ("Miraculo Acquisition") pursuant to an amalgamation agreement dated February 7, 2022 ("Amalgamation Agreement") whereby Miraculo amalgamated with 1000101203 Ontario Inc., a wholly-owned subsidiary of the Company ("Trees Subco") to form an amalgamated entity ("Amalco") in order to carry out a three-cornered amalgamation whereby the Company acquired all of the issued and outstanding shares of Miraculo.

On closing of the Miraculo Acquisition, Michael Klein, former Chief Executive Officer of Miraculo, was appointed as Chief Executive Officer of the Company. In addition, both Mr. Klein and G. Scott Paterson were also appointed to the board of directors of the Company.

Pursuant to the terms of the Amalgamation Agreement, each common share in the capital of Trees Subco was exchanged for one common share in the capital of Amalco. The Miraculo shares held by the shareholders of Miraculo were exchanged on a pro rata basis for an aggregate of 13,639,917 common shares in the capital of Trees ("Trees Shares") and an aggregate of 6,819,922 warrants to purchase Trees Shares exercisable at a price of \$0.11 per share until December 31, 2024.

Camp Acquisition

On July 13, 2022, the Company completed its acquisition (the "Camp Acquisition") of 100% of the equity interests of 2707461 Ontario Ltd. ("Camp") from Barnard Cann Ltd. (the "Vendor"). Camp operates one licensed retail cannabis store in Burlington, Ontario.

2. Basis of Presentation and Going Concern

A) Statement of compliance

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

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company (the "Board") on June 29, 2023.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

B) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies set out below have been applied consistently by the Company for the periods presented.

TREES CORPORATION**Notes to the consolidated financial statements**

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C) Basis of Consolidation

The consolidated financial statements include the accounts of Trees and its wholly-owned subsidiaries: 11819496 Canada Inc., 2707461 Ontario Inc., OCH Ontario Consulting Corp and Ontario Cannabis Holdings Corp.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements included all the assets, the liabilities, revenue, expenses and cash flows of Trees and its subsidiaries after eliminating inter-entity balances and transactions.

C) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

D) Change in fiscal year end

During the twelve months ended December 31, 2022, the Company elected to change its fiscal year end to March 31 from December 31. The transition year presented herein is fifteen months and includes the period from January 1, 2022 to March 31, 2023. The Company's objective was to obtain its annual financial statement audit during a less resource constrained time of the year. The interim and annual reporting periods of the transition year have been changed based on the new fiscal year end date. Comparative periods presented in these financial statements are not entirely comparable due to change in fiscal year end.

E) 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 operations for the fifteen-month period ended March 31, 2023 of \$12.5 million (net loss of \$13.4 million for the twelve months ended December 31, 2021) and as at that date had an accumulated deficit of \$39.1 million (December 31, 2021 - \$26.7 million) and is expected to continue to incur losses in the twelve months ending March 31, 2024. At March 31, 2023, the Company had a working capital deficiency of \$5.1 million (December 31, 2021 - \$0.9 million deficiency). A debt in the amount of \$900,000 is now in default and the Company is currently in discussions to extend the maturity of this debt (see note 12 – long term debt) The Company will continue to have to raise funds in order to finance future development of potential retail stores, and to meet its debt obligations until such time as profitable revenues are achieved. Although the Company 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 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. See note 25 – subsequent events.

F) Reclassifications

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period including the following;

- \$149,490 was reclassified from Trade and Other Receivables to Notes Receivable in the comparative year on the Consolidated Statements of Financial Position. This amount relates to accrued interest earned on the 101 Note (see Note 6 – Notes receivable) and has been reclassified to align with current period presentation to include accrued interest with the principle balance receivable pursuant to the 101 Note.
- \$510,113 was reclassified from store level expenses-wages expense to general and administrative expense in the comparative year on the Consolidated Statements of loss and comprehensive loss. The reclassification was made to align with Current Period presentation of the classification of certain corporate employees.

3. Summary of Significant Accounting Policies, Judgments and Estimates**A. Critical Accounting Judgments and Estimates**

TREES CORPORATION**Notes to the consolidated financial statements**

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(expressed in Canadian dollars, unless otherwise noted)

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and shareholders' equity at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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 events 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 financial statements within the next financial year are discussed below:

Going concern

Determining if the Company has the ability to continue as a going concern is dependent on its ability to achieve to raise additional financing and/achieve profitable operations. Certain judgments are made when determining if the Company will achieve profitable operations. At each reporting period, management assesses the basis of preparation of the consolidated financial statements. The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning.

Fair value measurements

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.

Application of IFRS 16 – Leases

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset and the lease term. The lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of the lease term 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.

Impairment of property and equipment, intangible assets and goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exist requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

TREES CORPORATION**Notes to the consolidated financial statements**

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Asset acquisitions versus business combinations

Management had to apply judgment with respect to whether acquisitions during the period 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.

Determination of purchase price allocations and contingent consideration

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. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. 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 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.

Segmented information

Operating segments are determined based on internal reports used in making strategic decisions that are reviewed by the Chief Operating Decision Makers (CODMs). The Company's CODMs are the Chief Financial Officer, Chief Executive Officer and the directors. For the fifteen months ended March 31, 2023, the Company operated in one operating segment: cannabis retail sales.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Areas of judgment and estimation that have the most significant effect on the amounts recognized in these consolidated financial statements include:

Expected credit losses

The Company's accounts receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime expected credit losses ("ECL"). The Company measures lifetime ECLs based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Inventory valuation

Inventory is carried at the lower of cost and net realizable value. In estimating net realizable value, the Company makes estimates related to obsolescence, future selling prices, seasonality, customer behavior, and fluctuations in inventory levels.

Estimated useful lives, residual values and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment.

Estimated useful lives of Intangibles

Amortization of intangible assets is dependent upon estimates of useful lives, lease terms and residual values, which are determined through the exercise of judgment.

Fair value of financial instruments

The individual fair values attributed to different components of a financing transaction are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine: (a) the values attributable to each component of a transaction at the time of their issuance; (b) the fair value measurement for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly

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different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use ("VIU"). The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a discounted cash flow model. The estimated future cash flows are derived from management estimates, budgets and past performance and do not include activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management develop the fair value, using approximate valuation techniques, which are generally based on a forecast of the total expected future cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. When provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for up to one year from the acquisition date.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Measurement of share-based payments, warrants and stock options

In calculating the value of share-based payments, common share purchase warrants ("Warrants") and options to purchase common shares ("Options"), key estimates such as the value of the common shares, the rate of forfeiture, the expected life, the volatility of the value of the common shares and the risk-free interest rate are used.

B. Summary of Significant Accounting Policies**Cash**

Cash consists of bank balances and highly liquid short-term investments with a maturity date of 90 days or less which are convertible to known amounts of cash at any time by the Company without penalties.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated on a weighted average cost basis and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value. Any write-downs of inventory to net realizable value are recorded in the Consolidated Statement of Loss and Comprehensive Loss of the related period.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses and are depreciated to their residual values. Residual value is the amount that could currently be received from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition that it will be in at the end of its useful life. Residual value is an estimate, and therefore is subject to review it at each annual reporting date as a minimum. Property and

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equipment cost includes expenditures that are directly attributable to the acquisition of the asset. During the construction of leasehold improvements, items are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property and equipment and depreciation on the item commences.

Depreciation is provided using the following methods at rates intended to depreciate the costs of the assets over their estimated use lives:

Asset	Method	Useful Life
Office equipment and computers	Declining balance	3 to 5 years
Furniture and fixtures	Declining balance	3 to 5 years
Leasehold improvements	Straight-line	Term of lease

When a property and equipment asset includes significant components with different useful lives, each significant component is depreciated separately. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statements of Loss and Comprehensive Loss of the related year. Assets under construction are not ready for use and are not depreciated. Repairs and maintenance costs that do not improve or extend productive life are recognized in the Consolidated Statements of Loss and Comprehensive Loss in the period in which the costs are incurred.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each cash-generating unit ("CGU") to which goodwill has been allocated to its recoverable amount. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its VIU and its fair value less costs of disposal. VIU is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets

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 useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount. The Company derecognizes the carrying amount of intangible 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.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets include business licenses and intellectual property. Business licenses are amortized on a straight-line basis over the terms of related store leases, while intellectual property is amortized on a straight-line basis over a range of five to ten years.

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Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue recognition is based on a 5-step approach, under IFRS 15, which includes identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when the relevant performance obligations are satisfied. Revenue is recognized when the entity satisfies the performance obligation upon delivery and acceptance by the customer. Revenue in the consolidated financial statements is disaggregated into cannabis, smoking accessories sales, brand license royalties and consulting services.

Recognition

The nature, timing of recognition of satisfied performance obligations, and payment terms for the Company's goods and services are described below:

For performance obligations related to merchandise sales, the Company typically transfers control, completes the performance obligation, and recognizes revenue at the point in time when delivery of the items to the customer occurs. Upon delivery the customer can obtain substantially all of the benefits from the items purchased.

For performance obligations related to brand license royalties, the Company satisfies its performance obligation in accordance with the timing of the merchandise sales recognized by the brand licensee pursuant to the terms of the brand license contract, and applying the same revenue recognition policy as the Company.

For performance obligations related to consulting services, the Company typically satisfies its performance obligations throughout the period of the consulting contract, depending on the specifics of the contract.

Identification of performance obligations

Where contracts contain multiple promises for goods or services, management exercises judgement in determining whether goods or services constitute distinct goods or services or a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The determination of a performance obligation affects whether the transaction price is recognized at a point in time or over time. Management considers both the mechanics of the contract and the economic and operating environment of the contract in determining whether the goods or services in a contract are distinct.

Transaction price

In determining the transaction price and estimates of variable consideration, management considers the history of the customer in estimating the goods and services to be provided to the customer as well as other variability in the contract.

Allocation of transaction price to performance obligations

The Company's contracts generally outline a specific amount to be invoiced to a customer associated with each performance obligation in the contract. The Company allocates the transaction price to the individual performance obligations based on their standalone selling price, which is primarily estimated based on the amounts that would be charged to customers under similar market conditions.

Satisfaction of performance obligations

The satisfaction of performance obligations requires management to make judgment as to when control of the underlying good or service transfers to the customer. Determining when a performance obligation is satisfied affects the timing of revenue recognition. Management considers both customer acceptance of the good or service, and the impact of laws and regulations, in determining when this transfer occurs.

Merchandise sales

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Revenue consists of sales to customers through the Company's network of retail stores. Merchandise sales through retail stores are recognized at the time of delivery to the customer, which is generally at the point of sale.

Consignment and principal versus agent considerations

IFRS 15 focuses on recognizing revenue as an entity transfers control of a good or service to a customer which could affect how an entity evaluates its position in a transaction as either a principal or an agent. The standard provides that an entity is a principal in a transaction if it controls the specified goods or services before they are transferred to the customer.

Government assistance

Government assistance from the Canada Emergency Business Account 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.

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. Common shares, Warrants and Options are classified as equity instruments. The Company uses the residual value method with respect to the measurement of common shares and Warrants issued as private placement units ("Units"). The proceeds from the issuance of Units are allocated between common shares and 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 Warrants. Common Share issuance costs are recorded against share proceeds.

Contributed surplus

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

Share-based payments

The fair value, at the grant date, of equity-settled share awards including common share options and performance share units ("PSU") and restricted share units ("RSU"), here-after referred to collectively as "options" is charged to income or loss over the period for which the services 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 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 common 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 nontransferability, exercise restrictions and behavioral considerations.

Earnings/loss per common share

Basic earnings/loss per Common Share is computed by dividing the net income or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant year. 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 antidilutive.

Leases

At the lease possession date, the Company recognizes a lease liability reflecting its obligation for future lease payments and a right of use asset representing its right to use the underlying asset.

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Right of use assets and lease liabilities are presented in the Consolidated Statement of Financial Position and are measured at the present value of future lease payments discounted at the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments and variable lease payments that are based on an index or rate.

Right of use assets are amortized on a straight-line basis over the lease term and accretion expense is recognized on lease liabilities using the effective interest method. The Company also assesses the right of use asset for impairment when such indicators exist.

The Company has elected to apply the short-term lease recognition exemption to account for short-term leases that have a lease term of 12-months or less from the commencement date and do not contain a purchase option. The Company has also elected to apply the lease of low value assets recognition exemption to leases that are considered to be of low value. Instead of recognizing a right-of-use-asset and lease, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Asset acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. 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.

Financial instruments

The Company classified its financial instruments as follows:

Financial Instrument	IFRS 9 Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Deposits	Amortized cost
Notes receivables	Amortized cost
Shareholder loans	Amortized cost
Convertible debt	Financial liabilities at fair value through profit or loss or amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

The fair values of these financial instruments at March 31, 2023 approximate carrying values, as stated in the Consolidated Statement of Financial Position.

Financial Assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at FVTPL.

i) Financial assets at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial asset is to hold the assets in order to collect contractual cash flows;

and

- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

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A financial asset measured at FVTOCI is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income.

iii) FVTPL

A financial asset measured at FVTPL is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if 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. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(d) Impairment

An ‘ECL’ impairment model applies which requires a loss allowance to be recognized based on ECLs. 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.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at FVTPL.

i) Financial liabilities at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

ii) Financial liabilities at FVTPL

A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is remeasured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises unless such change is attributable to the Company’s credit risk in which case such changes are recorded to other comprehensive income.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability is derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statements of Loss and Comprehensive Loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Definition of default:

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For internal credit risk management purposes, the Company considers a financial asset not recoverable if the customer balance owing is 180 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write-off

Financial assets are written off (either partially or in full) where there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the Consolidated Statements of Loss and Comprehensive Loss except to the extent that it relates to items recognized in other comprehensive income (loss) or equity on the Consolidated Statement of Financial Position.

Current tax

Current tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to taxation authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences, except for temporary differences that arise from goodwill, which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Related party transactions

Related parties to the Company are considered to be key management personnel including persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole, either directly or indirectly. The Company has determined that key management personnel include the Company's executive officers and directors. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

C. Risk Management

The Company has identified a number of risks that could adversely affect the Company's operations. These risks include credit risk, liquidity risk and interest rate risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's ability to fulfil its payment obligations. The Company's primary exposure to credit risk is attributable to its cash, other receivables and notes receivable. This risk relating to cash is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. A concentration of credit risk as at

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March 31, 2023 in the amount of \$2.5 million exists and is related to accrued brand license royalties and unpaid interest, owing pursuant to the 101 Note (see Note 6 – Notes receivable). This indebtedness will be settled in conjunction with the closing of the 101 Acquisition and does give rise to significant credit risk as at March 31, 2023 (see Note 25 – Subsequent events).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they come due. To manage liquidity risk, the Company uses a detailed cash flow forecast model to regularly monitor its near and long-term cash flow requirements. The Company's detailed cash forecasting also assists the Company in optimizing its working capital and evaluating long-term investment and funding strategies. In 2022, the common shares began trading on the NEO. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

Interest rate risk

Interest rate risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at March 31, 2023, the Company is not exposed to material interest rate risk.

D. Recent Accounting Pronouncements and Changes to Accounting Policies

Effective January 1, 2022, the Company retrospectively adopted amendments to IAS 16, Property, Plant and Equipment dealing with accounting for proceeds before intended use. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, such sale proceeds and related cost are recognized in profit or loss. The impact of adoption was not material to these consolidated financial statements.

In May 2020, the IASB issued Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments clarify that both incremental costs and an allocation of other costs that relate directly to fulfilling the contract should be included in assessing whether a contract is onerous. The amendments became effective January 1, 2022. The impact of adoption was not material to these consolidated financial statements.

Listed below are the standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. The Company does not expect that the impact of adopting these standards, amendments, and interpretations would be material to the consolidated financial statements.

- In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*. The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, applied retrospectively.
- In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*. The amendments address the measurement requirements for sale and leaseback transactions. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, applied retrospectively.

4. Acquisitions

a) Miraculo Inc. (“Miraculo”)

On March 15, 2022, the Company completed the acquisition of Miraculo (“Miraculo Acquisition”) pursuant to an amalgamation agreement dated February 7, 2022 (“Amalgamation Agreement”) whereby Miraculo amalgamated with 1000101203 Ontario Inc., a wholly-owned subsidiary of the Company (“Trees Subco”) to form an amalgamated entity (“Amalco”) in order to carry out a three-cornered amalgamation whereby the Company acquired all of the issued and outstanding shares of Miraculo.

On closing of the Miraculo Acquisition, Michael Klein, former Chief Executive Officer of Miraculo, was appointed as Chief Executive Officer of the Company. In addition, both Mr. Klein and G. Scott Paterson were also appointed to the board of directors of the Company.

Pursuant to the terms of the Amalgamation Agreement, each common share in the capital of Trees Subco was exchanged for one common share in the capital of Amalco. The Miraculo shares held by the shareholders of Miraculo were exchanged on a pro rata basis for an aggregate of 13,639,917 common shares in the capital of Trees (“Trees Shares”) and an aggregate of 6,819,922 warrants to purchase Trees Shares exercisable at a price of \$0.11 per share until December 31, 2024.

The Miraculo Acquisition does not constitute a business combination since Miraculo does not meet the definition of a business under IFRS 3. As a result, the Miraculo Acquisition is accounted for in accordance with IFRS 2.

The consideration received pursuant to the Miraculo Acquisition was the fair value of the net assets of Miraculo. The value of the net assets acquired was provisionally estimated at the acquisition date as follows:

Fair value of 13,639,917 common shares of the Company at \$0.06 per share	\$818,395
Fair value of 6,819,922 share purchase warrants of the Company valued at \$0.029 per warrant	<u>\$197,777</u>
Total consideration	\$1,016,172
Cash	\$3,928
Inventory	\$29,343
HST receivable	\$8,891
Intangible assets	\$525,492
Accounts payable	(\$11,481)
Bank loan	<u>(\$40,000)</u>
Net assets acquired	\$516,173
Transaction costs related to the acquisition	\$500,000

Refer to Note 9 – *Intangible Assets*, for details relating to the subsequent disposition of certain Miraculo intellectual property rights on October 21, 2022.

b) IPCo

As disclosed in the consolidated financial statements of the Company for the twelve months ended December 31, 2021, the Company will enter the British Columbia market upon the closing of the acquisition of assets to be acquired from 1015712 B.C. Ltd. d/b/a Trees Cannabis (“101”).

On October 22, 2019, Trees entered into an initial asset purchase agreement with 101, which agreement was ultimately superseded and replaced by a second amended and restated asset purchase agreement between Trees and 101 on February 24, 2020, and further amended and restated on January 26, 2021 (the “101 Purchase Agreement”). The 101 Purchase Agreement contemplated the purchase by Trees of the assets to operate up to eight retail cannabis stores in the province of British Columbia, subject to the receipt by Trees of all requisite licenses and approvals from the provincial regulator, the British Columbia Liquor and Cannabis Regulation Branch (the “LCRB”). 101 currently operates five existing retail cannabis stores in the Province of British Columbia.

Pursuant to the terms of the 101 Purchase Agreement, the Company agreed to acquire, subject to certain conditions, all or substantially all of the assets of 101 relating to five unique cannabis retail stores owned and operated by 101 (collectively, the “101 Purchased Stores”) located in British Columbia (the “101 Acquisition”).

On March 24, 2022 the Company and 101 renegotiated the terms of the 101 Purchase Agreement into two components: a share purchase component (the “101 Share Purchase”), which is governed by the terms of the share purchase agreement dated March 24, 2022 among the Company, 101 and 11391461 Canada Ltd. (“IPCo”) (the “101 Share Purchase Agreement”) and an asset purchase

component (the "101 Asset Purchase") which is governed by the terms of the third amended and restated asset purchase agreement entered into on the closing of the 101 Share Purchase (the "101 Asset Purchase Agreement").

Pursuant to the 101 Share Purchase Agreement, 101 transferred all of the "Trees" registered trademarks, including logos ("Trees IP") to IPCo at fair market value and, on March 24, 2022, the Company purchased all of the shares of IPCo in exchange for 5,933,333 common shares valued at \$0.045 per share, for a total consideration of \$266,999.

The 101 Share Purchase does not constitute a business combination since the acquired assets do not meet the definition of a business under IFRS 3. As a result, 101 Share Purchase is accounted for in accordance with IFRS 2.

On closing of the 101 Share Purchase, 101 and IPCo entered into a brand licensing agreement pursuant to which IPCo has agreed to license, until the closing of the 101 Asset Purchase, the Trees IP to 101 in exchange for an accruing royalty recorded as Brand License Royalties on the Company's statement of loss and comprehensive loss. In addition, the 101 Note was amended to encompass all indebtedness owing by 101 to the Company, to add additional covenants, guarantees and default provisions and to provide that the 101 Note was no longer forgivable (the "Amended 101 Note").

The 101 Asset Purchase Agreement contemplates, upon the satisfaction of all conditions precedent, including receipt of all required consents and approvals, including regulatory approval from the LCRB for the change of control, that the Company will acquire all of the remaining assets of 101 used to operate licenced retail cannabis businesses at five locations in British Columbia. The purchase price paid for the assets will be equal to the amount outstanding (inclusive of interest) under the Amended 101 Note on the date of closing of the 101 Asset Purchase, and will be satisfied by the issuance by IPCo of a note in favour of 101.

In September 2022, the Company received its provincial license to operate in British Columbia from the British Columbia Liquor and Cannabis Regulation Branch and in April 2023 the Company satisfied all remaining conditions precedent allowing for the closing of the 101 Asset Purchase on April 11, 2023 (refer to note 25 – Subsequent Events).

c) Camp Cannabis

On July 13, 2022, the Company completed its acquisition (the "Camp Acquisition") of 100% of the equity interests of 2707461 Ontario Ltd. ("Camp") from Barnard Cann Ltd. (the "Vendor"). Camp operates one licensed retail cannabis store in Burlington, Ontario.

The purchase price payable in connection with the Camp Acquisition was paid as follows: a) \$25,000 in cash to the Vendor; b) assumption of debt in the amount of \$343,000 owing to Trees pursuant to a grid promissory note dated March 11, 2020, as amended; and c) issuance by the Company of an unsecured convertible debenture in the amount of \$180,000 payable to the Creditor (the "Camp Debenture"). The Camp Debenture bears interest at 7.5% compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into common shares in the capital of Trees ("Debenture Shares") at the option of the Creditor, no sooner than the first anniversary of the closing date, at a conversion price being the greater of (X) \$0.15, and (Y) the closing price of Trees' common shares at the close of trading on the date prior to the conversion date, less a 10% discount. For accounting purposes, the Camp Debenture was evaluated for the liability and equity components under IFRS 9, which included the imbedded derivative as the Camp Debenture is not converted into the fixed number of common shares. Management determined the value of an imbedded derivative to be trivial on the day of issue and as at March 31, 2023.

Camp contributed \$0.7 million of revenue and \$0.2 million of losses before tax from the closing date of the Camp Acquisition to March 31, 2023. If the acquisition occurred on January 1, 2022, Camp would have contributed \$1.3 million of revenue and \$0.2 million of losses before tax for the fifteen months ended March 31, 2023. During the fifteen months ended March 31, 2023, the Company incurred \$117,437 in legal fees related to the Acquisition, which have been recorded as transaction costs in consolidated statement of loss and comprehensive loss.

The Camp Acquisition meets the definition of a business combination under IFRS 3 and has been accounted for as a corporate acquisition. Management is in the process of gathering the relevant information that existed at the date of closing of the Camp Acquisition to determine the fair value of the net identifiable assets acquired. As such, the fair values of assets acquired and liabilities assumed were provisionally allocated, and preliminary and subject to change.

The following table summarizes the fair values of the purchase consideration, assets acquired and liabilities assumed as at July 13, 2022:

Cash consideration	\$25,000
Convertible debenture	\$180,000
Pre-existing indebtedness with Camp	<u>\$340,000</u>
Total consideration	\$548,000
Cash	\$18,251
Inventory	\$39,586
Lease deposits	\$17,892
Right-of-use assets	\$669,626
Intangible assets	\$356,758
Property, plant and equipment	\$453,998
Accounts payable	(\$85,941)
Sales taxes payable	(\$3,715)
Lease liabilities	(\$757,432)
Long-term debt	(\$66,483)
Deferred taxes	(\$31,225)
Net assets acquired	\$548,000

5. Prepaid lease deposits and rents

	Lease Deposits
	\$
Balance at December 31, 2020	123,279
Additions	3,107
Deposit utilization	(12,631)
MetroCannabis Acquisition	135,120
Balance at December 31, 2021	248,875
Write-down	(33,444)
Camp Acquisition (Note 4)	17,892
Deposit utilization	(55,559)
Balance at March 31, 2023	177,764

The Company records deposits paid in accordance with conditional lease agreements and binding lease agreements, which are typically utilized as payment of rent for the first and last month of the lease term. Lease write-downs are recorded for forfeiture of non-refundable deposits paid in accordance with conditional lease agreements that the Company has elected to terminate during the period.

6. Notes Receivable

	March 31, 2023	December 31, 2021
	\$	\$
101 Note	2,543,912	3,186,495
Other	-	315,700
	<u>2,543,912</u>	<u>3,502,195</u>
Note receivable - current	-	300,000
Note receivable – long term	2,543,912	3,202,195

On February 10, 2021, in connection with the 101 Acquisition, 101 issued the 101 Note in favour of the Company for the purpose of funding 101's operations until the closing of the 101 Acquisition. The 101 Note may also be used by 101 for leasehold improvement costs relating to the operation of the 101 Purchased Stores. The outstanding principal amount of the 101 Note bears interest at the rate of 8.5% per annum. The 101 Note shall mature on the date of closing of the 101 Acquisition. On March 24, 2022, the terms of the 101 Note were amended to encompass all indebtedness owing by 101 to the Company, to add additional covenants, guarantees and default provisions and to provide that the 101 Note was no longer forgivable (refer to Note 4 – Acquisition of IPCo). As of the date of these consolidated financial statements, the Company has advanced an aggregate of \$4,238,492 to 101 under the terms of the 101

Note and the total indebtedness, including accrued and unpaid interest, owing under the 101 Note is \$4,698,090. The Company recorded \$310,125 in interest income on the 101 Note for the fifteen months ended March 31, 2023.

The 101 Note includes brand license royalties receivable of \$544,586 from 101 pursuant to the Brand License Royalty Agreement (refer to note 4b – IPCo)

As at March 31, 2023, the Company evaluated the 101 Note, accrued interest on the 101 Note and the accrued brand license royalties and determined that the carrying value exceeded the recoverable value by \$2,154,177. This amount has been recorded as an impairment to Notes Receivable. Refer to note 25 - Subsequent events, for details on the closing of the 101 Acquisition on April 11, 2023.

7. Inventory

	March 31, 2023	December 31, 2021
	\$	\$
Cannabis	284,284	167,303
Cannabis accessories	15,441	24,976
Total inventory	299,725	192,279

Inventory relates to cannabis and cannabis accessories that are anticipated to be sold within the next 12 months.

8. Property and Equipment

	Leasehold improvements	Furniture & fixtures	Technology equipment	Total
	\$	\$	\$	\$
Cost - balance at December 31, 2020	1,076,180	8,817	58,335	1,143,332
Additions	919,296	29,270	61,406	1,009,972
MetroCannabis Acquisition	1,459,345	-	93,150	1,552,495
Impairment	-	-	(6,306)	(6,306)
Cost - balance at December 31, 2021	3,454,821	38,087	206,586	3,699,493
Additions	39,228	6,148	12,562	57,937
Camp Acquisition (Note 4)	409,477	4,043	40,479	453,998
Impairment	(190,156)	-	(3,400)	(193,556)
Cost - balance at March 31, 2023	3,713,370	48,277	256,226	4,017,873
Accumulated depreciation – balance at December 31, 2020	(58,691)	(11,323)	(12,232)	(82,246)
Depreciation expense	(339,032)	(6,756)	(37,242)	(383,030)
Accumulated depreciation – balance at December 31, 2021	(397,723)	(18,079)	(49,474)	(465,276)
Depreciation expense	(752,676)	(265)	(68,066)	(821,007)
Accumulated depreciation – balance at March 31, 2023	(1,150,399)	(18,344)	(117,540)	(1,286,283)
Net book value				
December 31, 2021	3,057,098	20,008	157,112	3,234,217
March 31, 2023	2,562,971	29,934	138,686	2,731,590

The bulk of capital assets of the Company relate to investments in store design and construction. Depreciation of capital costs associated with each retail store begins on the first day of store operations.

For the fifteen months ended March 31, 2023, the Company recorded an impairment of \$193,556 for leasehold improvements related to terminated leases (refer to Note 11).

9. Intangible Assets and Goodwill

	Business License	Intellectual Property and Other	Total
	\$	\$	\$
Balance at December 31, 2020	-	20,712	20,712
MetroCannabis Acquisition	972,202	-	972,202
Amortization	(122,465)	(6,904)	(129,369)
Balance at December 31, 2021	849,738	13,808	863,546
Acquisition of IPCo (Note 4)	-	266,999	266,999
Miraculo Acquisition (Note 4)	-	525,492	525,492
Camp Acquisition (Note 4)	356,758	-	356,758
Write off of Miraculo Intangibles	-	(467,010)	(467,010)
Participation Agreement	-	724,145	724,145
Amortization	(640,252)	(99,565)	(739,817)
Balance at March 31, 2023	566,244	963,869	1,530,113

For the fifteen months ended March 31, 2023, an amortization charge of \$640,252 and \$99,565 was recorded on the Company's business license, and intellectual property and other assets, respectively.

On May 24, 2022, the Company completed the Miraculo Acquisition, resulting in the recognition of \$525,492 of intangible value of websites and an e-commerce platform. Refer to Note 4 for additional details on the Miraculo Acquisition. The intangibles were amortized over 5 years. On September 19, 2022, Michael Klein resigned from his role as chief executive officer and director of the Company. On October 21, 2022, pursuant to a settlement agreement between Mr. Klein and the Company, the Company conveyed to Mr. Klein, ownership of the intellectual property rights to the cannabisMD, askCMD and God's Greenery brands in lieu of payment obligations pursuant to his employment agreement. As a result, the Company de-recognized the unamortized value of Miraculo intangible assets of \$467,010, and recognized a loss on sale of intangible assets of \$435,043 in the consolidated statements of loss and comprehensive loss for the fifteen months ended March 31, 2023.

On July 13, 2022, the Company completed the Camp Acquisition, resulting in the recognition of \$356,758 of intangible assets related to the AGCO license. Refer to Note 4 for additional details on the Camp Acquisition. The license is amortized over 12 years.

On December 9, 2022 the Company entered into a Participation Agreement with 1000321689 Ontario Ltd. ("10003"), whereas it transferred approximately \$0.2 million of liabilities relating to the Company's Rexdale and Bloor stores (the "Retail Locations"), as well as remaining future obligations related to the construction and operations of the Retail Locations, in exchange for a 49% participating interest (the "Participating Interest") in the Retail Locations. The agreement provides that, in the event of a change of control, the Company is to be required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of \$1.0 million, which at the election of 10003, may be settled in cash or common shares of the Company. The Company has recognized the obligation to make payments under this agreement on the consolidated balance sheet as at March 31, 2023, as a non-current financial liability initially measured at \$1.0 million. The Company subsequently measures the liability at amortized cost and will record Participating Interest payments as finance charges in the consolidated statements of loss and comprehensive loss. As a result of this agreement, the Company recognized an intangible asset of \$764,145 to reflect its right to future payments related to the construction and operation of the Retail Locations. As tangible or intangible assets are acquired, the Company will transfer the associated value to the respective assets and will amortize them in accordance with its usual amortization and depreciation policies. During the three months ended March 31, 2023, the Company received a \$40,000 payment representing cost related to the completion of the Bloor St. location, which reduced the intangible asset value.

On March 31, 2023, the Company completed impairment testing over the group of CGUs to which goodwill had been allocated totalling \$5,099,050. The recoverable amount of the group of CGUs, was first assessed based on a FVLCD model. The model was built using 10-year cash flows projections expected to be generated based on historical performance, financial forecasts, and growth expectations. Cash flows beyond 10 years used a terminal growth rate of 1%; and Cash flows were discounted at an after-tax discount of 15.0%. The Company's significant decline in market capitalization since December 31, 2021 was also factored into the determination of impairment. As a result of the impairment test performed, the recoverable amount was determined to be higher than the carrying value of the group of CGUs and therefore the Company recognized goodwill impairment in the amount of \$5,099,050.

10. Finance Costs

Finance costs are comprised of the following:

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
	\$	\$
Accretion of lease liability (Note 11)	446,071	435,920
Interest on debt and shareholder loans (Notes 13,14,15)	517,153	517,153
Total	963,224	1,603,980

11. Right-of-Use Asset and Lease Liability

Right-of-Use Asset

	\$
Balance at December 31, 2020	3,822,433
Lease additions	434,076
Lease addition from MetroCannabis Acquisition	2,869,394
Dispositions	(644,147)
Depreciation expense for the twelve months ended	(541,483)
Balance at December 31, 2021	5,940,273
Terminations	(2,137,865)
Lease addition from Camp Acquisition (Note 4)	669,626
Depreciation expense for the period	(553,251)
Balance at March 31, 2023	3,918,783

Lease Liability

	\$
Balance at December 31, 2020	3,860,623
Lease additions	434,076
Lease addition from MetroCannabis Acquisition	2,870,628
Dispositions	(652,986)
Lease payments	(756,158)
Interest (finance costs)	435,920
Balance at December 31, 2021	6,192,103
Terminations	(2,265,966)
Lease addition from Camp Acquisition (Note 4)	757,431
Lease payments	(812,653)
Interest (finance costs) (Note 10)	446,071
Balance at March 31, 2023	4,316,986

	As at March 31, 2023	As at December 31, 2021
	\$	\$
Current portion of lease liability	512,615	877,734
Non-current portion of lease liability	3,804,371	5,314,369
Total Lease Liability	4,316,986	6,192,103

For the fifteen months ended March 31, 2023, the Company recognized \$227,416 (twelve months ended December 31, 2021 – \$333,263) of rent expenses related to short-term leases in the consolidated statements of loss and comprehensive loss. Short-term leases relate to non-operational short-term conditional lease agreements.

During the fifteen months ended March 31, 2023, the Company terminated several leases that no longer fit the Company's strategic location criteria, resulting in \$101,058 of lease deposit write-downs and termination expenses and a reduction in the right-of-use asset and lease liability of \$2,137,865 and \$2,265,966 respectively.

The following is a summary of the contractual undiscounted cash outflows for lease obligations:

	As at March 31, 2023
	\$
Less than one year	653,997
Between one and five years	2,939,380
Greater than five years	2,856,046
Total	6,449,424

12. Amortization and Depreciation

Amortization and depreciation costs are comprised of the following:

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
	\$	\$
Property and equipment depreciation (Note 8)	821,007	383,030
Intangible asset amortization (Note 9)	739,817	129,369
Right-of-use asset depreciation (Note 11)	553,251	541,483
Total	2,114,076	1,053,882

13. Long-Term Debt

Changes in Long-term debt during the following periods;

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
	\$	\$
Balance, beginning of period	2,301,544	2,097,470
Additions	106,483	5,060,000
Repayments	(86,027)	(65,926)
Non-cash debt settlements	(1,052,000)	-
Non-converted portion of September 2021 Convertible Debentures (Note 14)	-	210,000
Interest	169,489	-
Participation Agreement liability (note 9)	1,000,000	-
Conversions	-	(5,000,000)
Balance, end of period	2,439,489	2,301,544

Long-term debt is comprised of the following balances at each period end;

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
Government relief	160,000	120,000
September 2021 Debentures (note 14)	379,489	210,000
Licensed producer	900,000	900,000
Participation agreement liability	1,000,000	-
MHC acquisition	-	1,064,000
Other	-	7,544
Balance, end of period	2,439,489	2,301,544
Current portion of long-term debt	1,279,489	43,544
Non-current portion of long-term debt	1,160,000	2,258,000

Acquisition of MetroCannabis: On May 11, 2021, the Company completed the MetroCannabis Acquisition, and in consideration of the MetroCannabis Acquisition, issued the MetroCannabis Note. The MetroCannabis Note was converted contemporaneously with the 406 Amalgamation.

Licensed Producer: The Company received debt funding from a Canadian licensed cannabis producer (the “Licensed Producer”) for the purpose of constructing and opening stores in the province of Ontario. The debt is a first secured loan by way of a general collateral agreement over all of the Company’s operating assets. Each tranche of debt funding has a term of three years, is callable on the first anniversary of its issuance, and accrues interest at a rate of 8.5% per annum. As at March 31, 2023 the balance outstanding on the debt was \$900,000. The loan matures in equal installments of \$300,000 on each March 17, 2023, May 29, 2023, and June 24, 2023 and is in default. The Company is currently in discussions with the Licensed Producer to extend the maturity of this debt. Refer to note 25 – subsequent events.

MHC Acquisition: In 2019, the Company completed the MHC Acquisition and issued a promissory note to the vendor (“MHC Vendor”) in the amount of \$1.1 million. The Company was obligated to repay this amount beginning with a payment of \$50,000 upon licensing of the store located in Squamish, British Columbia, and monthly payments calculated to be the greater of: a) 85% of the cash earnings from operations of the store, or b) \$3,000 per month beginning on January 1, 2021, in either case until such time as the debt is fully repaid.

On May 7, 2022, \$800,000 of this debt was acquired by 1361535 B.C. Ltd (“535BC”), an arms length entity, and together with the remaining \$252,000 held by the MHC Vendor, was settled in exchange for the issuance of 20,400,000 common shares of the Company at fair market value on June 16, 2022. \$236,000 was forgiven by 535BC, which has been recorded as a gain on debt settlements.

Government Relief: During 2020, the Company received a \$60,000 government assistance COVID-19 loan to provide working capital support through the COVID-19 crisis. The loan is an extendible revolving facility, with any outstanding balance convertible to a reducing term facility on December 31, 2020. If the Company repays the loan in full on or before December 31, 2023, it shall be entitled to a credit in the amount of 25% of the converted loan balance. If the loan is not repaid in full on or before December 31, 2023, the Company may extend the term from January 1, 2024 to December 31, 2025. Monthly interest payments commence on any unpaid balance beginning on January 1, 2024 at a rate of 5.0% per annum. In connection with the OCH Amalgamation, the Company assumed \$60,000 government assistance COVID-19 loan on the same terms. In connection with the Miraculo acquisition, the Company assumed \$40,000 government assistance COVID-19 loan on the same terms. As at March 31, 2023 the aggregate balance outstanding was \$160,000 from all three loans.

Participation Agreement Liability: As described in Note 9 – *Intangible Assets*, the Company entered into a Participation Agreement on Dec 9, 2022 and recognized a related obligation measured at \$1.0 million. The liability provides for Participating Interest payments from the Company’s Retail Locations, calculated and accrued on a calendar monthly basis with the first payment to be made upon the later of (a) 30 days following the end of the first calendar month that is six months from the Closing Date, or (b) 30 days following the end of the first calendar month upon achievement of three (3) consecutive months of corporate Adjusted EBITDA of \$50,000 or greater. The agreement further provides that, in the event of a change of control, the Company is required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of \$1.0 million, which at the election of 10003, may be settled in cash or common shares of the Company. The Company has recognized the obligation to make payments under this agreement on the consolidated balance sheet as at March 31, 2023, as a non-current financial liability initially measured at \$1.0 million. The Company subsequently measures the liability at amortized cost and will record Participating Interest payments as finance charges in the consolidated statements of loss and comprehensive loss. Refer to note 25 – subsequent events.

14. Convertible Debt

	March 31, 2023	December 31, 2021
	\$	\$
Camp Debenture	180,000	-
November 2022 Secured Convertible Debentures	893,630	-
Convertible debt	1,073,630	-

September 2021 Debentures (principal value \$1.2 million): On September 10, 2021, October 28, 2021, and November 5, 2021, the Company closed private placements of 58.8% per year secured convertible debentures (the "September 2021 Debentures") for aggregate gross proceeds of \$710,000. \$500,000 of the face value of the September 2021 Debentures were converted to common shares upon the completion of the 406 Amalgamation. September 2021 Debentures with a face value of \$210,000 were not converted and are no longer eligible to be converted and have therefore been reclassified as long-term debt. The unconverted portion of the September 2021 Debentures mature on the two-year anniversary of the date of issuance. The Company has the right, but not the obligation, to elect to prepay the principal amount and all accrued interest thereon up to a date of prepayment determined by the Company at any time, in the Company's sole discretion. The principal amount of \$210,000 along with accrued interest in the amount of \$169,489 are due in November of 2023 and are included in the current portion of long-term debt on the consolidated statement of financial position as of March 31, 2023. Refer to note 25 – subsequent events.

Camp Debenture (principal value \$0.2 million): In connection with the Camp Acquisition, the Company issued the Camp Debenture in the amount of \$180,000. The Camp Debenture bears interest at 7.5% per annum compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into common shares in the capital of Trees ("Debenture Shares") at the option of the holder, no sooner than July 13, 2023 (the first anniversary of the closing date), at a conversion price being the greater of (X) \$0.15 per share, and (Y) the closing price of Trees' common shares at the close of trading on the date prior to the conversion date, less a 10% discount. Refer to note 25 – subsequent events.

November 2022 Secured Convertible Debentures (principal value \$0.9 million): On October 21, 2022 and November 28, 2022 the Company completed the closing of a non-brokered private placement (the "November 2022 Convertible Debenture Financing") of 200 and 745 units ("Nov Units"), respectively, of the Company at a price of \$1,000 per Nov Unit for gross proceeds of \$945,000. Each Nov Unit consists of (i) one 12.0% per annum secured convertible promissory note bearing a principal amount of \$1,000 (each, a "Nov Convertible Note"), convertible into common shares of the Company at a conversion price of \$0.015 per common share (the "Nov Conversion Price") and maturing thirty-six (36) months from the closing of the November 2022 Convertible Debenture Financing; and (ii) 66,667 common share purchase warrants of the Company (each, a "Nov Warrant"). Each Nov Warrant entitles the holder thereof to purchase one common share at a price of \$0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the November 2022 Convertible Debentures, the volume weighted-average share price of the common shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds \$0.06, the Company may, upon 30 days' prior notice, convert the Nov Convertible Notes into common shares at the conversion price of \$0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds \$0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Nov Warrants to a date that is 30 days from the date of the notice (the "Acceleration").

For accounting purposes, the November 2022 Convertible Debentures were separated into their liability and equity components (\$785,750 and \$159,250 respectively) by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 20% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (both the conversion feature and the detachable warrants) was determined at the time of issue as the difference between the face value of the November 2022 Convertible Debentures and the fair value of the liability component.

On January 3, 2023, the Company granted \$60,000 of Convertible Debentures on the same terms and conditions as the November 2022 Convertible Debenture Financing, to executives of the Company in recognition of their services to the Company. The equity (\$10,110 and \$49,890 respectively) were calculated using the methodology described above. Refer to note 25 – subsequent events.

15. Shareholders Loans

On December 31, 2019, certain shareholders of the Company provided short-term bridge financing arrangements to the Company in the amount of \$270,000 and a further \$650,000 during the twelve months ended December 31, 2020, for a total of \$920,000. These shareholder loans accrue interest at 10% per annum. Shareholder loans are subordinate to long-term debt funding provided by the Licensed Producer (Note 13 – *Long Term Debt*). No repayments of shareholder loans or accruing interest was permitted prior to June 1, 2021 unless the debt provided by the Licensed Producer and related accruing interest were repaid in full. On December 31, 2021, the repayment terms of the loans were amended to provide that all unpaid principal amounts together with accrued and unpaid interest thereon would become immediately due and payable on the earlier of (i) January 1, 2023; (ii) upon the occurrence of an Event of Default (as defined therein); or (iii) upon the closing of a Change of Control. The amount of the loans including accrued interest as at March 31, 2023 is \$1,237,571.

On January 29, 2021, the Company and Ontario Cannabis Holdings Corp. (“OCH”) entered into a merger agreement (the “OCH Amalgamation”), whereby the Company assumed loans from shareholders in the amount of \$409,960 to fund operating and capital expenditures during the development phase of the business. The shareholder loans accrue interest at a rate of 8% per annum and were to mature on January 1, 2023 subject to extension by mutual agreement. The amount of the loans including accrued interest as at March 31, 2023 is \$494,369.

The above shareholder loans in the aggregate amount of \$1,731,939 as of March 31, 2023, became due and payable on January 1, 2023. The Company is in discussions with each of the shareholder lenders and no action has been taken by any shareholder lender to demand repayment. The loans, along with accrued interest, are classified as current liabilities on the consolidated statements of financial position at March 31, 2023. Refer to note 25 – subsequent events.

In 2021, the Company obtained loans from a director in the amount of \$65,000 and has accrued interest totalling \$11,167 to March 31, 2023. The loans bear interest at 10% per annum and are due on demand.

During the three months ended September 30, 2022, certain shareholders of the Company provided \$185,000 in bridge financing loans, bearing interest at 12% per annum, which were repaid through the issuance of units of the November 2022 Convertible Debenture placement (refer to note 14 – *Convertible Debt*). Refer to note 25 – subsequent events.

Composition of Shareholder loans;

	March 31, 2023	December 31, 2021
	\$	\$
Shareholders individually holding 5% or more shares in the Company	-	-
Shareholders individually holding less than 5% shares in the Company	1,808,106	1,616,866
Total debt	1,808,106	1,616,866
debt – current portion	1,808,106	65,000

16. Share Capital

(a) Authorized Common Shares

The Company is authorized to issue an unlimited number of common shares with no par value. As of March 31, 2023, there were 162,715,492 common shares issued and outstanding.

The holders of common shares are entitled to the following: (i) one vote per Common Share at meetings of shareholders of the Company; (ii) dividends as and when declared by the Board, and, (iii) upon liquidation, to receive such assets of the Company as are distributable to the holders of common shares after payment of the Company’s creditors.

Common shares, issued and outstanding

	Fifteen Months Ended March 31, 2023		Year Ended December 31, 2021	
	Number of Shares (#)	Amount (\$)	Number of Shares (#)	Amount (\$)
Balance, beginning of period	82,733,911	32,440,717	6,633,300	8,200,570
Issued pursuant to the acquisition of IPCo (Note 4)	5,933,333	266,999	-	-
Issued pursuant to Miraculo Acquisition (Note 4)	13,639,917	818,395	-	-
Issued pursuant to a private placement ^(a)	34,166,665	1,025,000	-	-
Issued to brokers pursuant to a private placement ^(a)	1,866,666	56,000	-	-
Issued pursuant to the settlement of debt (Note 13) ^(b)	20,400,000	816,000	-	-
Issued for contract services ^(c)	600,000	18,000	-	-
Issued pursuant to settlement of liabilities ^(d)	3,375,000	135,000	-	-
Issued pursuant to OCH Amalgamation	-	-	1,219,384	1,552,921
Conversions and settlement of debt in common	-	-	62,451,201	18,735,366
Issued pursuant to Subscription Receipt Financing	-	-	6,766,660	2,030,000
Issued pursuant to 406 Amalgamation	-	-	5,000,000	1,500,000
Issued upon vesting of PSUs	-	-	663,366	712,552
Share issue costs	-	(156,445)	-	(290,693)
Balance, end of period	162,715,492	35,419,666	82,733,911	32,440,717

- a) On May 6, 2022 the Company completed the closing of a non-brokered private placement (the “May 2022 Financing”) of 34,166,665 units (“May Units”) of the Company at a price of \$0.03 per May Unit for gross proceeds of approximately \$1,025,000. Each May Unit is comprised of one common share (each, a “Common Share”) and one-half of one common share purchase warrant (each whole warrant, a “May Warrant”) of the Company. Each May Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.05 per Common Share for a period of two years from the date of issuance, subject to an accelerated expiry date at the option of the Company in the event that the closing price of the common shares on the facilities of the Neo Exchange Inc. is greater than \$0.20 for ten non-consecutive trading days (the “Acceleration Provision”). In connection with the closing of the May 2022 Financing, the Company paid a finder \$14,000 in cash commission, issued certain finders an aggregate of 1,866,666 May Units in lieu of a cash commission (valued at \$56,000), and issued an aggregate of 1,866,666 Broker Warrants of the Company (valued at \$56,000), for the aggregate share issue costs of \$126,000.
- b) On June 16, 2022, \$816,000 of debt was settled in exchange for the issuance of 20,400,000 common shares of the Company at fair market value. Refer to Note 13 – *Long Term Debt*.
- c) On May 9, 2022, 600,000 units at \$0.03 per unit were issued to a shareholder and former director of the Company in settlement of a debt in the amount of \$18,000 relating to contract services provided. The units were issued on the same terms as the May 2022 May Units discussed above.
- d) In December 2022, the Company settled \$135,000 in accounts payable for 3,375,000 common shares at a price of \$0.04 per share.

(b) Share Purchase Warrants

The following table summarizes the outstanding Share Purchase Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020 and 2021	-	-
Warrants issued pursuant to Miraculo Acquisition ⁽¹⁾	6,819,922	0.11
Warrants issued pursuant to May'22 Financing ⁽²⁾	17,083,333	0.05
Warrants issued pursuant to contract services ⁽³⁾	300,000	0.05
Warrants issued pursuant to November'22 Financing ⁽⁴⁾	63,000,000	0.015
Warrants issued pursuant to November'22 Financing ⁽⁵⁾	4,000,000	0.015
Balance, March 31, 2023	91,203,255	0.029

- (1) On March 15, 2022, in conjunction with the closing of the Miraculo Acquisition, the Company issued 6,819,922 warrants to purchase common shares exercisable at a price of \$0.11 per share until December 31, 2024 (refer to Note 4 - *Acquisitions*). The fair value of

the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.8 years; expected volatility of 100%; and risk-free interest rate of 1.82%.

- (2) As described in (16a) above, in connection with the closing of the May 2022 Financing, 17,083,333 May Warrants were issued to subscribers of the offering. Each May Warrant entitles the holder thereof to acquire one share at a price of \$0.05 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provisions. The Company issued certain insiders an aggregate of 1,866,666 May Units in lieu of a cash commission and issued an aggregate of 1,866,666 broker warrants ("Broker Warrants") of the Company. Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of \$0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units issued under the Private Placement. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.
- (3) In connection with the closing of the May 2022 Financing, the Company also issued an aggregate of 600,000 May Units to a former director of the Company in settlement of an aggregate of \$18,000 in indebtedness resulting in the issuance of 300,000 warrants on the same terms as the May Warrants.
- (4) In connection with the November 2022 Convertible Debenture Financing, the Company issued an aggregate of 63.0 million Nov Warrants of the Company. Each Nov Warrant entitles the holder thereof to acquire one common share at a price of \$0.015 per share until October 20, 2025, subject to the Acceleration Provision. Refer to Note 14 - *Convertible Debt*, for further details on the valuation of Nov Warrants (refer to note 25 - Subsequent events for exercise of a portion of these warrants in April 2023.)
- (5) In connection with the grant of \$60,000 convertible debentures to executives on January 2, 2023 (Refer to Note 14 - *Convertible Debt*), the Company issued an aggregate of 4.0 million warrants on the same terms and conditions as the warrants issued in connection with the November 2022 Convertible Debenture Financing. The warrants were allocated a total value of \$10,110.

(c) Broker Warrants

The following table summarizes the outstanding Broker Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020	29,085	5.70
Additions ⁽¹⁾⁽²⁾⁽³⁾	1,120,794	0.20
Expired ⁽¹⁾⁽⁴⁾	(33,085)	5.01
Balance, December 31, 2021	1,116,794	0.20
Broker warrants issued pursuant to May'22 Financing ⁽⁵⁾	1,866,666	0.03
Balance, March 31, 2023	2,983,460	0.09

- (1) Prior to the completion of the OCH Amalgamation, and in connection with the January 2020 Offering, the Company granted 4,000 Broker Warrants with a nil strike price, which immediately vested and expired on December 31, 2021.
- (2) On February 16, 2021, the Company issued 1,105,128 Broker Warrants to certain brokers as partial compensation for their engagement in the completion of the February 2021 Offering. The Broker Warrants are exercisable at a price equal to the conversion price of the February 2021 Debentures (\$0.20 per warrant) until February 16, 2024.
- (3) On December 21, 2021 and in conjunction with a subscription receipts financing, the Company issued 11,666 Broker Warrants with a strike price of \$0.30 per share and a term of two years from the date of completion of the 406 Amalgamation.
- (4) Broker Warrants granted on March 8, 2019 with a strike price of \$5.70 per share expired without exercise on March 9, 2021.
- (5) As described in (a) above, in connection with the closing of the May 2022 Financing, 17,383,333 May Warrants were issued to subscribers of the offering. Each May Warrant entitles the holder thereof to acquire one share at a price of \$0.05 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provisions. The Company issued certain insiders an aggregate of 1,866,666 May Units in lieu of a cash commission and issued an aggregate of 1,866,666 broker

warrants ("Broker Warrants") of the Company. Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of \$0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units issued under the Private Placement. The fair value of the Broker Warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.

(d) Share Based Compensation

i. Stock Options

The following table summarizes the Options grants and activity:

	Number of options (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020 and 2021	211,013	2.55
Granted	9,193,982	0.03
Forfeited/Cancelled	(850,000)	0.03
Balance, March 31, 2023	8,554,995	0.09

Outstanding Options				Exercisable Options	
Options Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (\$/share)	Number Exercisable	Weighted-Average Exercise Price (\$/share)	
8,554,995	4.2	0.09	2,992,341	0.21	

Of the total of 8,554,995 options outstanding at March 31, 2023, 2,153,286 expire on June 16, 2027; 6,190,696 expire on May 19, 2027; and 211,013 expire on August 1, 2030.

On May 19 and June 16, 2022, the Company granted an aggregate of 9,193,982 stock options to employees of the Company. The options vest equally at the end of each of the three years from the dates of grant, have an exercise price of \$0.03 per share, and expire on May 19, 2027 and June 16, 2027, respectively. 850,000 of the options were forfeited in the fourth quarter of 2022 upon departure of an employee.

The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 5 years; expected volatility of 100%; no forfeitures, and risk-free interest rates between 2.75% and 3.31%, respectively, per annum.

ii. Performance and Restricted Share Unit Plan

The following table summarizes the PSU and RSU grants and activity:

	Number of PSUs/RSUs (#)	Weighted-Average Exercise Price (\$)
Balance, December 31, 2020	-	-
PSUs issued to contractors	376,666	\$0.00
Granted	860,102	\$0.00
Exercised	(663,366)	\$0.00
Balance, December 31, 2021	573,402	\$0.00
Granted ⁽¹⁾	20,471,085	\$0.00
Forfeited/Cancelled ⁽²⁾	(4,409,604)	\$0.00
Balance, March 31, 2023	16,634,883	\$0.00

Outstanding PSUs					Exercisable PSUs	
Exercise Price (\$/share)	Options Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (\$/share)	Number Exercisable	Weighted-Average Exercise Price (\$/share)	
-	16,634,883	4.1	-	4,094,217	-	

- On May 19 and June 16, 2022, the Company granted an aggregate of 20,471,085 restricted share units to Senior Managements and Directors of the Company. Each unit entitles the holder to receive one common share of the Company for no consideration upon the satisfaction of the following performance conditions:
 - 25% of the units upon the Company opening the 15th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 1)
 - 25% of the units upon the Company achieving \$15,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 2). The Company achieved this vesting hurdle in the three-month period ended December 31, 2022.
 - 25% of the units upon the Company opening the 20th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 3)
 - 25% of the units upon the Company achieving \$20,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 4).
- 315,387 PSUs allocated to Mr. Conquergood were cancelled upon his resignation on February 7, 2022. During the three months ended September 30, 2022, 1,364,739 PSUs granted to Ms. Lisa Dea were cancelled upon her resignation as Director, and 2,729,478 PSUs granted to Mr. Michael Klein were cancelled upon his resignation as the Company's Chief Executive Officer and Director.

17. Contributed Surplus

The following table summarizes the changes in contributed surplus:

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
	\$	\$
Balance, beginning of period	2,506,664	2,292,056
Issuance of Purchase Warrants ⁽¹⁾	197,777	-
Issuance of Broker Warrants	56,000	-
Share-based compensation expense	556,302	927,160
Shares to be issued on settlement of debts	135,000	-
Shares issued upon vesting of PSUs	-	(712,552)
\$945,000 Debenture option and warrants (note 14)	159,250	-
Shares issued on satisfaction of the debt settlement agreement	(135,000)	-
Balance, end of period	3,475,994	2,506,664

- Pursuant to the Miraculo Acquisition.
- The Company recorded \$556,302 in share-based compensation expense for the fifteen months ended March 31, 2023 (twelve months ended December 31, 2021: \$927,160).
- In December 2022, the Company settled \$135,000 in accounts payable for 3,375,000 common shares.

18. Change in Non-Cash Working Capital

The net change in working capital is comprised of:

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
	\$	\$
Trade and other receivables	(70,337)	(275,940)
GST/HST net receivable	95,469	(40,559)
Inventory	(38,517)	(135,172)
Prepaid expenses	(2,861)	(22,500)
Accounts payable and accrued liabilities	625,055	638,482
Change in non-cash working capital	608,809	164,311
Related to operating activities	608,809	233,713
Related to investing activities	-	-
Related to financing activities	-	(69,402)

19. Commitments and Contingencies

The Company has entered into numerous cash commitments pertaining to payments on retail leases that are payable over the next five years, as follows:

(\$ thousands)	Total	2023	2024	2025	2026	2027
Retail leases	3,030	654	668	581	563	563

20. Key Management and Personnel Compensation

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

	Fifteen Months Ended March 31, 2023	Twelve Months Ended December 31, 2021
Executive earnings	\$372,500	\$450,000

21. Related Party Transactions

The key management personnel of the Company for the fifteen months ended March 31, 2023 were Campbell Becher (CEO effective September 19, 2022) and Jeff Holmgren (President and CFO) along with members of the non-executive Board.

As at March 31, 2023, the Company had the following transactions with related parties, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements. Transactions with related parties were conducted in the normal course of operations.

Shareholder loans

Certain shareholders of the Company have provided loans to the Company in the amount of \$1,808,106 (including accrued interest) as at March 31, 2023. These shareholder loans accrue interest at rates between 8% and 10% per annum. See Note 15 - *Shareholder Loans*, for additional information.

As at March 31, 2023, the Company owed \$175,000 to Mr. Conquergood (previous CEO), being a combination of severance (\$136,875) and unpaid wages (\$23,125) in connection with his resignation on February 7, 2022. Repayment terms pursuant to a settlement agreement included a lump sum payment of \$23,125 in January 2023 with the remaining obligation of payable in monthly installments beginning in November 2022 until December 2023. The Company has not paid the installment payment of \$23,125 which was due on January 30, 2023. The Company is therefore in breach of the settlement agreement. Pursuant to the settlement agreement, the Company agreed to a consent judgement order, providing Mr. Conquergood with the right to obtain court judgement for collection of the unpaid balance of debts owing totalling \$175,000 as at March 31, 2023. Mr. Conquergood exercised

his right to consent judgement in March 2023, however no further action has been taken to collect due to ongoing settlement negotiations. Refer to note 25 – subsequent events.

In January 2023, the Company issued \$60,000 in secured convertible debentures on the same terms and conditions as the November 2022 Convertible Debentures unit offering (refer to note 14 – Convertible Debt), as repayment of debts owing to executives of the Company. Refer to note 25 – subsequent events.

101 Note

See note 4 above for details regarding the 101 Note. Certain shareholders of the Company are non-controlling shareholders of 101.

22. Debt Settlement Agreements

During the fifteen months ended March 31, 2023, the Company settled debts with various creditors resulting in a net write-off of accounts payable totalling \$320,339 which has been recorded as a resulting gain on debt settlements in the consolidated statements of loss and comprehensive loss for the fifteen months ended March 31, 2023. In addition, as described in Note 13 – *Long Term Debt*, the Company settled a promissory note in the amount of \$1,052,000 owing to the MHC Vendor which resulted in a gain on settlement of \$236,000.

23. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while also maximizing the Company's business and value creation opportunities for the benefit of its shareholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity to fund expenditures. The Board has not yet established quantitative returns on capital criteria, but rather relies on the expertise of management and other professionals to sustain the future development of the business. The capital of the Company consists of equity comprised of common shares, Warrants, Options, and PSUs.

The Company's principal operating activities are focused on the development and operation of recreational retail cannabis in the province of Ontario. The Company currently has negative operating cash flows, which is expected to transition into positive operating cash flows by mid 2023.

Management forecasts its financing requirements in advance and on an ongoing basis and believes that this approach is reasonable considering the early stage of development and continuing uncertainties surrounding the Ontario retail cannabis legislation and licensing timelines. The Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity.

24. Taxes

	Fifteen Months Ended March 31, 2023	Year Ended December 31, 2021
	\$	\$
Loss before income taxes	(12,829,730)	(13,371,723)
Combined provincial and federal tax rate	25.9%	25.9%
Computed expected income tax recovery	(3,322,900)	(3,463,276)
Share-based compensation and other	840,021	1,977,733
Goodwill impairment	2,495,989	-
Change in unrecognized deferred tax asset	338,357	1,485,543
Deferred income tax recovery	351,467	-

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Deferred tax assets and liabilities

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 is presented below:

	March 31, 2023	December 31, 2021
Deferred tax assets (liabilities):	\$	\$
Property, plant and equipment	310,391	47,417
Intangible assets	(350,482)	(257,633)
Non-capital losses	4,366,920	3,941,138
Other	(18,075)	(18,158)
Unrecognized deferred tax asset	(4,308,754)	(3,970,397)
Deferred income tax asset (liability)	-	(257,633)

At March 31, 2023, the Company has determined it is not probable that future taxable profits will be available against which the tax benefits will be utilized.

Unrecognized temporary differences:

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

	March 31, 2023	December 31, 2021
Non-capital losses and other unrecognized temporary differences	\$16,973,664	\$15,329,718

The non-capital losses begin to expire in 2038.

25. Subsequent Events

a) Closing of 101 Asset Acquisition

On April 11, 2023 the Company closed the 101 Acquisition (see note 4(b)).

b) Opening of Toronto location

On May 4, 2023, the Company opened its ninth location in Ontario at 3812A Bloor St W, Toronto increasing the Company's combined corporate store count to 14.

c) Exercise of warrants

On April 5, 2023, warrant were exercised for 16,666,666 common shares for gross proceeds of \$250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 common shares being granted, combined a total of 33,333,333 commons shares were issued in connection with the early exercise of these warrants. Proceeds from the warrant exercise are to be used for general working capital purposes.

This is Exhibit "O" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

Search ID #: Z16890939

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5

Party Code: 50076967

Phone #: 780 483 8211

Reference #: 05042426-EDD3 5
3914

Search ID #: Z16890939

Date of Search: 2023-Dec-21

Time of Search: 06:56:09

Business Debtor Search For:

TREES CORPORATION

Both Exact and Inexact Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z16890939

Business Debtor Search For:

TREES CORPORATION

Search ID #: Z16890939

Date of Search: 2023-Dec-21

Time of Search: 06:56:09

Registration Number: 21102526578

Registration Date: 2021-Oct-25

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-Oct-25 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

21102533582	Amendment	2021-Oct-25
21110512175	Amendment	2021-Nov-05
21122926828	Amendment	2021-Dec-29

Debtor(s)**Block****Status**

1 TREES CORPORATION
181 BAY STREET, SUITE 1800
TORONTO, ON M5J2T9

Current

Secured Party / Parties**Block****Status**

1 AIRD & BERLIS LLP
181 BAY STREET, SUITE 1800
TORONTO, ON M5J2T9
Email: mcole@airdberlis.com

Deleted by
21122926828**Block****Status**

2 BMO NESBIT BURNS IN TRUST FOR HERBERT FRASER CLARKE
1 FIRST CANADIAN PLACE, 39TH FLR
TORONTO, ON M5X1H3
Email: FCLARKE@MASSAGEADDICT.CA

Deleted by
21122926828

Search ID #: Z16890939

Block

3 PMH INVESTCO LTD.
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: MHILL@HILLCOMPANIES.COM

Status

Current by
21110512175

Block

4 606093 SASKATCHEWAN LTD.
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: MBUNDON@HARVARD.CA

Status

Current by
21110512175

Block

5 MINERVA INVESTMENTS LTD.
BOX 40070 GRASSLANDS RPO
REGINA, SK S4W0L3
Email: BLAIR@FORSTERHARVARD.CA

Status

Current by
21110512175

Block

6 ECHO CAPITAL GROWTH CORPORATION
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: PJHILL@HILLCOMPANIES.COM

Status

Current by
21110512175

Collateral: General

<u>Block</u>	<u>Description</u>	<u>Status</u>
1	ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.	Deleted By 21102533582
2	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND ALL PROCEEDS THEREOF. PROCEEDS: ALL GOODS, INVESTMENT PROPERTY, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES OR MONEY NOW OR HEREAFTER FORMING PROCEEDS OF THE FOREGOING COLLATERAL. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT (ALBERTA) SHALL HAVE THE MEANINGS SPECIFIED IN THE ACT, UNLESS THE CONTEXT OTHERWISE INDICATES.	Current By 21102533582

Search ID #: Z16890939

Business Debtor Search For:

TREES CORPORATION

Search ID #: Z16890939

Date of Search: 2023-Dec-21

Time of Search: 06:56:09

Registration Number: 21123015395

Registration Date: 2021-Dec-30

Registration Type: LAND CHARGE

Registration Status: Current

Registration Term: Infinity

Exact Match on:

Debtor

No: 1

Debtor(s)**Block****Status**

Current

1 TREES CORPORATION
181 BAY STREET, SUITE 1800
TORONTO, ON M5J2T9

Secured Party / Parties**Block****Status**

Current

1 PMH INVESTCO LTD.
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: MHILL@HILLCOMPANIES.COM

Block**Status**

Current

2 606093 SASKATCHEWAN LTD.
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: MBUNDON@HARVARD.CA

Block**Status**

Current

3 MINERVA INVESTMENTS LTD.
BOX 40070 GRASSLANDS RPO
REGINA, SK S4W0L3
Email: BLAIR@FORSTERHARVARD.CA

Block**Status**

Current

4 ECHO CAPITAL GROWTH CORPORATION
2000-1874 SCARTH STREET
REGINA, SK S4P4B3
Email: PJHILL@HILLCOMPANIES.COM

Search ID #: Z16890939

Particulars**Block** **Additional Information****Status**

1 LAND CHARGE

Current

Search ID #: Z16890939

Note:

The following is a list of matches closely approximating your Search Criteria,
which is included for your convenience and protection.

Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD BOX 787 DIDSBURY, AB T0M0W0	19122021521
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD BOX 787 1448 TWP 312A RD DIDSBURY, AB T0M0W0	22013126035
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD. BOX 787 DIDSBURY, AB T0M0W0	03031307691
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD. 1448 TWP 312 A MMOUNTAIN VIEW COUNTY, AB T0M0W0	21041625113
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD. BOX 787 DIDSBURY, AB T0M 0W0	22020819934
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#
FOR TREES COMPANY LTD. BOX 787 DIDSBURY, AB T0M0W0	22072111393
SECURITY AGREEMENT	
Debtor Name / Address	Reg.#

Search ID #: Z16890939

FOR TREES COMPANY LTD.
BOX 787
DIDSBURY, AB T0M0W0

22072111393

SECURITY AGREEMENT
Debtor Name / Address

FOR TREES COMPANY LTD.
BOX 787
DIDSBURY, AB T0M0W0

Reg.#

22072111393

SECURITY AGREEMENT
Debtor Name / Address

FOR TREES COMPANY LTD.
BOX 787
DIDSBURY, AB T0M0W0

Reg.#

22072113932

SECURITY AGREEMENT
Debtor Name / Address

FOR TREES COMPANY LTD.
BOX 787
DIDSBURY, AB T0M0W0

Reg.#

22072113932

SECURITY AGREEMENT
Debtor Name / Address

STUDIO TREE INC.
1-561 41 ST N
LETHBRIDGE, AB T1H 7B6

Reg.#

23012512322

SECURITY AGREEMENT
Debtor Name / Address

TREES CONSULTING INC.
9, 214 GRANDE BOULEVARD WEST
COCHRANE, AB T4C 2G4

Reg.#

20091625753

SECURITY AGREEMENT
Debtor Name / Address

TREES CONSULTING INC.
9, 214 GRANDE BOULEVARD WEST
COCHRANE, AB T4C 2G4

Reg.#

20091625935

LAND CHARGE
Debtor Name / Address
Reg.#

Search ID #: Z16890939

TRI-WAY CONSULTANTS INC.
BOX 231
BIG RIVER, SK S0J0E0

20122304649

SECURITY AGREEMENT**Debtor Name / Address**

TRI-WAY CONSULTANTS INC.
PO BOX 231
BIG RIVER, SK S0J 0E0

Reg.#

21072632508

SECURITY AGREEMENT**Debtor Name / Address**

TRI-WAY CONSULTANTS INC.
PO BOX 231
BIG RIVER, SK S0J 0E0

Reg.#

21072632523

SECURITY AGREEMENT**Debtor Name / Address**

TRI-WAY CONSULTANTS INC.
PO BOX 231
BIG RIVER, SK S0J 0E0

Reg.#

21072632648

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD
100-3016 10TH AV NE
CALGARY, AB T2A6A3

Reg.#

20020802115

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD
SUITE 100 3016 10 AVENUE NE
CALGARY, AB T2A6A3

Reg.#

21110836127

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD
SUITE 100 3016 10 AVENUE NE
CALGARY, AB T2A6A3

Reg.#

22123025216

SECURITY AGREEMENT**Debtor Name / Address****Reg.#**

Search ID #: Z16890939

TRIWAY SERVICES LTD.
1480 28 STREET NE SUITE 8
CALGARY, AB T2A 7W6

11120915103

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
1480 - 28 STREET N.E., BAY 8
CALGARY, AB T2A 7W6

Reg.#

16061329652

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
3016 10 AV NE SUITE 100SUITE 100
CALGARY, AB T2A6A3

Reg.#

19070534414

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
100-3016 10TH AV NE
CALGARY, AB T2A6A3

Reg.#

20010612556

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
100 - 3016 10 AVENUE NE
CALGARY, AB T2A6A3

Reg.#

23070720314

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
100 3016 10 AVENUE NE
CALGARY, AB T2A 6A3

Reg.#

23090501883

SECURITY AGREEMENT**Debtor Name / Address**

TRIWAY SERVICES LTD.
3016 10 AVENUE NE SUITE 100
CALGARY, AB T2A 6A3

Reg.#

23111019183

SECURITY AGREEMENT

Search ID #: Z16890939

Result Complete

Search ID #: Z16888162

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5Party Code: 50076967
Phone #: 780 483 8211
Reference #: 05040634-143139

Search ID #: Z16888162

Date of Search: 2023-Dec-20

Time of Search: 11:10:12

Business Debtor Search For:

ONTARIO CANNABIS HOLDINGS CORP.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z16888162

Business Debtor Search For:

ONTARIO CANNABIS HOLDINGS CORP.

Search ID #: Z16888162

Date of Search: 2023-Dec-20

Time of Search: 11:10:12

Registration Number: 20022108799

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Feb-21

Registration Status: Current

Expiry Date: 2025-Feb-21 23:59:59

Exact Match on:

Debtor

No: 1

Amendments to Registration

23121903989

Amendment

2023-Dec-19

Debtor(s)**Block****Status**

1 ONTARIO CANNABIS HOLDINGS CORP.
201 - 620 12TH AVE. SW
CALGARY, AB T2R 0H5

Current

Secured Party / Parties**Block****Status**

1 TWEED FRANCHISE INC.
1 HERSHEY DRIVE
SMITH FALLS, ON K7A 0A8
Email: ppsa@cassels.com

Deleted by
23121903989**Block****Status**

2 TWEED INC.
1 HERSHEY DRIVE
SMITH FALLS, ON K7A 0A8
Email: ppsa@cassels.com

Current by
23121903989**Collateral: General****Block****Description****Status**

1 ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

Current

Search ID #: Z16888162

Business Debtor Search For:

ONTARIO CANNABIS HOLDINGS CORP.

Search ID #: Z16888162

Date of Search: 2023-Dec-20

Time of Search: 11:10:12

Registration Number: 20040114345

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Apr-01

Registration Status: Current

Expiry Date: 2025-Apr-01 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)**Block****Status**

1 ONTARIO CANNABIS HOLDINGS CORP.
100 KING STREET WEST, SUITE 3400
TORONTO, ON M5X 1A4

Current

Secured Party / Parties**Block****Status**

1 NGUYEN-CAO, ARTHUR, MINH TRI
256 WOODHAVEN BAY SW
CALGARY, AB T2W 5S2
Email: arthurnguyencao@gmail.com

Current

Collateral: General**Block****Description****Status**

1 All of the Debtor's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Debtor's books relating to the foregoing, and all substitutions for, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Current

Search ID #: Z16888162

Business Debtor Search For:

ONTARIO CANNABIS HOLDINGS CORP.

Search ID #: Z16888162

Date of Search: 2023-Dec-20

Time of Search: 11:10:12

Registration Number: 20040114432

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Apr-01

Registration Status: Current

Expiry Date: 2025-Apr-01 23:59:59

Exact Match on:

Debtor

No: 1

Debtor(s)**Block****Status**

1 ONTARIO CANNABIS HOLDINGS CORP.
100 KING STREET WEST, SUITE 3400
TORONTO, ON M5X 1A4

Current

Secured Party / Parties**Block****Status**

1 CJ MARKETING LTD.
507 RIVERDALE AVE SW
CALGARY, AB T2S 0X9
Email: jon@ocholdings.ca

Current

Collateral: General**Block****Description****Status**

1 All of the Debtor's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Debtor's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Current

Result Complete

Search ID #: Z16888167

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5

Party Code: 50076967

Phone #: 780 483 8211

Reference #: 05040637-143140

Search ID #: Z16888167

Date of Search: 2023-Dec-20

Time of Search: 11:11:05

Business Debtor Search For:

MIRACULO INC.

No Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Result Complete



Search ID #: Z16888168

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5Party Code: 50076967
Phone #: 780 483 8211
Reference #: 05040639-143141

Search ID #: Z16888168

Date of Search: 2023-Dec-20

Time of Search: 11:11:11

Business Debtor Search For:

2707461 ONTARIO LTD.

Inexact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z16888168

Note:

The following is a list of matches closely approximating your Search Criteria,
which is included for your convenience and protection.

Debtor Name / Address

2707461 ONTARIO INC.
113 CRYSTAL GREEN BAY
OKOTOKS, AB T1S 2N4

Reg.#

20022123757

SECURITY AGREEMENT

Result Complete

Search ID #: Z16888174

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5Party Code: 50076967
Phone #: 780 483 8211
Reference #: 05040642-143142

Search ID #: Z16888174

Date of Search: 2023-Dec-20

Time of Search: 11:12:20

Business Debtor Search For:

OCH ONTARIO CONSULTING CORP.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z16888174

Business Debtor Search For:

OCH ONTARIO CONSULTING CORP.

Search ID #: Z16888174

Date of Search: 2023-Dec-20

Time of Search: 11:12:20

Registration Number: 20022108820

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Feb-21

Registration Status: Current

Expiry Date: 2025-Feb-21 23:59:59

Exact Match on:

Debtor

No: 1

Amendments to Registration

23121903852

Amendment

2023-Dec-19

Debtor(s)**Block****Status**

Current

1 OCH ONTARIO CONSULTING CORP.
201 - 620 12TH AVE. SW
CALGARY, AB T2R 0H5

Secured Party / Parties**Block****Status**

Deleted by
23121903852

1 TWEED FRANCHISE INC.
1 HERSHEY DRIVE
SMITH FALLS, ON K7A 0A8
Email: ppsa@cassels.com

Block**Status**

Current by
23121903852

2 TWEED INC.
1 HERSHEY DRIVE
SMITH FALLS, ON K7A 0A8
Email: ppsa@cassels.com

Collateral: General**Block****Description****Status**

1 ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. Current

Result Complete

Search ID #: Z16888181

Transmitting PartyWEST-END REGISTRATIONS LICENSING & SEARCHES
LTD. (P158)10011 170 STREET
EDMONTON, AB T5P 4R5Party Code: 50076967
Phone #: 780 483 8211
Reference #: 05040647-143143

Search ID #: Z16888181

Date of Search: 2023-Dec-20

Time of Search: 11:13:14

Business Debtor Search For:

11819496 CANADA INC.

No Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Result Complete



Business Debtor - "TREES CORPORATION"

Search Date and Time: December 20, 2023 at 9:42:03 am Pacific time
Account Name: Not available.

TABLE OF CONTENTS

5 Matches in 5 Registrations in Report

Exact Matches: 5 (*)

Total Search Report Pages: 15

	Base Registration	Base Registration Date	Debtor Name	Page
1	326471N	October 25, 2021	* TREES CORPORATION	2
2	794602P	September 18, 2023	* TREES CORPORATION	7
3	908280P	November 14, 2023	* TREES CORPORATION	9
4	926612P	November 23, 2023	* TREES CORPORATION	11
5	952895P	December 6, 2023	* TREES CORPORATION	14

Base Registration Number: 326471N

Registration Description:	PPSA SECURITY AGREEMENT
Act:	PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time:	October 25, 2021 at 12:48:42 pm Pacific time
Current Expiry Date and Time:	October 25, 2024 at 11:59:59 pm Pacific time Expiry date includes subsequent registered renewal(s)
Trust Indenture:	No

CURRENT REGISTRATION INFORMATION

(as of December 20, 2023 at 9:42:03 am Pacific time)

Secured Party Information

PMH INVESTCO LTD.

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

606093 SASKATCHEWAN LTD.

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

MINERVA INVESTMENTS LTD.

Address

BOX 40070 GRASSLANDS RPO
REGINA SK
S4W 0L3 Canada

ECHO CAPITAL GROWTH CORPORATION

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

Debtor Information

TREES CORPORATION

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

Vehicle Collateral

None

General Collateral

October 25, 2021 at 3:29:21 pm Pacific time

DELETED

ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

ADDED

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND ALL PROCEEDS THEREOF. PROCEEDS: ALL GOODS, INVESTMENT PROPERTY, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES OR MONEY NOW OR HEREAFTER FORMING PROCEEDS OF THE FOREGOING COLLATERAL. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT (BRITISH COLUMBIA) SHALL HAVE THE MEANINGS SPECIFIED IN THE ACT, UNLESS THE CONTEXT OTHERWISE INDICATES.

Base Registration General Collateral:

ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

Original Registering Party

AIRD & BERLIS LLP

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

HISTORY

(Showing most recent first)

AMENDMENT

Registration Date and Time: December 29, 2021 at 10:41:34 am Pacific time
Registration Number: 451225N
Description: REMOVE SECURED PARTIES

Secured Party Information

AIRD & BERLIS LLP

DELETED

Address

181 BAY STREET, SUITE 1800
 TORONTO ON
 M5J 2T9 Canada

BMO NESBIT BURNS IN TRUST FOR HERBERT FRASER CLARKE

DELETED

Address

1 FIRST CANADIAN PL, 39TH FL
 TORONTO ON
 M5X 1H3 Canada

Registering Party Information

AIRD & BERLIS LLP (MCOLE- 170860)

Address

181 BAY STREET, SUITE 1800
 TORONTO ON
 M5J 2T9 Canada

AMENDMENT

Registration Date and Time: November 5, 2021 at 9:14:08 am Pacific time
Registration Number: 352689N
Description: AMENDED TO ADD ADDITIONAL SECURED PARTIES

PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

Secured Party Information

**BMO NESBIT BURNS IN TRUST
FOR HERBERT FRASER CLARKE**

ADDED

Address

1 FIRST CANADIAN PL, 39TH FL
TORONTO ON
M5X 1H3 Canada

PMH INVESTCO LTD.

ADDED

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

606093 SASKATCHEWAN LTD.

ADDED

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

MINERVA INVESTMENTS LTD.

ADDED

Address

BOX 40070 GRASSLANDS RPO
REGINA SK
S4W 0L3 Canada

**ECHO CAPITAL GROWTH
CORPORATION**

ADDED

Address

2000-1874 SCARTH STREET
REGINA SK
S4P 4B3 Canada

Registering Party Information

AIRD & BERLIS LLP

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

AMENDMENT

Registration Date and Time:

October 25, 2021 at 3:29:21 pm Pacific time

Registration Number:

327200N

Description:

RESTATE GENERAL COLLATERAL DESCRIPTION

General Collateral

October 25, 2021 at 3:29:21 pm Pacific time

DELETED

ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

ADDED

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND ALL PROCEEDS THEREOF. PROCEEDS: ALL GOODS, INVESTMENT PROPERTY, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES OR MONEY NOW OR HEREAFTER FORMING PROCEEDS OF THE FOREGOING COLLATERAL. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT (BRITISH COLUMBIA) SHALL HAVE THE MEANINGS SPECIFIED IN THE ACT, UNLESS THE CONTEXT OTHERWISE INDICATES.

Registering Party Information

**AIRD & BERLIS LLP (MCOLE-
166728)**

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

Base Registration Number: 794602P

Registration Description:	CROWN CHARGE FILED PURSUANT TO PROVINCIAL SALES TAX ACT
Act:	MISCELLANEOUS REGISTRATIONS ACT
Base Registration Date and Time:	September 18, 2023 at 12:36:54 pm Pacific time
Current Expiry Date and Time:	Never

CURRENT REGISTRATION INFORMATION

(as of December 20, 2023 at 9:42:03 am Pacific time)

Secured Party Information

**RECEIVABLES MANAGEMENT
OFFICE - HEATHER KURBATOFF**

Address

1802 DOUGLAS STREET, 6TH FLOOR
VICTORIA BC
V8T 4K6 Canada

Debtor Information

TREES CORPORATION

Address

695 ALPHA ST
VICTORIA BC
V8Z 1B5 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

ALL THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY, INCLUDING BUT NOT RESTRICTED TO MACHINERY, EQUIPMENT, FURNITURE, FIXTURES, INVENTORY AND RECEIVABLES.

Original Registering Party**MINISTRY OF FINANCE****Address**

1802 DOUGLAS ST
PO BOX 9445
VICTORIA BC
V8T 4K6 Canada



Base Registration Number: 908280P

Registration Description:	PPSA SECURITY AGREEMENT
Act:	PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time:	November 14, 2023 at 12:27:42 pm Pacific time
Current Expiry Date and Time:	November 14, 2026 at 11:59:59 pm Pacific time Expiry date includes subsequent registered renewal(s)
Trust Indenture:	No

CURRENT REGISTRATION INFORMATION

(as of December 20, 2023 at 9:42:03 am Pacific time)

Secured Party Information

1000321689 ONTARIO LTD.

Address

533 - 31 TIPPETT ROAD
NORTH YORK ON
M3H 0C8 Canada

Debtor Information

TREES CORPORATION

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND ALL PROCEEDS THEREOF. PROCEEDS: ALL GOODS, INVESTMENT PROPERTY, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES OR MONEY NOW OR HEREAFTER FORMING PROCEEDS OF THE FOREGOING COLLATERAL. TERMS USED IN THIS GENERAL COLLATERAL DESCRIPTION WHICH ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT (BRITISH COLUMBIA) SHALL HAVE THE MEANINGS SPECIFIED IN THE ACT, UNLESS THE CONTEXT OTHERWISE INDICATES.

Original Registering Party

HARRIS, SHEAFFER LLP
230587/HLW/DC

Address

4881 YONGE STREET, 8TH FLOOR
TORONTO ON
M2N 5X3 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

Base Registration Number: 926612P

Registration Description:	PPSA SECURITY AGREEMENT
Act:	PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time:	November 23, 2023 at 8:39:22 am Pacific time
Current Expiry Date and Time:	November 23, 2028 at 11:59:59 pm Pacific time Expiry date includes subsequent registered renewal(s)
Trust Indenture:	No

CURRENT REGISTRATION INFORMATION

(as of December 20, 2023 at 9:42:03 am Pacific time)



Secured Party Information**BMO NESBITT BURNS ITF 365-99198-27****Address**

1 FIRST CANADIAN PLACE, 39TH FLOOR
TORONTO ON
M5X 1H3 Canada

PROFESSIONAL TRADING SERVICES S.A.**Address**

PLAZA COMERCIAL SAN FERNANDO, 1ST FLOOR, OFFICE 41
AVE. CENTRAL/VIA ESPANA, URB.
LA LOMA
Panama

SOPHIE CAPITAL CORP.**Address**

3932 SHARON PLACE WEST
VANCOUVER BC
V7V 4T6 Canada

MEEHAN FAMILY INVESTMENTS INC.**Address**

100-2318 OAK STREET
VANCOUVER BC
V6H 4J1 Canada

CAROLINE KOLOMPAR**Address**

65 PALMERSTON AVENUE
TORONTO ON
M6J 2J2 Canada

2478659 ONTARIO LTD.**Address**

3-119 WESTCREEK DRIVE
WOODBRIIDGE ON
L4L 9N6 Canada

JEFF HOLMGREN**Address**

1215 RIVERDALE AVE SW
CALGARY AB
T2S 0Z1 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

BECHER FAMILY HOLDINGS LTD.

Address

1 NORTHRIDGE TRAIL
CALEDON ON
L7K 1T6 Canada

Debtor Information

TREES CORPORATION

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

Any and all of the undertaking, property and assets of Trees Corporation, real and personal, moveable and immoveable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, money, inventory, equipment, goods, chattel paper, documents of title, intangibles, investment property, revenues, rents, supplies, materials, credits, bank accounts, accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which Trees Corporation may be possessed of, or entitled, to or which may at any time hereafter be acquired by Trees Corporation, save and except for the last day of any term reserved by any lease now held or hereafter acquired by Trees Corporation.

Original Registering Party

WILDEBOER DELLELCE LLP - PA-M

Address

365 BAY STREET, SUITE 800
TORONTO ON
M5H 2V1 Canada

Base Registration Number: 952895P

Registration Description:	PPSA SECURITY AGREEMENT
Act:	PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time:	December 6, 2023 at 7:37:51 am Pacific time
Current Expiry Date and Time:	December 6, 2033 at 11:59:59 pm Pacific time Expiry date includes subsequent registered renewal(s)
Trust Indenture:	No

CURRENT REGISTRATION INFORMATION

(as of December 20, 2023 at 9:42:03 am Pacific time)

Secured Party Information

1000321689 ONTARIO LTD.

Address

533-31 TIPPETT ROAD
NORTH YORK ON
M3H 0C8 Canada

Debtor Information

TREES CORPORATION

Address

181 BAY STREET, SUITE 1800
TORONTO ON
M5J 2T9 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

The debtor grants to the secured party a security interest in the Assigned Profits (as defined in and pursuant to a participation agreement among the debtor and the secured party, dated December 9, 2022) and in all proceeds thereof in whatever form.

Original Registering Party**WILDEBOER DELLELCE LLP - PA-M****Address**

365 BAY STREET, SUITE 800
TORONTO ON
M5H 2V1 Canada



Business Debtor - "ONTARIO CANNABIS HOLDINGS CORP."

Search Date and Time: December 20, 2023 at 10:10:02 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.

Business Debtor - "MIRACULO INC."

Search Date and Time: December 20, 2023 at 10:11:02 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.

Business Debtor - "2707461 ONTARIO LTD."

Search Date and Time: December 20, 2023 at 10:12:02 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.

Business Debtor - "OCH ONTARIO CONSULTING CORP."

Search Date and Time: December 20, 2023 at 10:12:12 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.

Business Debtor - "11819496 CANADA INC."

Search Date and Time: December 20, 2023 at 10:13:02 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.

RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(4588)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

SEARCH CONDUCTED ON : TREES CORPORATION

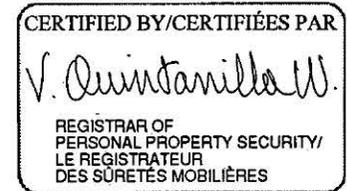
FILE CURRENCY : 17DEC 2023

ENQUIRY NUMBER 20231218155523.54 CONTAINS 22 PAGE(S), 4 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THORNTON GROUT FINNIGAN LLP - ROXANA MANEA
3200-100 WELLINGTON STREET WEST
TORONTO ON M5K 1K7

CONTINUED... 2



(crj6 05/2022)

RUN NUMBER : 352
 RUN DATE : 2023/12/18
 ID : 20231218155523.54

PROVINCE OF ONTARIO
 MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 2
 (4589)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : TREES CORPORATION
 FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
 500994765

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
01	001	2		20231206 1039 1590 1169	P PPSA	10

02 DEBTOR NAME
 03 BUSINESS NAME TREES CORPORATION
 04 ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ONTARIO CORPORATION NO. ON M5J 2T9

05 DEBTOR NAME
 06 BUSINESS NAME
 07 ADDRESS
 08 SECURED PARTY / LIEN CLAIMANT 1000321689 ONTARIO LTD.
 09 ADDRESS 533-31 TIPPETT ROAD NORTH YORK ON M3H 0C8

COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
10	CONSUMER GOODS	INVENTORY EQUIPMENT	ACCOUNTS OTHER	INCLUDED	
					X X

11 MOTOR VEHICLE YEAR MAKE MODEL V.I.N.

13 GENERAL THE DEBTOR GRANTS TO THE SECURED PARTY A SECURITY INTEREST IN THE
 14 COLLATERAL ASSIGNED PROFITS (AS DEFINED IN AND PURSUANT TO A PARTICIPATION
 15 DESCRIPTION AGREEMENT AMONG THE DEBTOR AND THE SECURED PARTY, DATED DECEMBER 9,

16 REGISTERING AGENT WILDEBOER DELLELCE LLP - PA-M
 17 ADDRESS 365 BAY STREET, SUITE 800 TORONTO ON M5H 2V1

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY.***

CONTINUED... 3

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR
 DES SÛRETÉS MOBILIÈRES

(crj)fv 05/2022



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 3
(4590)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500994765

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
002 2 20231206 1039 1590 1169

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT

09 ADDRESS

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL 2022) AND IN ALL PROCEEDS THEREOF IN WHATEVER FORM.

14 COLLATERAL

15 DESCRIPTION

16 REGISTERING

17 AGENT

ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED...

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES



RUN NUMBER : 352
 RUN DATE : 2023/12/18
 ID : 20231218155523.54

PROVINCE OF ONTARIO
 MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 4
 (4591)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : TREES CORPORATION
 FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
 500599098

00

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	10		20231123 1139 1590 9346	P PPSA	5

01

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

02

DEBTOR NAME

BUSINESS NAME TREES CORPORATION

03

ADDRESS 181 BAY STREET, SUITE 1800 TORONTO

04

ONTARIO CORPORATION NO.
 ON M5J 2T9

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

05

DEBTOR NAME

BUSINESS NAME

06

ADDRESS

ONTARIO CORPORATION NO.

07

SECURED PARTY / LIEN CLAIMANT BMO NESBITT BURNS ITF 365-99198-27

08

ADDRESS 1 FIRST CANADIAN PLACE, 39TH FLOOR TORONTO ON M5X 1H3

09

COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED			
X	X	X	X		

10

YEAR	MAKE	MODEL	V.I.N.

11

MOTOR VEHICLE

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

REGISTERING AGENT WILDEBOER DELLELCE LLP - PA-M

16

ADDRESS 800-365 BAY STREET TORONTO ON M5H 2V1

17

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 5

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 5
(4592)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
500599098

00

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	002	10		20231123 1139 1590	9346	

01

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

02

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

03

ADDRESS

04

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

05

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

06

ADDRESS

07

SECURED PARTY / LIEN CLAIMANT
PROFESSIONAL TRADING SERVICES S.A.

08

ADDRESS: PLAZA COMERCIAL SAN FERNANDO, 1ST FLOOR, LA LOMA

PAN

09

COLLATERAL CLASSIFICATION		MOTOR VEHICLE		AMOUNT	DATE OF	NO FIXED
CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	INCLUDED

10

YEAR	MAKE	MODEL	V.I.N.

11

MOTOR VEHICLE

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

REGISTERING AGENT

16

17

ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED...

6

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTREUR
 DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 6
(4593)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
500599098

00

CAUTION FILING	PAGE NO.	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	003	10		20231123 1139 1590 9346		

01

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

02

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

03

ADDRESS

04

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

05

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

06

ADDRESS

07

SECURED PARTY / LIEN CLAIMANT

ADDRESS OFFICE #41, AVE. CENTRAL/VIA ESPANA,

08

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE

09

YEAR MAKE MODEL VIN

10

MOTOR VEHICLE

11

GENERAL

12

COLLATERAL DESCRIPTION

13

REGISTERING AGENT

14

ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED...

7

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR DES SÛRETÉS MOBILIÈRES

(crj1iv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 7
(4594)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500599098

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	004	10		20231123 1139 1590 9346		

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
02				

03 BUSINESS NAME

04 ADDRESS

ONTARIO CORPORATION NO.

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
05				

06 BUSINESS NAME

07 ADDRESS

ONTARIO CORPORATION NO.

08 SECURED PARTY / LIEN CLAIMANT

09 ADDRESS

URB.

COLLATERAL CLASSIFICATION				MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	INCLUDED			

MOTOR VEHICLE	YEAR	MAKE	MODEL	V.I.N.
11				

12

13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT

17 ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED...

8

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF PERSONAL PROPERTY SECURITY/
 LE REGISTREUR DES SÛRETÉS MOBILIÈRES

(ej11v 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 8
(4595)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500599098

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	005	10		20231123 1139 1590 9346		

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / SOPHIE CAPITAL CORP.

09 LIEN CLAIMANT ADDRESS 3932 SHARON PLACE WEST VANCOUVER BC V7V 4T6

COLLATERAL CLASSIFICATION	CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE

11 MOTOR YEAR MAKE MODEL VIN

12 VEHICLE

13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT

17 ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 9

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR
 DES SÛRETÉS MOBILIÈRES

(cjitv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

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TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500599098

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	006	10		20231123 1139 1590 9346		

02 DEBTOR NAME
03 BUSINESS NAME
04 ADDRESS
05 DATE OF BIRTH
06 FIRST GIVEN NAME
07 INITIAL
08 SURNAME

ONTARIO CORPORATION NO.

02 DEBTOR NAME
03 BUSINESS NAME
04 ADDRESS
05 DATE OF BIRTH
06 FIRST GIVEN NAME
07 INITIAL
08 SURNAME

ONTARIO CORPORATION NO.

08 SECURED PARTY / LIEN CLAIMANT
09 MEEHAN FAMILY INVESTMENTS INC.

ADDRESS 100-2318 OAK STREET VANCOUVER BC V6H 4J1

COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED			

11 MOTOR VEHICLE
12 YEAR MAKE MODEL VIN

13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT

ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 10

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF PERSONAL PROPERTY SECURITY/
 LE REGISTREUR DES SÛRETÉS MOBILIÈRES

(ej1fv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
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ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 10
(4597)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

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500599098

CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
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01 007 10 20231123 1139 1590 9346

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03 NAME BUSINESS NAME

04 ADDRESS ONTARIO CORPORATION NO.

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / CAROLINE KOLOMPAR
09 LIEN CLAIMANT ADDRESS 65 PALMERSTON AVENUE TORONTO ON M6J 2J2

COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
10 GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 MOTOR YEAR MAKE MODEL VIN
12 VEHICLE

13 GENERAL
14 COLLATERAL
15 DESCRIPTION

16 REGISTERING
17 AGENT ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 11

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(cr)11v 05/2022



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
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ENQUIRY RESPONSE
CERTIFICATE

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(4598)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
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CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	008	10		20231123 1139 1590 9346		

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

03 BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME

06 BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT 2478659 ONTARIO LTD.

09 ADDRESS 3-119 WESTCREEK DRIVE WOODBRIDGE ON L4L 9N6

COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED			

MOTOR VEHICLE	YEAR MAKE	MODEL	VIN

13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY ***

CONTINUED... 12

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR
 DES SÛRETÉS MOBILIÈRES

(cr11v 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 12
(4599)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500599098

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
009 10 20231123 1139 1590 9346

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03 NAME BUSINESS NAME

04 ADDRESS ONTARIO CORPORATION NO.

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / JEFF HOLMGREN
09 LIEN CLAIMANT ADDRESS 1215 RIVERDALE AVE SW CALGARY AB T2S 0Z1

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 MOTOR YEAR MAKE MODEL V.I.N.
12 VEHICLE

13 GENERAL
14 COLLATERAL
15 DESCRIPTION

16 REGISTERING
17 AGENT ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 13

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SÛRETÉS MOBILIÈRES

(c)11v 05/2022



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 13
(4600)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500599098

CAUTION FILING	PAGE NO.	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	010	10		20231123 1139 1590 9346		

02 DEBTOR NAME DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

05 DEBTOR NAME DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT BECHER FAMILY HOLDINGS LTD.

09 ADDRESS 1 NORTHRIDGE TRAIL CALEDON ON L7K 1T6

COLLATERAL CLASSIFICATION	CONSUMER GOODS	MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE
	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED			

11 MOTOR VEHICLE YEAR MAKE MODEL V.I.N.

12 GENERAL COLLATERAL DESCRIPTION

13 REGISTERING AGENT

14 ADDRESS

17

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 14

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR
 DES SÛRETÉS MOBILIÈRES

(c)1fv 05/2022



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 14
(4601)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
500307858

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 1 20231114 1655 1590 8096 P PPSA 3

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03 NAME BUSINESS NAME TREES CORPORATION ONTARIO CORPORATION NO.
04 ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J 2T9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
06 NAME BUSINESS NAME ONTARIO CORPORATION NO.
07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT 1000321689 ONTARIO LTD.
09 ADDRESS 533 - 31 TIPPETT ROAD NORTH YORK ON M3H 0C8

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE
X X X X X X

11 MOTOR YEAR MAKE MODEL VIN
12 VEHICLE

13 GENERAL
14 COLLATERAL
15 DESCRIPTION

16 REGISTERING HARRIS, SHEAFFER LLP 220687 HLW/DC
17 AGENT ADDRESS YONGE SHEPPARD CENTRE 4881 YONGE STREET, TORONTO ON M2N 5X3

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 15

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 352
RUN DATE : 2023/12/18
ID : 20231218155523.54

PROVINCE OF ONTARIO
MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 15
(4602)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TREES CORPORATION
FILE CURRENCY : 17DEC 2023

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
777604464

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 1 20211025 1546 1793 4519 P PPSA 3

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03 NAME BUSINESS NAME TREES CORPORATION

04 ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ONTARIO CORPORATION NO.
ON M5J2T9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / AIRD & BERLIS LLP
09 LIEN CLAIMANT

ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J2T9

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE
X X X X X

11 MOTOR YEAR MAKE MODEL VIN
12 VEHICLE

13 GENERAL
14 COLLATERAL
15 DESCRIPTION

16 REGISTERING AIRD & BERLIS LLP (MC-166728)
17 AGENT ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J2T9

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 16

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(cr)1fv 05/2022



RUN NUMBER : 352
 RUN DATE : 2023/12/18
 ID : 20231218155523.54

PROVINCE OF ONTARIO
 MINISTRY OF PUBLIC AND BUSINESS SERVICE DELIVERY
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 16
 (4603)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : TREES CORPORATION
 FILE CURRENCY : 17DEC 2023

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	
01	001	5		20211105 1150 1793 5387		
21	RECORD REFERENCED	FILE NUMBER	777604464			
22		PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED A AMENDMENT	RENEWAL YEARS	CORRECT PERIOD
23	REFERENCE		FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	TREES CORPORATION			
25	OTHER CHANGE REASON/ DESCRIPTION	AMENDED TO ADD ADDITIONAL SECURED PARTIES TO REGISTRATION NO. 20211025 1546 1793 4519				
02/05	DEBTOR/ TRANSFEREE	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
03/06		BUSINESS NAME				ONTARIO CORPORATION NO.
04/07		ADDRESS				
29	ASSIGNOR	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
08		ADDRESS	BMO NESBIT BURNS IN TRUST FOR HERBERT FRASER CLARKE			
09		ADDRESS	1 FIRST CANADIAN PLACE, 39TH FLR	TORONTO	ON	M5X1H3
10	COLLATERAL CLASSIFICATION					
		CONSUMER GOODS	MOTOR VEHICLE	DATE OF MATURITY	NO. FIXED	
		INVENTORY	EQUIPMENT	OR	MATURITY DATE	
11	MOTOR VEHICLE	YEAR	MAKE	MODEL	V.I.N.	
12	GENERAL					
13	COLLATERAL DESCRIPTION					
14	REGISTERING AGENT OR	AIRD & BERLIS LLP				
15	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	181 BAY STREET, SUITE 1800, BOX# 754	TORONTO	ON	M5J2T9

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 17

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
 REGISTRAR OF PERSONAL PROPERTY SECURITY/
 LE REGISTREUR DES SÛRETÉS MOBILIÈRES

(crj2lv 05/2022)

