

IGNITE
INTERNATIONAL BRANDS, LTD.

CSE: BILZ, OTCQX: BILZF
WWW.IGNITE.CO



Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2022 and 2021

(These unaudited condensed interim consolidated financial statements, prepared by Management, have not been reviewed by the Company's external auditor)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of Ignite International Brands, Ltd. (the "Company") have been prepared and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim consolidated financial statements by an entity's auditor.





TABLE OF CONTENTS

	PAGE
Interim Consolidated Statements of Financial Position	1
Interim Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)	2
Interim Consolidated Statements of Changes in Shareholders' Equity	3
Interim Consolidated Statements of Cash Flows	4
Notes to the Interim Consolidated Financial Statements	5



IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Canadian Dollars)

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Assets		
Current assets		
Cash (note 6)	12,449,744	4,401,697
Receivables (note 7)	5,496,190	17,422,233
Short-term receivable (note 7)	3,098,264	3,124,258
Inventory (note 8)	22,147,060	27,572,256
Deposits (note 9)	6,341,488	4,999,206
Prepaid expenses (note 10)	1,771,041	1,301,078
Total current assets	51,303,787	58,820,728
Non-current assets		
Property, plant and equipment, net (note 12)	1,138,502	1,167,536
Intangible assets, net (note 13)	241,580	262,226
Total non-current assets	1,380,082	1,429,762
Total assets	52,683,869	60,250,490
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	6,453,280	12,780,612
Short term loans (note 16)	3,217,323	3,877,551
Short term convertible debt (note 16)	15,725,316	15,555,014
Due to related parties (note 22)	526,370	496,912
Short-term lease obligations (note 14)	85,103	77,707
Total current liabilities	26,007,392	32,787,796
Convertible debenture liability (note 16)	4,896,536	4,763,109
Long-term lease obligations (note 14)	445,771	476,484
Total long-term liabilities	5,342,307	5,239,593
Total liabilities	31,349,699	38,027,389
Shareholders' equity		
Share capital (note 17)	106,105,534	106,095,779
Warrant reserve (note 17)	726,863	726,863
Option Reserve (note 17)	3,008,269	2,831,263
Contributed surplus	8,324,888	8,317,319
Other comprehensive income	2,181,811	3,166,418
Accumulated deficit	(99,013,195)	(98,914,541)
Total shareholders' equity	21,334,170	22,223,101
Total liabilities and shareholders' equity	52,683,869	60,250,490

Nature of operations (note 1)
Segmented results (note 25)
Subsequent events (note 26)
Commitments and contingencies (note 24)

Approved by the Board

/s/ "Dan Bilzerian" Director

/s/ "Lester Lee" Director

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

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)

(In Canadian Dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
Sales revenue (note 18, 25)	19,042,189	3,651,029
Cost of goods sold (note 25)	12,860,368	2,648,288
Gross Profit	6,181,821	1,002,741
Operating expenses		
General and administrative (note 20)	3,029,889	2,376,263
Share based payments (note 17)	190,162	(351,419)
Marketing and promotion	992,566	359,643
Depreciation (note 12)	44,965	38,176
Amortization (note 13)	12,775	12,692
Listing expense	25,155	16,036
Bad debt expense (note 7)	106,651	112,996
Total operating expenses	4,402,163	2,564,387
Income (loss) from operations	1,779,658	(1,561,646)
Other income		
Debt forgiveness (note 16)	-	1,558,136
Gain on debt extinguishment (note 16)	-	79,444
Gain on disposal of capital assets	-	22,131
Investment gain	-	196,002
Interest income	3,207	1,400
Other income	6,755	274,465
Total other income	9,962	2,131,578
Other expenses		
Interest expense	758,980	183,356
Interest accretion, leases (note 14)	14,182	451
Interest accretion, convertible debentures (note 16)	1,103,268	273,122
Loss on disposal of capital assets	25,418	-
Exchange gain (loss)	(138,164)	(5,783)
Total other expenses	1,763,684	451,146
Net income (loss) before taxes	25,936	118,786
Income tax expense (recovery)	124,590	-
Net income (loss)	(98,654)	118,786
Cumulative translation adjustment	(984,607)	(382,371)
Net income (loss) and comprehensive income/loss	(1,083,261)	(263,585)
Net income (loss) attributed to:		
Ignite International Brands, Ltd.	(98,654)	120,668
Non-controlling interests (note 24)	-	(1,882)
Earnings (loss) per share, basic (note 20)	0.00	0.00
Earnings (loss) per share, diluted (note 20)	0.00	0.00

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

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

	Number of Shares	Share capital	Cumulative translation adjustment	Option reserve	Warrant reserve	Contributed surplus	Non-controlling interests	Deficit	Total equity
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2020	307,692,933	103,235,779	3,013,027	2,570,689	726,863	6,770,911	-	(104,516,007)	11,801,262
Stock based compensation (note 17)	-	-	-	(351,419)	-	-	-	-	(351,419)
Issuance of II CAD\$1M Convertible Debt (note 16)	-	-	-	-	-	40,714	-	-	40,714
Issuance of II CAD\$16M Convertible Debt (note 16)	-	-	-	-	-	2,109,703	-	-	2,109,703
Extinguishment of convertible debentures (note 16)	-	-	-	-	-	(789,010)	-	-	(789,010)
Non-controlling interest, capital contributions	-	-	-	-	-	-	3,183,000	-	3,183,000
Net income for the period	-	-	(382,381)	-	-	-	(1,882)	120,668	(263,595)
Balance at March 31, 2021	307,692,933	103,235,779	2,630,646	2,219,270	726,863	8,132,318	3,181,118	(104,395,339)	15,730,655

	Number of Shares	Share capital	Cumulative translation adjustment	Option reserve	Warrant reserve	Contributed surplus	Non-controlling interests	Deficit	Total equity
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2021	309,692,933	106,095,779	3,166,418	2,831,263	726,863	8,317,319	-	(98,914,541)	22,223,101
Stock based compensation (note 17)	-	-	-	190,162	-	-	-	-	190,162
Stock option exercises (note 17)	-	9,755	-	(5,587)	-	-	-	-	4,168
Expired stock options (note 17)	-	-	-	(7,569)	-	7,569	-	-	-
Net income for the period	-	-	(984,607)	-	-	-	-	(98,654)	(1,083,261)
Balance at March 31, 2022	309,692,933	106,105,534	2,181,811	3,008,269	726,863	8,324,888	-	(99,013,195)	21,334,170

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

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the period ended March 31, 2022	For the period ended March 31, 2021
Cash flow from operating activities:		
Net loss for the period	(98,654)	118,786
Items not involving cash:		
Accreted interest on leases (note 14)	14,182	451
Depreciation of property, plant, and equipment (note 12)	44,965	38,176
Amortization of intangible assets (note 13)	12,775	12,692
Gain/Loss on disposal of long-lived assets	(25,418)	-
Accrued coupon interest on convertible debentures (note 16)	(531,330)	320,577
Interest accretion on convertible debentures (note 16)	1,103,268	273,122
Interest on short-term note (note 16)	152,121	-
Discounted interest on short-term receivable (note 7)	(26,585)	-
Discounted interest on long-term receivable	-	(25,798)
Loan forgiveness on PPP Loans	-	(1,558,136)
Share-based payments (note 17)	190,162	(351,419)
Gain on investment	-	196,002
Fair value adjustment on investment	-	(384,892)
Contingent loss on settlement of option to purchase	-	3,765,280
Gain on extinguishment of debt	-	(79,444)
	835,486	2,325,397
Changes in non-cash working capital items:		
Accounts receivable (note 7)	8,295,000	737,795
Prepaid expenses (note 10)	(474,350)	176,361
Inventory (note 8)	7,573,012	(848,296)
Deposits (note 9)	(1,429,913)	(653,600)
Accounts payable and accrued liabilities (note 15)	(6,545,520)	(5,303,846)
Due to related parties (note 22)	21,095	(127)
Short term coupon interest on convertible debt (note 16)	541,296	-
Net cash provided by (used in) operating activities	8,816,106	(3,566,316)
Cash flows from investing activities	-	-
Acquisition of Intangible assets (note 13)	-	(1,257,500)
Sale of investment, net	-	686,630
Net cash provided by (used in) investing activities	-	(570,870)
Cash flows from financing activities	-	-
Exercise of stock options (note 17)	4,168	-
Issuance of short-term convertible debt, net (note 16)	-	1,000,000
Issuance of long-term convertible debt, net (note 16)	-	1,000,000
Payment of interest on short-term convertible debt (note 16)	(809,505)	-
Principal payments on lease obligations (note 14)	(13,990)	(9,025)
Interest payments on lease obligations (note 14)	(14,182)	(451)
Net cash provided by (used in) financing activities	(833,509)	1,990,524
Foreign exchange affecting cash	65,450	(297,924)
Change in cash during the year	8,048,047	(2,444,586)
Cash, beginning of year	4,401,697	5,462,783
Cash, end of year	12,449,744	3,018,197

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

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

1. NATURE OF OPERATIONS

Ignite International Brands, Ltd. ("Ignite Pubco", "Ignite" or the "Company") is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "BILZ" and on the OTCQX trading under the symbol "BILZF". Ignite is a consumer-packaged goods company, leveraging the IGNITE brand via multiple product platforms in the synthetic and tobacco derived nicotine e-liquid, spirits, apparel, beverage, and cannabidiol ("CBD") sectors. Effective October 13, 2021, the Company exited cannabis related operations in Canada, its sole operating jurisdiction for cannabis related sales. The Company was originally incorporated in the Province of British Columbia on February 25, 1985, under the name "Info-Stop Communications Inc." by articles of incorporation pursuant to the provisions of the Ministry of Consumer and Corporate Affairs Company Act. The Company's head office is located at 675 Cochrane Drive, East Tower, Suite 639, Markham, Ontario L3R 0B8 and its registered and records office is located at 700 West Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3. The Company is a reporting issuer in British Columbia, Alberta, and Ontario.

These unaudited interim consolidated financial statements ("financial statements") have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the three months ended March 31, 2022, the Company had a net loss attributed to shareholders of \$98,654 (2021; \$118,786 net income). During this period, the Company had cash flow from operations \$8,816,106 (2021; -\$3,566,316). As of March 31, 2022, the Company had positive working capital of \$25,296,395 (December 31, 2021; \$26,032,932) and accumulated deficit of \$99,013,195 (December 31, 2021; -\$98,914,541).

These Financial Statements were authorized for issuance by Board of Directors of the Company (the "Board of Directors") on May 27, 2022.

2. BASIS OF PRESENTATION

A) STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

B) BASIS OF MEASUREMENT

These Financial Statements have been prepared and are presented in Canadian dollars; the functional and presentation currency of the Company and, have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. These Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

C) FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these Financial Statements are reflected in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars are computed in accordance with the Company's foreign currency and foreign currency translation accounting policies (note 5). Each entity within the Company determines its own functional currency based on the primary economic environment in which it operates. Functional currencies of subsidiaries included in these Financial Statements can be found in note 3.

3. BASIS OF CONSOLIDATION

A) COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Since then, it has spread to other countries and infections have been reported around the world. In response to the outbreak, governmental authorities, globally, have introduced measures to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolation, and social distancing. These restrictions have had a significant impact on private sectors and individuals, including business, employment, and economic disruptions.

Management has been closely monitoring the impact of COVID-19, with a focus on the health and safety of the Company's employees and business continuity. The Company has implemented various measures to preclude the virus, including work-from-home measures, enhancing cleaning protocols at warehousing facilities and adjusting volume and lead times to avoid potential delays that may be imposed by governmental shutdowns. The Company has reviewed its estimates, judgments and assumptions used in the preparation of these Financial Statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets, including the credit risk of its counterparties.

As at March 31, 2022, the Company has determined that no material revisions to estimates, judgments or assumptions were necessary as a result of COVID-19. Despite some impact to the Company's working environment, COVID-19 has had minimal impact on overall Company performance. Management will continue to closely monitor the impact of the COVID-19 pandemic and will adjust estimates, judgments, and assumptions accordingly, if required.

B) SUBSIDIARIES

Subsidiaries with controlling interests are fully consolidated from the date on which control is acquired by the Company and they are deconsolidated from the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to, or have rights to, the variable returns from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The financial statements of the subsidiaries and parent are consolidated on a line-by-line basis and all inter-company balances, revenues and expenses and earnings and losses resulting from inter-company transactions are eliminated on consolidation.

During the period ended March 31, 2022, the Company had no interests in joint operations or joint ventures.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

Subsidiaries with controlling interest within these Financial Statements include:

Subsidiaries		Jurisdiction	Ownership Interest at	Functional Currency	Status	Principle Activity
Ignite International Brands (Canada), Ltd.	"Ignite CAN"	Ontario, Canada	100%	CAD	Active	To facilitate sale of IGNITE branded spirits and nicotine products into the Canadian market
Ignite International Brands (Luxembourg) S.A.	"Ignite LUX"	Luxembourg City, Luxembourg	100%	EUR	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the EU market
Ignite International Brands (U.K.) Ltd.	"Ignite UK"	London, United Kingdom	100%	GBP	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the UK market
Ignite International Brands SDN. BHD.	"Ignite MYR"	Kuala Lumpur, Malaysia	100%	MYR	Active	To facilitate sale of IGNITE branded CBD, spirits, and nicotine products into the EMEA market
Ignite International, Ltd.	"Ignite US"	Wyoming, United States	100%	USD	Active	To facilitate sale of IGNITE branded CBD and nicotine products into the US market and to other international markets through distribution partners with global reach.
Ignite Spirits, Inc.	"Ignite Spirits"	Wyoming, United States	100%	USD	Active	To facilitate sale of IGNITE branded spirits into the US market
Ignite Distribution, Inc.	"Ignite Distro"	Delaware, United States	100%	USD	Inactive	-
Ignite Beverages, Inc.	"Ignite BEV"	Delaware, United States	100%	USD	Inactive	-
Ignite Internacional Marcas de Mexico, SA de CV	"Ignite MEX"	Guadalajara, Jalisco, Mexico	100%	MXN	Inactive	-
(1) Ignite Distribution Company, Inc.	"Ignite Distro Co."	Wyoming, United States	50.1%	USD	Dissolved	Dissolved on July 30, 2021
Ignite International Brands (Ireland), Limited	"Ignite IRL"	Dublin, Ireland	100%	EUR	Dissolved	Dissolved on June 30, 2021

(1) For fiscal year 2021, management has assessed the terms and conditions of the joint arrangement under IFRS 10 Consolidated Financial Statements and has established that control exists under the nature of the agreement and as such the Company has accounted for the investment in Ignite Distro Co., using the full consolidation method up to date of dissolution.

Segmented information can be found in note 28 of these Financial Statements.

4. CRITICAL ASSUMPTIONS AND SOURCES OF UNCERTAINTY

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements can be found on www.sedar.com in the Company's most recently filed audited financial statements for the year ended December 31, 2021.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these Financial Statements are consistent with those followed in preparation of the audited financial statements for the year ended December 31, 2021, which can be found on www.sedar.com, which were prepared in accordance with IFRS as issued by the IASB.

6. CASH

Cash, as included on the interim consolidated statement of financial position is as follows:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Cash	12,449,744	4,401,697
Balance, Cash	12,449,744	4,401,697

The Company did not have any cash equivalents as at March 31, 2022.

7. RECEIVABLES

A) ACCOUNTS RECEIVABLE

The Company incurs trade receivables through its wholesale and royalty sales channels. Sales generated through the Company's eCommerce channel are point-of-sale transactions which are settled by the customer on purchase. The Company extends credit terms to customers at its sole discretion based on the customers credit reference checks. The Company's typical credit terms, for customers who have met the Company's credit worthiness criteria, ranges between net 15 and 30 days.

The Company's receivables are comprised of the following amounts:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Trade receivables	6,565,589	18,419,969
Allowance for expected credit losses	(1,300,791)	(1,207,578)
Total trade receivables	5,264,798	17,212,391
Sales tax recoverable	231,392	209,842
Balance, Receivables	5,496,190	17,422,233

The Company assessed the carrying amount of trade receivables at March 31, 2022 for expected credit loss ("ECL") and included an allowance of \$1,300,791 (December 31, 2021: \$1,207,578) against receivables and the corresponding bad debt expense on the interim consolidated statement of income (loss) and comprehensive income (loss). The Company does not include sales tax recoverable within its ECL calculations as management deems sales tax recoverable as fully collectible.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

The aging of the Company's trade receivables and the corresponding ECL as at March 31, 2022 is as follows:

Rate of expected credit loss:	0%	11%	17%	92%	Total
	1-30 days	31-60 days	61-90 days	91+ days	
Trade receivables	4,990,106	127,621	62,068	1,385,794	6,565,589
Expected credit losses	-	(14,201)	(10,526)	(1,276,065)	(1,300,791)
Net trade receivables	4,990,106	113,421	51,542	109,729	5,264,798
Sales tax recoverable	74,061	-	116,470	40,861	231,392
Balance, March 31, 2022	5,064,167	113,421	168,012	150,590	5,496,190

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2021 is as follows:

Rate of expected credit loss:	5%	10%	20%	100%	Total
	1-30 days	31-60 days	61-90 days	91+ days	
Trade receivables	10,344,025	1,887,945	4,597,381	1,590,618	18,419,969
Expected credit losses	(60,163)	(405,249)	(16,361)	(725,805)	(1,207,578)
Net trade receivables	10,283,862	1,482,696	4,581,020	864,813	17,212,391
Sales tax recoverable	140,992	-	27,989	40,861	209,842
Receivables Balance, December 31, 2020	10,424,854	1,482,696	4,609,009	905,674	17,422,233

B) SHORT-TERM RECEIVABLE

On May 27, 2018, the Company entered into a three-year option agreement that provided a right to purchase a residential property ("Option to Purchase"). The consideration paid by the Company for the right to purchase was US\$5,000,000. Terms of the option agreement allowed the Company to acquire the property at varying purchase prices based on when the option is exercised. The Option to Purchase was initially assessed to be outside the scope of IFRS 9 ('own use exemption'). The "own use" scope exception is for contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale, or usage requirements. As such an Option to Purchase was assessed under the scope of IAS 39 Financial Instruments: Recognition and Measurement, concluding that it met the definition of an asset.

On July 10, 2020, the Company entered into a settlement agreement and release (the "Settlement Agreement") with the owner of the property which was also leased by the Company (the "Property Owner"). In conjunction with the Settlement Agreement, the lease was terminated. The Settlement Agreement grants a division of proceeds relating to the Company's Option to Purchase resulting from the sale of the property in excess of US\$55,000,000. The Company will receive the first US\$5,000,000 above a US\$55,000,000 sale price and an additional fifty percent (50%) of all net sales proceeds after its receipt of US\$5,000,000. In the event sales proceeds are less than US\$55,000,000, the Company will receive US\$2,500,000, which is the lowest amount to be received in a sale scenario. If the property does not sell within two years after the property is listed, the Property Owner will execute and deliver to the Company a promissory note and second deed of trust for US\$2,500,000, at 3.5% interest, with terms that require repayment on the sale of the property. The Property Owner and the Company are unrelated parties and thus the Settlement Agreement as an arm's length transaction.

In fiscal 2020, the Settlement Agreement was assessed under IFRS 9 *Financial Instruments* resulting in a write-down of the asset to the minimum amount to be received in a sale scenario which is US\$2,500,000. The Settlement Agreement is accounted for in short-term receivables on the interim statement of financial position using a discounted rate of 3.5% over a 24-month term. Management reviews the Settlement Agreement on a quarterly basis for indicators of impairment in accordance with IFRS 9. Should future economic benefit no longer be expected, the asset would be derecognized. At

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

the date of these financial statements, the Company expects to see future economic benefit; thus, has not recorded any additional impairment losses relating to the Settlement Agreement.

As at March 31, 2022, the Company had a short-term receivable of \$3,098,264 associated with the Settlement Agreement (December 31, 2021; \$3,124,258). For the period ended March 31, 2022, the Company accounted for the discount by recording other income of \$26,908 (2021; \$25,796) in the interim consolidated statement of profit (loss) and comprehensive profit (loss).

8. INVENTORY

The Company's inventory is comprised of the following amounts:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Merchant apparel	655,960	762,879
Finished goods	20,555,933	26,131,658
Finished goods in process	105,440	118,172
Raw Materials	1,527,375	1,830,456
Total inventory before provisions	22,844,708	28,843,165
Inventory provisions	(697,648)	(1,270,909)
Balance, Inventory	22,147,060	27,572,256

Raw materials inventory includes inputs to be processed by contracted manufacturers. For the period ended March 31, 2022, the Company had \$697,648 (December 31, 2021; \$1,270,909) in inventory provisions to account for slow moving and obsolescent inventory.

9. DEPOSITS

The Company's short-term deposits are disaggregated as follows:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Trade deposits	6,155,439	4,820,851
Retainers	83,435	62,577
Term deposit	-	-
Merchant processor reserves	98,516	115,778
Balance, Short term deposits	6,337,390	4,999,206

Trade deposits includes deposits paid in advance for inventory purchases and other vendor deposits. As at March 31, 2022, the Company had no long-term deposits (December 31, 2021; \$nil).

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

10. PREPAID EXPENSES

The Company's prepaid expenses are comprised of the following amounts:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Expenses	1,752,724	1,282,467
Rents	18,317	18,611
Balance, prepaid expenses	1,771,041	1,301,078

11. INVESTMENTS

A) NUMINUS WELLNESS INC. (FORMERLY SALVATION BOTANICALS LTD.)

During January 2021, the Company exercised 867,900 warrants of Numinus Wellness Inc. ("Numinus") at a cost of \$0.75 per warrant and a total cost of \$650,925. The Company immediately sold the received shares net proceeds of \$686,630 after fees and commissions.

As at March 31, 2022, the Company holds no shares of Numinus.

B) IGNITE DISTRIBUTION COMPANY, INC.

On January 1, 2021, the Company invested \$3,183,000 in inventory (US\$2,500,000) for 1,005,000 or 50.1% of the outstanding common shares of Ignite Distribution Company, Inc. The investment was executed via a Shareholders Agreement of Ignite Distribution Company, Inc. between Ignite International, Ltd. and Al Khalifa Group, LLC. Under the Shareholders Agreement, Al Khalifa Group contributed \$3,183,000 in inventory (US\$2,500,000) for 1,000,000 or 49.9% of the outstanding common shares of Ignite Distribution Company, Inc.

Management has assessed the terms and conditions of the shareholders agreement under IFRS 10 Consolidated Financial Statements and has established that control exists under the nature of the agreement and as such the Company has accounted for the investment in Ignite Distribution Company Inc. using the full consolidation method for the year ended December 31, 2021.

On July 30, 2021, the Company elected to dissolve Ignite Distribution Company Inc. after management's review of the Company's strategic plan for the United States under current and expected market conditions.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

12. PROPERTY, PLANT AND EQUIPMENT

A continuity of the property, plant, and equipment, including finance leases, is as follows:

	Leasehold Improvements	Furniture & Fixtures	Computer Hardware	Machine & Equipment	Right of Use Assets	Total
	\$	\$	\$	\$	\$	\$
Costs						
Balance, December 31, 2020	5,030	445,226	154,479	238,888	88,972	932,595
Additions	-	-	-	234,179	560,751	794,930
Disposals	-	(97,227)	-	(104,313)	-	(201,540)
Balance, December 31, 2021	5,030	347,999	154,479	368,754	649,723	1,525,985
Additions	-	-	-	-	-	-
Disposals	(5,030)	(41,026)	(47,615)	-	(88,972)	(182,643)
Balance, March 31, 2022	-	306,973	106,864	368,754	560,751	1,343,342
Accumulated depreciation						
Balance, December 31, 2020	1,819	193,221	40,511	19,200	61,010	315,761
Depreciation for the period	769	67,195	29,734	28,916	37,025	163,639
Disposals	-	(94,751)	-	(30,400)	-	(125,151)
Balance, December 31, 2021	2,588	165,665	70,245	17,716	98,035	354,247
Depreciation for the period	-	2,962	1,032	13,524	27,447	44,965
Disposals	-	(25,870)	(38,958)	-	(88,972)	(153,800)
Balance, March 31, 2022	2,588	142,757	32,319	31,240	36,510	245,414
Foreign currency movement						
Balance, December 31, 2020	-	(9,755)	(5,566)	(4,645)	-	(19,965)
Balance, December 31, 2021	-	2,354	(2,984)	(3,572)	-	(4,200)
Balance, March 31, 2022	2,588	61,922	(4,760)	(9,740)	(9,436)	40,574
Net book value						
Balance, December 31, 2020	3,212	242,250	108,402	215,043	27,962	596,869
Balance, December 31, 2021	2,443	184,688	81,250	347,466	551,689	1,167,536
Balance, March 31, 2022	-	226,138	69,785	327,774	514,805	1,138,502

In November 2021, the Company executed a five (5) year lease for a warehouse space located in Texas, United States, which has been included in right of use assets. The lease can be extended for an additional year should the Company wish to excise this option. The Company has not included the one-year extension within its valuation of the lease.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

13. INTANGIBLE ASSETS

A continuity of the intangible assets, is as follows:

	Product Development & Design	Software Development & Design	Patents &Trademarks	Total
	\$	\$	\$	\$
Cost				
Balance, December 31, 2020	18,451	39,217	407,434	465,102
Balance, December 31, 2021	18,451	39,217	407,434	465,102
Balance, March 31, 2022	18,451	39,217	407,434	465,102
Accumulated amortization				
Balance, December 31, 2020	-	10,084	144,184	154,268
Amortization for the year	1,813	3,787	44,901	50,501
Balance, December 31, 2021	1,813	13,871	189,085	204,769
Amortization for the year	459	958	11,358	12,775
Balance, March 31, 2022	2,272	14,829	200,443	217,544
Foreign currency movement				
Balance, December 31, 2020	-	(747)	(8,279)	(9,026)
Balance, December 31, 2021	(4)	17	1,880	1,893
Balance, March 31, 2022	(314)	(633)	(5,031)	(5,978)
Net book value				
Net book value, December 31, 2020	18,451	28,386	254,971	301,808
Net book value, December 31, 2021	16,634	25,363	220,229	262,226
Balance, March 31, 2022	15,865	23,755	201,960	241,580

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

14. LEASE OBLIGATIONS

A continuity of right of use liabilities is as follows:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Opening balance	476,484	24,589
Additions	-	560,751
Interest Accretion	14,182	5,621
Interest Payments	(14,182)	(5,621)
Principal Payments	(13,990)	(31,091)
Ending balance	462,494	554,249
Effects of foreign exchange	68,380	(58)
Less: Current portion	(85,103)	(77,707)
Long-term lease obligation	445,771	476,484

Future minimum lease payments (principal and interest):	As at March 31, 2022
	\$
2022	185,640
2023	191,209
2024	196,945
2025	202,853
2026	146,171
Thereafter	-
Total minimum lease payments	922,818
Present value of minimum lease payments	513,259
Effect of discounting	17,615
Current portion lease obligations	(85,103)
Long term lease obligations	445,771

In November 2021, the Company executed a five (5) year lease for a warehouse space located in Texas, United States. The lease can be extended for an additional year should the Company wish to excise this option. The Company has not included the one-year extension within its valuation of the lease.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Trade payables	1,354,951	11,119,976
Accrued Liabilities and other	844,433	968,629
Customer deposits	3,144,813	206,003
Unearned revenues	391,853	18,495
Stock received not invoiced	177,991	19,859
Sales and excise tax payable	539,239	447,650
Total accounts payable and accrued liabilities	6,453,280	12,780,612

During the period March 31, 2022, the Company had one significant supplier representing 96% (2021; 95%) of the Company's trade purchases.

IGNITE INTERNATIONAL BRANDS, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

16. DEBT
A) SHORT TERM NOTES

The Company issued the following short-term promissory notes and incurred the related interest during the period ending March 31, 2022 and December 31, 2021:

	Canadian Emergency Business Account ("CEBA") Loan	II USD\$1.5MM Note	II CAD\$1.0MM Note	II USD\$1.7MM Note	II USD \$1.8MM Note	II USD \$3.0MM Note	II USD \$2.0MM Note	Total
Date of Issue	2020-04-01	2021-05-24	2021-06-10	2021-10-01	2021-10-14	2021-12-10	2022-01-06	
Lender*	Canadian Government	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	
Note value	CAD \$40,000	USD\$1,500,000	CAD\$1,000,000	USD\$1,738,400	USD\$1,886,349	USD\$3,000,000	USD\$2,068,388	
Interest rate	0%	10%	10%	10%	10%	10%	10%	
Maturity date	2021-12-31	2021-09-30	2021-12-15	On Demand	2021-12-31	On Demand	On Demand	
Purpose	Covid relief	Funding for KSI sponsorship	Short-term cashflow	Finance large inventory purchase	Finance large inventory purchase	Finance large inventory purchase	Finance large inventory purchase	
Related note disclosure	note 16	note 22	note 22	note 22	note 22	note 22	note 22	
	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Long-term moved to short-term	40,000	-	-	-	-	-	-	40,000
Additions	-	1,809,973	1,000,000	2,213,392	2,331,904	3,815,583	-	11,170,851
Principal payments	-	(1,893,675)	(222,316)	-	-	-	-	(2,115,991)
Accrued interest	-	47,553	46,878	45,165	40,686	21,968	-	202,250
Interest Payments	-	(48,250)	(30,685)	-	-	-	-	(78,935)
Refinanced into convertible debenture	-	-	(793,877)	(2,267,681)	(2,452,087)	-	-	(5,513,644)
Gain/loss on foreign exchange	-	84,399	-	9,124	79,497	-	-	173,020
Balance, December 31, 2021	40,000	-	-	-	-	3,877,551	-	3,877,551
Additions	-	-	-	-	-	-	2,648,261	2,648,261
Accrued interest	-	-	-	-	-	93,790	58,331	152,121
AR Assignment for debt settlement	-	-	-	-	-	(3,336,765)	-	(3,336,765)
Effects of foreign exchange	-	-	-	-	-	(63,127)	(60,718)	(123,845)
Balance, March 31, 2022	40,000	-	-	-	-	531,449	2,645,874	3,217,323

The Canadian Emergency Business Account ("CEBA") loan for \$40,000 was provided interest-free to assist in operation costs during the COVID-19 pandemic. The Company may be eligible for a 25% debt forgiveness provided the loan is 75% settled by December 31, 2022.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

B) LONG-TERM NOTES

As at March 31, 2022, and December 31, 2021, the Company did not have any outstanding long-term notes. The Company issued the following long-term notes and incurred the related interest during the period ending December 31, 2021:

	Canadian Emergency Business Account ("CEBA") loan	Small Business Administration ("SBA") loan	Paycheck Protection Program ("PPP") Loan	Total
Date of Issue	2020-04-01	2020-04-23	2020-04-28	
Lender	Canadian Government	City National Bank	Esquire Bank, N.A.	
Note Value	CAD\$ 40,000	USD\$1,079,687	USD\$159,486	
Interest Rate	0%	1%	1%	
Maturity date	2021-12-31	2022-04-23	2022-04-28	
Purpose	Covid relief	Covid relief	Covid relief	
	CAD\$	CAD\$	CAD\$	
Balance, December 31, 2020	40,000	1,374,657	203,058	1,617,715
Loan forgiveness	-	(1,357,598)	(200,538)	(1,558,136)
Effects of foreign exchange	-	(17,059)	(2,520)	(19,579)
Matures in less than 12-months (see short-term loan)	(40,000)	-	-	(40,000)
Balance, December 31, 2021	-	-	-	-
Balance, March 31, 2022	-	-	-	-

C) CONVERTIBLE DEBENTURE DEBT

Convertible debentures are valued on the closing date in accordance to IFRS 9 and IAS 32. The Company uses the residual method in determining the equity component after determining the fair value of liability using a determined discount rate. When warrants are issued in relation to the convertible debenture, the equity component is split between the conversion feature based relative fair value model using the Black-Scholes model to establish the fair value of equity portion and warrants granted by applying certain assumptions.

<<<Remainder of page intentionally left blank>>>

IGNITE INTERNATIONAL BRANDS, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

A reconciliation of convertible debt liability for the period ended March 31, 2022 is as follows.

Three months ended March 31, 2022	II CAD\$16MM Convertible Debt		II CAD\$5.5MM Convertible Debt		Total
Date of Issue	2021-03-31		2021-12-16		
Lender*	International Investments, Ltd.		International Investments, Ltd.		
Note value	CAD	\$16,034,717	CAD	\$5,513,644	
Coupon Interest rate	10%		10%		
Default interest rate	18%		18%		
Coupon interest payments due:	Quarterly		Quarterly		
Maturity date	2023-03-31		2023-03-31		
Exercise price	CAD\$1.25		CAD\$1.40		
Security	Unsecured		Unsecured		
Collateral	None		None		
Purpose of issuance:	Debt consolidation		Debt consolidation		
Valuation inputs					
Discount Factor	12.00%		12.00%		
Interest accretion rate	21.96%		22.41%		
Related note disclosure	note 22		note 22		Total
		CAD\$		CAD\$	CAD\$
Balance, December 31, 2021		15,532,356		4,785,767	20,318,123
Interest Accretion		833,888		269,380	1,103,268
Accrued coupon interest		(395,377)		(135,953)	(531,330)
Coupon interest payable		405,343		135,953	541,296
Coupon Interest Payments		(809,505)		-	(809,505)
Balance, March 31, 2022		15,566,705		5,055,147	20,621,852
Short-term		15,566,705		158,611	15,725,316
Long-term		-		4,896,536	4,896,536

* International Investments, Ltd. ("II") is considered a related party as the entities share a common director (note 25).

As at March 31, 2022, the Company did not have any coupon interest outstanding on the II CAD\$16MM Convertible Debt (2021; \$404,163), and had \$158,611 in coupon interest outstanding on the II CAD\$5.5MM Convertible Debt (2021; \$22,658)

IGNITE INTERNATIONAL BRANDS, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

A reconciliation of convertible debt liability for the period ended December 31, 2021, is as follows.

Twelve months ended December 31, 2021	II CAD\$5.0MM Convertible Debt	II CAD\$6.5MM Convertible Debt	II CAD\$3.2MM Convertible Debt	II CAD\$1.0MM Convertible Debt	II CAD\$16MM Convertible Debt	II CAD\$5.5MM Convertible Debt	Total
Debt							
Date of Issue	2020-06-08	2020-11-16	2021-01-27	2021-02-04	2021-03-31	2021-12-16	
Lender*	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	
Note value	CAD\$5,000,000	CAD\$6,537,500	CAD\$3,204,250	CAD\$1,000,000	CAD\$16,034,717	CAD\$5,513,644	
Coupon Interest rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
Default interest rate	20.00%	20.00%	20.00%	20.00%	18.00%	18.00%	
Interest due:	On maturity	On demand	On demand	On maturity	Quarterly	Quarterly	
Maturity date	2022-06-07	On Demand	On Demand	2021-06-30	2023-03-31	2023-03-31	
Exercise price	CAD\$1.58	CAD\$1.00	105% of prior day close	105% of prior day close	CAD\$1.25	CAD\$1.40	
Security/collateral	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	
Purpose of issuance:	Finance Startup operations	Inventory Purchase	Capital Investment Ignite Distro Co.	Excess cashflow for operations	Debt consolidation	Debt consolidation	
Valuation inputs							
Discount Factor	12.00%	n/a	n/a	12.00%	12.00%	12.00%	
Interest accretion rate	23.28%	n/a	n/a	20.29%	21.96%	22.41%	
Related financial statement disclosure	Note 25	Note 25	Note 25	Note 25	Note 25	Note 25	
	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$
Balance, December 31, 2020	4,478,575	5,227,698	-	-	-	-	9,706,273
Additions	-	-	3,204,250	1,000,000	1,000,000	5,513,644	10,717,894
Equity portion of convertible debt	-	-	-	(40,714)	-	(771,555)	(812,269)
Interest Accretion	243,101	-	-	30,021	2,411,274	43,678	2,728,074
Accrued coupon interest	(123,288)	-	-	(15,068)	(1,208,095)	(22,658)	(1,369,109)
Equity portion of convertible debt on extinguishment	664,271	-	-	124,739	-	-	789,010
Coupon interest payable	123,288	126,915	55,306	15,067	1,208,095	22,658	1,551,329
Coupon Interest Payments	-	-	-	-	(803,932)	-	(803,932)
Debt consolidation into II \$16MM Convertible Debt	(5,405,480)	(5,354,613)	(3,259,556)	(1,015,068)	15,034,717	-	-
Equity portion of II CAD\$16MM Convertible Debt	-	-	-	-	(2,109,703)	-	(2,109,703)
Gain/loss on extinguishment	19,533	-	-	(98,977)	-	-	(79,444)
Balance December 31, 2021	-	-	-	-	15,532,356	4,785,767	20,318,123
Short-term	-	-	-	-	15,532,356	22,658	15,555,014
Long-term	-	-	-	-	-	4,763,109	4,763,109

As at December 31, 2021, the Company had \$404,163 in coupon interest outstanding on the II CAD\$16MM Convertible Debt, and \$22,658 in coupon interest outstanding on the II CAD\$5.5MM Convertible Debt.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

D) DEBT SETTLEMENTS/EXTINGUISHMENTS

During the period ended March 31, 2022, the Company settled the following debts:

II USD\$3.0MM Note

On March 31, 2022, the Company entered into an agreement with II to sell and transfer all rights, title, and interest in and to USD\$3,137,094 in receivables owed to the Company at a discounted rate of 15%, netting USD\$2,666,532 (the "II AR Assignment Agreement"). Consideration for the II AR Assignment Agreement was settled by II through the application of the USD\$2,666,532 due against the outstanding interest and principal on the II USD\$3.0MM Note (note 22). At March 31, 2022, \$531,449 (2021; \$3,837,551) remains outstanding and is accounted for in short-term loans on the interim statement of financial position.

II CAD\$16MM Convertible Debt Coupon Interest

On March 31, 2022, the Company paid, in cash, \$809,505 to settle all coupon interest outstanding on the II CAD\$16MM Convertible Debt. At March 31, 2022, the face value of the II CAD\$16MM Convertible Debt was \$16,034,717 in principal and \$nil in interest due (2021; \$16,034,717 and \$404,163, respectively).

During the year ended December 31, 2021, the Company settled the following debts:

Small Business Administration ("SBA") Loan

Ignite US held a Small Business Administration ("SBA") loan for \$1,374,657 (US\$1,079,687) to assist with uncertainties pertaining to operation costs during the COVID-19 pandemic. The structure of this loan required an application for loan forgiveness after assessing if certain criteria were met. Management assessed the SBA loan under IAS 20, Accounting for Government Grants, and determined reasonable assurance that the Company will comply with the attached conditions for loan forgiveness. As a result of the assessment, the Company recorded \$1,357,598 (2020; \$nil), in debt forgiveness and \$17,059 in foreign exchange loss in the statement of profit and loss and comprehensive profit and loss. As at December 31, 2021, both the SBA was confirmed as fully forgiven by the lenders and these loans were extinguished.

Paycheck Protection Program ("PPP") Loan

Ignite Distro held a Paycheck Protection Program Loan for \$203,058 (US\$159,486) to assist with uncertainties pertaining to operation costs during the COVID-19 pandemic to assist with uncertainties pertaining to operation costs during the COVID-19 pandemic. The structure of this loan required an application for loan forgiveness after assessing if certain criteria were met. Management assessed the PPP loan under IAS 20, Accounting for Government Grants, and determined reasonable assurance that the Company will comply with the attached conditions for loan forgiveness. As a result of the assessment, the Company record \$200,538 (2020; \$nil) in debt forgiveness and \$2,520 in foreign exchange loss in the statement of profit and loss and comprehensive profit and loss. As at December 31, 2021, both the SBA was confirmed as fully forgiven by the lenders and these loans were extinguished.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

II USD\$1.5MM Note Settlement

On August 26, 2021, the Company settled the II USD\$1.5MM Note for \$1,893,675 in principle and \$48,250 in related interest.

Extinguished Debt by Consolidation into the II CAD\$16M Consolidated Debt

On March 31, 2021, the Company consolidated all outstanding convertible debentures between itself and II, (the “Extinguished Debt”), and borrowed an additional \$1,000,000. The purpose of the consolidation was to elevate maintenance of separate debt, and to align interest payment dates to better plan for cash flow. The transaction consolidated all debt, plus the additional \$1,000,000 into a single convertible debenture with principal value of \$16,034,717 (the “II \$16MM Consolidated Debt”). The Extinguished Debt included the II CAD\$5.0MM Convertible Debt, the II CAD\$6.5MM Convertible Debt, the II CAD\$3.2MM Convertible Debt, and the II CAD\$1.0MM Convertible Debt.

The Company accounted for the Extinguished Debt in accordance with IFRS 9 and IAS 32: AG33. The Company allocated the consideration paid to the liability and equity components of the instruments at March 31, 2021, with any resulting gain or loss in accordance with accounting principles applicable to the related component, as follows:

- (a) the amount of gain or loss relating to the liability component is recognised in profit or loss; and
- (b) the amount of consideration relating to the equity component is recognised in equity.

The Extinguished Debt resulted in an aggregate reduction of \$14,325,152 in convertible debt liability, \$789,010 reduction in contributed surplus, and a \$79,444 gain on debt extinguishment. Consideration paid for the extinguishment, resulted in a corresponding increase in convertible debt liability and equity for the II CAD\$16MM Consolidated Debt. The valuation resulted in \$13,925,014 recognized in long term convertible debenture liabilities, and \$2,109,703 in contributed surplus on initial recognition.

Extinguished Debt by Consolidation into the CAD\$5.5MM Convertible Debt

On December 16, 2021, the Company consolidated three short-term promissory notes previously issued to II, along with related interest into one single convertible debt to II for proceeds of \$5,513,644 (the “II CAD\$5.5MM Convertible Debt”). The purpose of the consolidation was to provide the Company with an alternative option for settlement through capital issuance in lieu of cash. The promissory notes included in this non-cash transaction were the II CAD\$1.0MM Note, the II USD\$1.7MM Note and the II USD \$1.8MM Note. This non-cash transaction resulted in a reduction of \$5,513,644 from short-term loans and a corresponding increase of \$4,742,089 in long-term convertible debenture liabilities, and \$771,555 in contributed surplus on initial recognition of the II CAD\$5.5MM Convertible Debt.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

17. CAPITAL AND RESERVES

A) AUTHORIZED

As at March 31, 2022, the authorized shares were as follows:

- Unlimited number of Subordinate Voting Shares without par value;
- Unlimited number of Proportionate Voting Shares without par value.

Subordinate Voting Shareholders are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

Proportionate Voting Shares are convertible into Subordinate Voting Shares. Prior to conversion, each Proportionate Voting Share carries 200 votes per share compared to one vote per Subordinate Voting Share. The Proportionate Voting Shares each have a restricted right to convert into 200 Subordinate Voting Shares. The ability to convert the Proportionate Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 under the U.S. Exchange Act), may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Proportionate Voting Shares will be automatically converted into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares issuable upon conversion of all the Proportionate Voting Shares for resale under the U.S. Securities Act. Holders of Proportionate Voting Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. If a dividend is declared for the Subordinate Voting Shares, holders of the Proportionate Voting Shares shall be entitled to receive the same dividend with respect to each Subordinate Voting Share into which such Proportionate Voting Share could then be converted.

B) ISSUED AND OUTSTANDING

During the period ended March 31, 2022, the Company issued the following shares and had balance outstanding:

Shares	Subordinate Voting Shares	Proportionate Voting Shares	As converted
	#	#	#
Balance Outstanding, December 31, 2020	107,967,933	998,625	307,692,933
Issuance, private placement	2,000,000	-	2,000,000
Balance Outstanding, December 31, 2021	109,967,933	998,625	309,692,933
Stock option exercises	8,332	-	8,332
Balance, March 31, 2022	109,976,265	-	309,701,265

During the period ended March 31, 2022, 8,332 stock options were exercised at an exercise price of \$0.50 per share totaling \$9,755 in proceeds.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

During the year ended December 31, 2021, the Company issued 2,000,000 of the Company's Subordinate Voting Shares by way of private placement to Brisa Max Holdings VI, LLC. The subscription price was \$1.43 per Subordinate Voting Share, for total proceeds of \$2,860,000.

C) STOCK OPTIONS

The Company established a stock option plan to govern the grant, administration and exercise of stock options which may be granted to eligible optionees. The plan is designed to be a "rolling" stock option plan under Canadian Securities Exchange ("CSE") policies, reserving at any one time a maximum of 10% of the issued shares of the Company for the exercise of options. The maximum term of an option granted is ten (10) years from the date of grant and no option is exercisable until it has vested in accordance with a vesting schedule set out by the administrator. An option price shall not be less than the discounted market price on the date before the grant.

Pursuant to the Company's stock option plan, the Company had the following outstanding stock options on March 31, 2022. The Company used the Black-Scholes model to establish the fair value of the options on the date of grant by applying the assumptions below.

The fair value is expensed over the option's vesting period.

Grant date	Vesting start date	Termination Date	Share price on grant date	Exercise Price	Volatility ⁽¹⁾	Risk free Rate	Dividends
			\$	\$	%	%	\$
30-May-19	30-May-19	30-Apr-23	1.50	5.00	73.00	1.47	\$nil
22-Oct-20	22-Oct-21	22-Oct-24	0.36	0.50	100.03	0.26	\$nil
21-Dec-20	21-Dec-21	21-Dec-24	0.59	0.70	123.05	0.29	\$nil
08-Mar-21	08-Mar-22	8-Mar-26	1.01	1.10	160.20	0.51	\$nil
23-Mar-21	23-Mar-22	23-Mar-25	1.09	1.09	160.46	0.50	\$nil
25-Mar-21	25-Mar-22	25-Mar-26	1.09	1.10	160.36	0.46	\$nil
19-Apr-21	19-Apr-22	19-Apr-25	0.76	0.76	155.60	0.50	\$nil
11-May-21	11-May-22	11-May-25	0.77	0.77	155.10	0.49	\$nil
21-Jun-21	21-Jun-22	21-Jun-25	0.72	0.72	154.17	0.62	\$nil
01-Jul-21	01-Jul-22	1-Jul-25	0.92	0.92	154.42	0.65	\$nil
8-Jul-21	08-Jul-22	8-Jul-25	1.05	1.05	154.55	0.65	\$nil
16-Aug-21	16-Aug-22	16-Aug-25	1.15	1.15	150.89	0.55	\$nil
24-Aug-21	24-Aug-22	24-Aug-25	1.19	1.19	150.01	0.56	\$nil
15-Sep-21	15-Sep-22	15-Sep-25	1.53	1.58	142.64	0.52	\$nil
18-Oct-21	18-Oct-22	18-Oct-25	1.19	1.19	134.91	0.88	\$nil
25-Oct-21	25-Oct-22	25-Oct-25	1.13	1.13	135.76	0.94	\$nil
01-Nov-21	01-Nov-22	1-Nov-25	1.13	1.13	136.44	1.13	\$nil
17-Dec-21	17-Dec-22	17-Dec-25	1.39	1.40	133.00	0.98	\$nil
01-Mar-22	01-Mar-23	01-Mar-26	1.18	1.39	85.07	1.39	\$nil

(1) Volatility is determined by calculating the standard deviation of the closing share price for the immediately preceding 365 days (252 trading days)

IGNITE INTERNATIONAL BRANDS, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

The number of stock options and weighted average exercise prices as at March 31, 2022 and December 31, 2021 are as follows:

	Options	Weighted average exercise price
	#	\$
Balance, December 31, 2020	4,870,000	0.55
Options issued	2,940,000	1.05
Options expired	(17,918)	2.25
Options forfeited	(2,375,417)	0.62
Balance, December 31, 2021	5,416,665	0.65
Balance Exercisable, December 31, 2021	55,781	4.22
Balance, December 31, 2021	5,416,665	0.65
Options issued	175,000	1.18
Options exercised	(8,332)	0.50
Options expired	(33,333)	0.50
Options forfeited	(320,000)	1.16
Balance, March 31, 2022	5,230,000	0.78
Balance Exercisable, March 31, 2022	1,438,333	0.72

Stock Options are measured at fair value at the date of grant and are expensed to share based compensation over the option's vesting period. For three months ended March 31, 2022, the Company expensed \$190,662 (2021; \$351,419 recovery) in share-based compensation.

The following reflects the remaining contractual life for outstanding and exercisable options as at March 31, 2022:

Outstanding				Exercisable	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	\$	#	(years)	#	(years)
30-Apr-23	5.00	40,000	1.08	40,000	1.08
22-Oct-24	0.50	3,045,000	2.56	1,148,333	2.56
8-Mar-26	1.10	500,000	3.94	166,667	3.94
25-Mar-26	1.10	100,000	3.99	33,333	3.99
21-Dec-24	0.70	100,000	2.73	33,333	2.73
23-Mar-25	1.09	50,000	2.98	16,667	2.98
19-Apr-25	0.76	30,000	3.05	-	-
11-May-25	0.77	25,000	3.12	-	-
21-Jun-25	0.72	10,000	3.23	-	-
1-Jul-25	0.92	550,000	3.25	-	-
8-Jul-25	1.05	30,000	3.27	-	-
16-Aug-25	1.15	10,000	3.38	-	-
24-Aug-25	1.19	50,000	3.40	-	-
15-Sep-25	1.58	100,000	3.46	-	-
18-Oct-25	1.19	50,000	3.55	-	-
25-Oct-25	1.13	150,000	3.57	-	-
1-Nov-25	1.13	15,000	3.59	-	-
17-Dec-25	1.40	200,000	3.72	-	-
1-Mar-26	1.18	175,000	3.92	-	-
		5,230,000	2.96	1,438,333	2.72

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

D) WARRANTS

As of March 31, 2022, and December 31, 2021, the number of outstanding Subordinate Voting Share Warrants (“SVS Warrants”) and weighted average exercise prices are as follows:

	SVS Warrants	Weighted average exercise price
	#	\$
Balance outstanding December 31, 2020	5,000,000	3.27
Balance outstanding, December 31, 2021	5,000,000	3.27
Balance outstanding, March 31, 2022	5,000,000	3.27

As of March 31, 2022, the remaining contractual life on the SVS Warrants and the exercisability is as follows:

Expiry dates	Outstanding			Exercisable	
	Warrants outstanding	Exercise price	Remaining Contractual Life	Exercisable Warrants	Remaining Contractual Life
	Date	#	\$	#	years
25-Oct-22	2,500,000	3.32	0.57	2,500,000	0.57
10-Dec-22	2,500,000	3.22	0.70	2,500,000	0.70
Total warrants	5,000,000		0.63	5,000,000	0.63

18. REVENUES

IGNITE branded products are sold for cash or through management approved credit terms. The Company’s payment terms vary by location and customer; however, the time between when revenue is recognized and when payment is due is typically not greater than 30 days. The Company generates revenue through three distinct sales channels: E-commerce, wholesale, and royalties.

Revenue by sales channel for the period ended March 31, 2022, and 2021 is as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
E-Commerce sales	670,513	439,602
Wholesale sales	18,371,676	3,198,892
Royalties	-	12,535
Total revenue	19,042,189	3,651,029

Revenue as a percentage of total sales for the period ended March 31, 2022, and 2021 is as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	%	%
E-Commerce sales	3.52%	12.04%
Wholesale sales	96.48%	87.62%
Royalties	0.00%	0.34%
Total Sales	100.00%	100.00%

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

As of March 31, 2022 and 2021, the Company did not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company has not adjusted any of the transaction prices for the time value of money.

During the period ended March 31, 2022, the Company had two significant customers representing 10% (ROW segment) and 39% (USA segment) of total revenues (2021-Q1; two customers; 16% and 43%, USA segment).

See *Segmented Information*; note 25 for revenue by reportable segments.

19. EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the three months ended March 31, 2022, and 2021 is as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
Earnings (loss) attributable to Ignite Pubco shares (\$)	(98,654)	120,668
Weighted average number of shares outstanding, basic	309,694,525	307,692,933
Weighted average number of shares outstanding, diluted	315,964,895	312,750,851
Earnings/loss per share, basic (\$)	0.00	0.00
Earnings/loss per share, diluted (\$)	0.00	0.00

20. GENERAL AND ADMINISTRATIVE EXPENSES

Below are the general and administrative expenses for the period ended March 31, 2022, and 2021:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
Payroll and benefits	1,840,214	1,543,389
Bank and Merchant Fees	67,550	25,689
Office Expenses	296,179	323,871
Facilities Expense	100,104	82,727
Consulting and advisory Fees	216,263	121,274
Professional Fees	445,314	227,529
Insurance	14,315	37,153
Travel and accommodation	49,950	14,631
Total general and administrative expenses	3,029,889	2,376,263

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

21. NON-CONTROLLING INTERESTS

A) IGNITE DISTRIBUTION COMPANY, INC.

On January 1, 2021, the Company executed a shareholders' agreement with Al Khalifa Group LLC (note 11). After consideration by management, the Company elected to dissolve Ignite Distribution Company Inc. after review of the Company's strategic plan for the United States under current and expected market conditions. Ignite Distribution Company, Inc. was dissolved effective July 30, 2021.

At March 31, 2022, and at December 31, 2021, there are no non-controlling interests in the Company. During the year ended December 31, 2021, \$51,569 in net income was attributed to non-controlling interests for pre-dissolution income in relation to Ignite Distribution Company, Inc.

22. RELATED PARTY TRANSACTIONS

A) KEY MANAGEMENT PERSONNEL:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
Management salaries, bonuses, and other benefits	275,702	287,742
Share-based payment – management	93,626	81,662
Share-based payments – directors	39,142	14,620
Total	408,470	384,024

B) AMOUNTS DUE TO/FROM RELATED PARTIES

As at March 31, 2022, the Company had the following amounts due to related parties. See note 16 for details relating to debt and related interest.

- \$526,370 due to Blitz NV, LLC, ("Blitz") a company controlled by the CEO, for operational expenditures paid on behalf of the Company.
- The Company is indebted to II, for the following convertible debt issuances. II is related to the Company by virtue of a common Gregory Gilpin-Payne, and the balances owed are as follows:
 - \$16,034,717 in principal and \$nil in related interest on the II CAD\$16MM Convertible Debt;
 - \$5,513,644 in principal and \$158,611 in related interest on the II CAD\$5.5MM Convertible Debt;

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

- The Company is indebted to II for short-term promissory notes as follows:
 - \$531,449 in principal and \$nil in related interest on the II USD\$3.0MM Note;
 - \$2,648,261 in principle and \$58,331 in related interest on the II USD\$2.0MM Note.

As at December 31, 2021, the Company had the following amounts due to related parties:

- \$496,912 due to Blitz NV, LLC, a company controlled by the CEO, for operational expenditures paid on behalf of the Company.
- The Company is indebted to II, for convertible debt issuances as follows:
 - \$16,034,717 in principal and \$404,163 in related interest on the II CAD\$16MM Convertible Debt (2020; \$nil);
 - \$5,513,644 in principal and \$22,659 in related interest on the II CAD\$5.5MM Convertible Debt (2020; \$nil);
- The Company is indebted to II for a short-term loan amount to \$3,815,583 in principal and \$21,968 in related interest for the II USD\$3.0MM Note;

C) RELATED PARTY TRANSACTIONS

During the period ended March 31, 2022, the Company entered the following transactions with related parties. See note 16 for details relating to debt issuances and debt repayments.

- The Company issued a short-term promissory note to II for USD\$2,068,388 (the “II USD\$2.0MM Note) whereby the proceeds were sent directly to its supplier to fund a large inventory purchase.
- The Company settled \$809,505 in coupon interest payments due to II on convertible debts issued to II by the Company.
- The Company entered into an agreement with II to sell and transfer all rights, title, and interest in and to USD\$3,137,094 in receivables owed to the Company at a discounted rate of 15%, netting USD\$2,666,532 (the “II AR Assignment Agreement”). Consideration for the II AR Assignment Agreement was settled by II through the application of the USD\$2,666,532 due against the outstanding interest and principal on the II USD\$3.0MM Note.
- Blitz paid \$38,176 in operating expenses on behalf of the Company, which are included in due to related party.
- The President and Chief Operating officer resigned from the Company.

During the period ended December 31, 2021, the Company entered the following transactions with related parties. See note 16 for details relating to debt issuances and debt repayments and note 17 for details relating to stock options or shares of the Company.

- Two members of the Board of Directors (the “Board”) resigned. Each member held 100,000 of stock options of the Company which vesting was accelerated on resignation.
- The Company appointed two new members to the Board. On appointment each Board member was granted 100,000 stock options of the Company. The Company also granted two existing Board 100,000 stock options each.
- The Chief Executive Officer (“CEO”) purchased 82,600 Subordinate Voting Shares of the Company in the public market.
- The Chief Financial Officer (“CFO”) resigned forfeiting 400,000 stock options, and an Interim CFO was appointed.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

- The Company renewed a trademark and copyright agreement between Ignite and Blitz NV, LLC, a company controlled by the CEO. The renewal was USD\$50,000.
- Various operating expenditures totaling \$431,816 were paid by Blitz NV, LLC on behalf of the Company.
- The Company issued four (4) convertible debentures to II at an aggregate of \$25,752,611. The issuance included a \$16,034,717 convertible debenture (the "II CAD\$16MM Convertible Note") which consolidated all convertible debt owing to II prior to March 31, 2021. The Company issued the II \$16MM Note for the ease of administration of an all-in-one note, and in order to allow for a single debt repayment date for forecasting purposes. Also included is the issuance of a \$5,513,644 convertible debenture (the "II CAD\$5.5MM Convertible Note"), which consolidated all promissory notes and related interest owing to II as at December 15, 2021. The Company issued the II CAD\$5.5M Convertible Note to provide the Company with an alternative for settlement of debt through the issuance of capital. The extinguishment of the original financial liabilities and the recognition of the new financial liability for the II CAD\$16MM Convertible Note was assessed and executed under IFRS9 - IAS 32.
- The Company settled \$803,932 in coupon interest owing on convertible debt issued to II.
- The Company issued five (5) short-term promissory notes to II at an aggregate of \$11,170,851. On December 16, 2021, \$5,513,644 of these issuances were consolidated into the II CAD\$5.5M Convertible Debt as noted above.
- The Company settled \$2,115,991 in principal and \$78,238 in interest owing on promissory notes issued to II.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, note payable, due to related parties, and coupon interest payable approximate their carrying value, due to their short terms to maturity. The fair value of the Company's notes payable and convertible debenture liability approximates fair value due to the market rate of interest. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. Investments are measured at fair value using Level 2 inputs.

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Level 3 inputs in determining the fair value of investments includes subjective estimates in assessing for indicators of impairment.

The key assumptions used by the Company in the valuation of Level 3 investments include and are not limited to, to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

The Company held 867,900 warrants of Numinus Wellness, Inc., a publicly traded company categorized by the Company as a Level 2 input. During January 2021, the Company exercised these warrants at a cost of \$0.75 per warrant and revalued its investment in Numinus recording an unrealized gain of \$196,002 to the statement of profit and loss and comprehensive

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

profit and loss. After exercise, the Company immediately sold the received shares net proceeds of \$686,631 after fees and commissions (note 11).

B) CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash includes cash in bank. The Company held \$12,449,744 in cash (2021; \$4,401,697). The Company also had deposits with vendors amounting to \$6,341,488 (2021; \$4,999,206). Management believes the risk of loss on cash and deposits is minimal.

The Company's e-commerce operations do not give rise to accounts receivable amounts and associated risks are inconsequential.

The Company's financial assets subject to risk include receivables of \$6,565,589 (2021; \$18,419,969) arising from wholesale distribution. Other receivables are considered low risk and primarily consist of sales tax receivable from government agencies amounting to \$231,392 (2021; \$209,842). The Company also has a short-term receivable relating to a Settlement Agreement (note 7), also considered to be low risk by management, amounting to \$3,098,265 (2021; \$3,124,258).

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

The carrying amount of deposits, prepaid expenses, and accounts and other receivables represent the maximum exposure to credit risk. At March 31, 2022, these amounted to \$16,706,983 (2021; \$26,846,775). An expected credit loss of \$1,300,791 (2021; \$1,207,578) related to trade accounts receivable was recorded as at March 31, 2022 to account for any related losses due to possible non-collection.

Concentration of credit risk associated with trade receivable is limited by the credit quality of the Company's significant customers, which is also monitored by the Company on an ongoing basis. The Company also provides for potential credit losses each reporting period to account for potential losses. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in the impairment of such assets. The Company recognizes potential losses using 12-month expected credit losses. See note 7 for an aging of the Company's trade receivables as at March 31, 2022, and December 31, 2021.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to review, on an ongoing basis, capital requirements to ensure that it will have enough liquidity to meet liabilities when due.

As at March 31, 2022, the Company had cash of \$12,449,744 to settle current liabilities of \$26,007,392 including short term lease obligations of \$3,217,323 (note 14) and short term convertible debentures of \$15,725,316 (note 16). The

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

Company's non-current financial liabilities comprise of convertible debentures of \$4,896,536 (2021; \$4,763,109) and long-term lease obligations of \$445,771 (2021; \$476,484).

As at March 31, 2022, and December 31, 2021, working capital of the Company was as follows:

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Cash (note 6)	12,449,744	4,401,697
Receivables (note 7)	5,496,190	17,422,233
Short-term receivables (note 7)	3,098,264	3,124,258
Inventory (note 8)	22,147,060	27,572,256
Deposits (note 9)	6,341,488	4,999,206
Prepaid expenses (note 10)	1,771,041	1,301,078
Total current assets	51,303,787	58,820,728
Accounts payable and accrued liabilities (note 15)	6,453,280	12,780,612
Short-term Loans (note 16)	3,217,323	3,877,551
Short-term Convertible Debt (note 16)	15,725,316	15,555,014
Due to related parties (note 22)	526,370	496,912
Short-term lease obligations (note 14)	85,103	77,707
Total current liabilities	26,007,392	32,787,796
Working capital	25,296,395	26,032,932

D) INTEREST RATE RISK

The Company has cash which is not at a significant risk to fluctuating interest rates. As at March 31, 2022, and throughout the periods presented, the Company did not have any financial instrument liabilities which were subject to variable rates of interest.

E) FOREIGN CURRENCY RISK

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which use the Pound Sterling (GBP£), the United States Dollar (US), the European Euro (€), and the Malaysian Ringgit (RM). The Company does not currently use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

At March 31, 2022 and December 31, 2021, the Company was exposed to the following currency risk:

	Three months ended March 31, 2022	Twelve-months Ended December 31, 2021
	\$	\$
Financial assets denominated in foreign currencies	27,132,934	56,718,900
Financial liabilities denominated in foreign currencies	(77,473,072)	(94,630,921)
Net exposure	(50,340,138)	(37,912,020)

A three (3) percent increase in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income for the period ended March 31, 2022 by \$54,641.

The exposure to currency risk for the Pound sterling, Euro, Mexican Peso and Malaysian Ringgit are not significant to either period presented.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

F) CAPITAL RISK MANAGEMENT

The Company adapts its capital structure based on the funds available to the Company in order to support the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent upon external financings to fund activities. To search for new business opportunities and pay for operating and administrative costs, the Company will raise additional capital as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it determines there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the quarter ended March 31, 2022. The Company is not subject to externally imposed capital requirements. Managed capital includes shareholders' equity and changes in capital are described in the statement of changes in shareholders' equity.

24. CONTINGENCIES AND COMMITMENTS

A) NOTICE OF CLAIM

On December 2, 2021, the Company's subsidiary, Ignite International Brands (Canada) Ltd. ("IGNITE Canada") filed a statement of claim against NOYA CANNABIS INC., formerly RADICLE MEDICAL MARIJUANA INC. a.k.a RADICAL MEDICAL MARIJUANA INC. ("Radicle") in Ontario Superior Court of Justice for breach of contract. IGNITE Canada asserts that Radicle has breached the terms of their agreement with respect to amounts owing to IGNITE Canada. IGNITE Canada is also claiming the return of the balance of an advanced payment that was made by IGNITE Canada to Radicle upon the execution of their agreement ("Advanced Payment"). Radicle filed a defense and counterclaim on February 28, 2022 claiming breach of contract and seeking a declaration from the court that they are entitled to retain the balance of the Advanced Payment.

On December 21, 2021, the Company's subsidiary, Ignite International, Ltd. ("IGNITE US") commenced a civil action in United States District Court, District of Arizona against Higher Connection LLC and its principals ("HC") claiming breach of contract and theft/conversion of IGNITE USA's products. IGNITE USA asserts that HC, who provided fulfillment services under contract with IGNITE USA, removed IGNITE USA products from inventory and sold the products without IGNITE USA's knowledge or consent. HC retained the majority of the proceeds of sales despite IGNITE USA's repeated requests for reimbursement.

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

B) LEGAL

The Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters will not have a material adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

25. SEGMENTED INFORMATION

A) REPORTABLE SEGMENTS

For management purposes, the Company's business segments are geographically based. Chief operating decision makers ("CODM's") in each region monitor the operating results of their respective regions separately for the purpose of making decisions about allocations of resources and assessing performance.

As at March 31, 2022, as required by IFRS 8 *Segment Reporting*, the Company is required to report on two (2) geographic segments. The Company's reportable segments include: 1) Corporate ("PUB"), 2) United States ("USA"). All other geographic markets are reported under 'Rest of World' ("ROW").

Corporate ("PUB"): The primary function of Ignite Pubco is reporting to the Canadian Stock Exchange. Ignite Pubco also incurs various corporate expenditures such as legal and professional fees and is responsible for allocating funding to the various segments. Ignite Canada services the Canadian market.

United States ("USA"): The USA segment is engaged in the business of development and distribution of Ignite branded nicotine, CBD, beverages, spirits, and other related IGNITE branded products throughout the United States. The USA segment also works with domestic distributors to who have global reach to expand the IGNITE brand into various international regions such as Mexico, Middle East, South America, and Australia.

Rest of World ("ROW"): Revenues generated in ROW are generated through the Company's subsidiaries in Canada, Luxembourg, Malaysia, and United Kingdom. Sales in these jurisdictions are achieved through the distribution of Ignite branded nicotine, CBD, beverages, spirits, and other related IGNITE branded products.

<< Remainder of page intentionally left blank >>

IGNITE INTERNATIONAL BRANDS, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

B) SEGMENT RESULTS

Condensed information on the Company's operating segments for the three-months ended March 31, 2022, and 2021 is as follows:

Three months ended March 31, 2022	PUB	USA	ROW	CONSOL
	\$	\$	\$	\$
Sales revenue	-	16,789,070	2,253,119	19,042,189
Cost of goods sold	-	11,069,203	1,791,165	12,860,368
Total gross profit	-	5,719,867	461,954	6,181,821
Total gross profit (%)	0.00%	34.07%	20.50%	32.46%
Total operating expenses	742,406	3,170,409	489,348	4,402,163
Total other income and other expenses, net	1,143,956	603,504	6,262	1,753,722
Income tax expense	-	124,590	-	124,590
Net income (loss)	(1,886,362)	1,821,364	(33,656)	(98,654)
Attributed to:				
Ignite International Brands, Ltd.	(1,886,362)	1,821,364	(33,656)	(98,654)
Total assets	358,877	44,412,233	7,912,759	52,683,869
Total non-current assets	52,890	1,306,859	20,333	1,380,082
Total liabilities	24,147,973	6,728,934	472,792	31,349,699
Total non-current liabilities	4,896,536	445,771	-	5,342,307
Three months ended March 31, 2021	PUB	USA	ROW	CONSOL
	\$	\$	\$	\$
Sales revenue	-	3,508,031	142,998	3,651,029
Cost of goods sold	-	2,519,912	128,376	2,648,288
Total gross profit	-	988,119	14,622	1,002,741
Total Gross Profit (%)	0.00%	28.17%	10.23%	27.46%
Total operating expenses	101,669	2,032,018	430,700	2,564,387
Total other income and other expenses, net	172,102	(1,761,952)	(90,582)	(1,680,432)
Income tax expense	-	-	-	-
Net income (loss)	(273,771)	718,053	(325,496)	118,786
Attributed to:				
Ignite International Brands, Ltd.	(273,771)	719,935	(325,496)	120,668
Non-controlling interests	-	(1,882)	-	(1,882)
Total Assets	1,614,305	26,372,433	3,504,741	31,491,479
Total non-current assets	93,913	4,988,857	37,180	5,119,950
Total liabilities	14,168,428	1,168,229	424,158	15,760,815
Total non-current liabilities	13,965,014	-	-	13,965,014

26. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2022, the Company did not have any material events.