IGNITE
INTERNATIONAL BRANDS, LTD.

CSE: BILZ, OTCQX: BILZF
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IGNITE

Consolidated
Financial Statements

For the years ended December 31, 2021, and 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Ignite International Brands, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ignite International Brands, Ltd. and its subsidiaries (collectively, the “Company”), which comprise the consolidated statement of financial position as at December 31, 2021 and 2020 and the consolidated statements of profit and loss and comprehensive profit and loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor’s report includes the Management’s Discussion and Analysis.

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

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

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

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

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

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

Accell Audit & Compliance, PA

Tampa, Florida
May 1, 2022

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IGNITE INTERNATIONAL BRANDS, LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at December 31, 2021	As at December 31, 2020
	$	$
Assets		
Current assets		
Cash (note 8)	4,401,697	5,462,783
Receivables (note 9)	17,422,233	1,594,306
Short-term receivable (note 9)	3,124,258	-
Inventory (note 10)	27,572,256	12,499,793
Deposits (note 11)	4,999,206	370,254
Prepaid expenses (note 12)	1,301,078	2,091,655
Total current assets	**58,820,728**	**22,018,791**
Non-current assets		
Long term receivable (note 9)	-	3,017,973
Investments (note 13)	-	497,741
Property, plant and equipment, net (note 14)	1,167,536	596,869
Intangible assets, net (note 15)	262,226	301,808
Total non-current assets	1,429,762	4,414,391
Total assets	**60,250,490**	**26,433,182**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	12,780,612	3,259,668
Short term loans (note 18)	3,877,551	-
Short term convertible debt (note 18)	15,555,014	5,227,698
Due to related parties (note 25)	496,912	23,675
Short-term lease obligations (note 16)	77,707	24,589
Total current liabilities	**32,787,796**	**8,535,630**
Long Term Loans (note 18)	-	1,617,715
Convertible debenture liability (note 18)	4,763,109	4,478,575
Long-term lease obligations (note 16)	476,484	-
Total long-term liabilities	5,239,593	6,096,290
Total liabilities	**38,027,389**	**14,631,920**
Shareholders' equity		
Share capital (note 19)	106,095,779	103,235,779
Warrant reserve (note 19)	726,863	726,863
Option Reserve (note 19)	2,831,263	2,570,689
Contributed surplus	8,317,319	6,770,911
Other comprehensive income	3,166,418	3,013,027
Accumulated deficit	(98,914,541)	(104,516,007)
Total shareholders' equity	**22,223,101**	**11,801,262**
Total liabilities and shareholders' equity	**60,250,490**	**26,433,182**

Nature of operations (note 1)
Segmented results (note 28)
Subsequent events (note 29)
Commitments and contingencies (note 27)

Approved by the Board

/s/ *"Dan Bilzerian" Director*
/s/ *"Lester Lee" Director*

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

IGNITE INTERNATIONAL BRANDS, LTD.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE PROFIT AND LOSS

(In Canadian Dollars)

	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
Sales revenue (note 21, 28)	78,778,256	16,944,159
Cost of goods sold (note 28)	55,305,651	10,495,528
Gross Profit	**23,472,605**	**6,448,631**
Operating expenses		
General and administrative (note 22)	11,620,236	14,471,878
Share based payments	437,553	1,664,819
Marketing and promotion	3,412,281	4,090,258
Depreciation (note 14)	163,639	1,930,747
Amortization (note 15)	50,501	46,541
Listing expense	97,682	81,148
Bad debt expense (note 9)	1,202,362	379,562
Total operating expenses	**16,984,254**	**22,664,953**
Income (loss) from operations	**6,488,351**	**(16,216,322)**
Other income		
Debt forgiveness (note 18)	1,558,136	1,536,416
Gain on debt extinguishment (note 18)	79,444	-
Investment gain (note 13)	266,796	4,417,117
Interest income	11,710	62,212
Other income	1,148,351	-
Total other income	**3,064,437**	**6,015,745**
Other expenses		
Interest expense	409,467	337,712
Interest accretion, leases (note 16)	5,621	530,453
Interest accretion, convertible debentures (note 18)	2,728,074	2,826,127
Gain/loss on contingent assets (note 9)	-	3,765,280
Loss on disposal of capital assets	49,816	(176,876)
Inventory impairment (note 10)	708,210	2,323,006
Exchange gain (loss)	189,530	(467,915)
Acquisition costs	-	22,700
Total other expenses	**4,090,718**	**9,160,487**
Net income (loss) before taxes	**5,462,070**	**(19,361,064)**
Income tax expense (recovery) (note 23)	(222,979)	10,863
Net income (loss)	**5,685,049**	**(19,371,927)**
Cumulative translation adjustment	153,391	(335,799)
Net income (loss) and comprehensive income/loss	**5,838,440**	**(19,707,726)**
Net income (loss) attributed to:		
Ignite International Brands, Ltd.	5,633,390	(18,949,794)
Non-controlling interests (note 24)	51,659	(422,133)
Earnings (loss) per share, basic (note 20)	**0.01**	**(0.07)**
Earnings (loss) per share, diluted (note 20)	**0.01**	**(0.07)**

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

IGNITE INTERNATIONAL BRANDS, LTD.

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, 2019	**256,928,254**	**82,824,059**	**3,348,826**	**1,260,785**	**726,863**	**1,262,131**	**(788,676)**	**(83,653,563)**	**4,980,425**
Stock based compensation (note 19)	-	-	-	1,664,818	-	-	-	-	1,664,818
Cancellation of stock options (note 19)	-	-	-	(354,914)	-	354,914	-	-	-
Issuance of convertible debentures (note 18)	-	-	-	-	-	2,097,970	-	-	2,097,970
Issuance of Proportionate voting shares (converted) (note 19)	10,000,000	5,000,000	-	-	-	-	-	-	5,000,000
Exercise of convertible debenture (note 18)	443,823	681,238	-	-	-	(115,118)	-	-	566,120
Extinguishment of convertible debentures (converted) (note 18)	40,000,000	14,400,000	-	-	-	3,182,664	-	-	17,582,664
Non-controlling interest, capital; contributions (note 13, 24)	-	-	-	-	-	-	981,943	-	981,943
Acquisition of NCI portion of Ignite Distribution, Inc. (note 7)	320,856	330,482	-	-	-	-	228,866	(1,912,649)	(1,353,301)
Acquisition of Ignite LUX	-	-	-	-	-	(11,650)	-	-	(11,650)
Net loss for the period	-	-	(335,799)	-	-	-	(422,133)	(18,949,795)	(19,707,727)
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**

	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**
Temporary difference for tax purposes on recognition of the equity component of convertible debentures	-	-	-	-	-	(763,533)	-	-	(763,533)
Stock based compensation (note 19)	-	-	-	260,574	-	176,979	-	-	437,553
Issuance of II $1M convertible debentures (note 18)	-	-	-	-	-	40,714	-	-	40,714
Issuance of $16M convertible debt (note 18)	-	-	-	-	-	2,109,703	-	-	2,109,703
Issuance of $5.5M convertible debt (note 18)	-	-	-	-	-	771,555	-	-	771,555
Extinguishment of convertible debentures (note 18)	-	-	-	-	-	(789,010)	-	-	(789,010)
Issuance of subordinate voting shares (note 19)	2,000,000	2,860,000	-	-	-	-	-	-	2,860,000
Non-controlling interest, capital contributions (note 13, 24)	-	-	-	-	-	-	3,183,000	-	3,183,000
Dissolution of Ignite Distribution Company, Inc. (note 13, 24)	-	-	-	-	-	-	(3,234,659)	105,154	(3,129,505)
Dissolution of Ignite International Brands (Ireland), Ltd.	-	-	-	-	-	-	-	(137,078)	(137,078)
Net income for the period	-	-	153,391	-	-	-	51,659	5,633,390	5,838,440
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**

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

IGNITE INTERNATIONAL BRANDS, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the period ended December 31, 2021	For the period ended December 31, 2020
Cash flow from operating activities:		
Net income (loss) for the period	5,685,049	(19,371,927)
Items not involving cash:		
Accreted interest on leases (note 16)	5,621	530,453
Addition of Right of Use Lease (note 16)	(6,560)	-
Amortization of intangible assets (note 15)	50,501	46,541
Depreciation of property, plant and equipment (note 14)	163,639	1,930,747
Gain/Loss on disposal of long-lived assets	49,816	(176,876)
Accrued coupon interest on convertible debentures (note 18)	1,551,329	1,919,163
Interest accretion on convertible debentures (note 18)	2,728,074	2,826,127
Interest on short-term note (note 18)	202,250	42,762
Discounted interest on long-term receivable (note 9)	-	(49,849)
Discounted interest on short-term receivable (note 9)	(107,304)	-
Loan forgiveness on SBA and PPP Loans	(1,558,136)	-
Share-based payments (note 19)	437,553	1,664,819
Gain on investment (note 13)	-	(4,669,376)
Fair value adjustment on investment (note 13)	(188,889)	252,259
Inventory impairment (note 10)	708,210	2,323,006
Convertible debt interest forgiveness (note 18)	-	(1,536,416)
Contingent loss on settlement of option to purchase (note 9)	-	3,765,280
Dissolution of Ignite Distro Co. (note 13, 24)	105,154	-
Dissolution of Ignite Ireland	(137,078)	-
	9,689,230	**(10,503,289)**
Changes in non-cash working capital items:		
Accounts receivable (note 9)	(15,868,661)	(189,347)
Prepaid expenses (note 12)	786,142	(1,837,356)
Inventory (note 10)	(4,246,609)	(8,763,616)
Deposits (note 11)	(5,259,794)	1,605,306
Accounts payable and accrued liabilities (note 17	8,751,046	(1,780,135)
Due to related parties (note 25)	473,229	(43,350)
Short term coupon interest on convertible debt (note 18)	(1,428,042)	(80,599)
Long Term Deposits	-	66,734
Long term coupon interest on convertible debt (note 18)	(123,288)	(1,832,536)
Net cash provided by (used in) operating activities	**(7,226,746)**	**(23,358,188)**
Cash flows from investing activities		
Acquisition of property, plant and equipment (note 14)	(234,179)	(194,848)
Acquisition of Intangible assets (note 15)	-	(138,648)
Sale of property, plant and equipment (note 14)	26,573	-
Sale of Numinus investment, net (note 13)	686,630	4,669,376
Acquisition of Ignite International Brands (Luxembourg), NA	-	(11,650)
Net cash provided by (used in) investing activities	**479,024**	**4,324,230**
Cash flow from financing activities:		
Issuance of subordinate voting shares, net (note 19)	2,860,000	-
Issuance of proportionate shares, net (note 19)	-	3,000,000
Issuance of short-term convertible debt, net (note 18)	2,000,000	2,000,000
Issuance of long-term convertible debt, net (note 18)	-	5,000,000
Issuance of short-term notes payable (note 18)	1,000,000	1,000,000
Issuance of long-term notes payable (note 18)	-	1,617,715
Payment of interest on short-term convertible debt (note 18)	(399,770)	(6,027)
Payment of Principle on short-term notes (note 18)	-	(1,000,000)
Payment of interest on short-term notes (note 18)	(78,935)	(11,507)
Principal payments on lease obligations (note 16)	(31,091)	(1,595,241)
Interest payments on lease obligations (note 16)	(5,621)	(530,453)
Net cash provided by (used in) financing activities	**5,344,584**	**9,474,486**
Foreign exchange affecting cash	**342,052**	**(115,838)**
Change in cash during the year	(1,061,086)	(9,675,309)
Cash, beginning of year	5,462,783	15,138,092
Cash, end of year	**4,401,697**	**5,462,783**

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

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.

2. BASIS OF PRESENTATION

A) STATEMENT OF COMPLIANCE

These consolidated financial statements of the Company ("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 IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements ("Financial Statements") were authorized for issuance by Board of Directors of the Company (the "Board of Directors") on May 2, 2022.

B) BASIS OF MEASUREMENT

These Financial Statements have been prepared and 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.

The preparation of financial statements requires the use of certain critical accounting estimates, which 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 financial statements have been set out in note 5.

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 December 31, 2021, 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 year ended December 31, 2021, the Company held a controlling interest in Ignite Distribution Company, Inc. which was dissolved on July 30, 2021. The Company had no interests in any other joint operation or joint venture.

(In Canadian Dollars)

Subsidiaries with controlling interest within these Financial Statements include:

Principal Operating Subsidiaries/Joint Operation		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 (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, 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 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 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 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) *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. ACCOUNTING PRONOUNCEMENTS

The Company monitors the potential changes proposed by the IASB and analyzes the effect that changes in standards may have on the Company's operations and consolidated financial statements. The Company adopts these changes should the pronouncements have an effect.

A) ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, IFRS 4, Insurance Contracts, IFRS 16, Leases, and IAS 39, Financial Instruments: Recognition and Measurement): The amendments address the effects of the reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The amendments address specific hedge accounting requirements and permit a practical expedient for modifications of financial assets, financial liabilities, and lease liabilities required by the IBOR (interbank offered rate) reform. The amendments also require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks. The objective is to support companies in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the reform; and assist companies in providing useful information to users of financial statements. The amendment applies for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The Company adopted the amendment effective January 1, 2021, resulting in no impact on the Company's Financial Statements.

Amendments to IFRS 9, "Financial Instruments". The amendments to IFRS 9 clarify which fees an entity includes when it applies the "10 per cent test" in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied prospectively.

The Company adopted the amendment effective January 1, 2021, resulting in no impact on the Company's Financial Statements.

Amendments to IFRS 16, "Leases." The amendments to IFRS 16 issued in May 2020 provided lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead required lessees that applied the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The amendment extended the applicable payments due on or before June 30, 2022. The amendments are effective for annual reporting periods beginning on or after April 1, 2021 and are to be applied retrospectively.

The Company did not receive rent concessions as are result of COVID-19, resulting in no impact on the Company's Financial Statements.

B) FUTURE ACCOUNTING PRONOUNCEMENTS

Standards issued but not effective up to the date of issuance of these Financial Statements are described below. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded. The Company will adopt these standards as they become effective.

Amendments to IAS 1 "Presentation of Financial Statements." In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after January 1, 2023.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction." In May 2021, the IASB issued amendments to IAS 12 to reduce diversity in the way that entities account for deferred tax on transactions and events, such as leases and decommissioning obligations, that lead to the initial recognition of both an asset and a liability. The amendment clarifies that the initial recognition exception does not apply to the initial recognition of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Amendments to IAS 16 "Property, Plant and Equipment." In June 2019, the IASB issued amendments to IAS 16 which prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any sales proceeds earned from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, such sales proceeds must be recognised in profit or loss. The amendment will also require an entity to identify and measure the cost of items produced before an item of PP&E is available for use, applying the existing measurement requirements of IAS 2 *Inventories*, not require additional specific presentation and disclosure requirements in relation to the sale of items that are part of the entity's ordinary activities, and will require additional disclosures in relation to the sale of items that are not part of an entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" In May 2021, the IASB issued amendments which specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract." Costs that relate directly to a contract can be incremental or an allocation of other costs that relate directly to the fulfillment of the contract. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

5. 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.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

A) COVID-19 ESTIMATION UNCERTAINTY:

In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company's operations during the year ended December 31, 2021. Due to the uncertainties surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position, and operating results in the future. The Company is closely monitoring the impact of the pandemic on allaspects of its business.

B) VALUATION OF INVESTMENTS:

The Company recognizes its investments at fair value. The basis in determining fair value is market prices from independent sources, if available. If there is no market price, then the fairvalue is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. These level 3 inputs may include assessing the discounted cash flows of the investee, determining the net book value of the investee in comparison to the Company's cost of investment and reviewing the price-per-share of recently completed financings of the investee.

C) BUSINESS COMBINATIONS AND ACQUISITIONS:

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates relate to private investments and intangible assets acquired. 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. Identified intangible assets are fair valued 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. Management assesses business acquisitions in accordance with IFRS 3 – *Business Combinations*.

D) CONTROL, JOINT CONTROL, OR LEVEL OF INFLUENCE:

When determining the appropriate basis of accounting for the Company's interests in affiliates, the Company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities.

E) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The carrying value of goodwill and intangible assets is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred. The Company's impairment tests for goodwill and intangible assets are based on the comparison of the carrying amount of the cash generating units ("CGU") and the recoverable amount, which is the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost of disposal. The determination of the Company's CGUs is based on management's judgment.

A CGU is defined as is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost of disposal is based on assessment of comparable company multiples and precedent transactions.

F) ESTIMATED USEFUL LIVES AND DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

G) LEASES

The application of IFRS 16 *Leases* requires significant judgments and certain key estimations to be made. Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term, and renewal periods;
- Determining the appropriate rate to discount lease payments; and
- Assessing whether a right-of-use asset is impaired.

Changes in these estimates could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, and on subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated balance sheets in a given period.

H) INVENTORY VALUATION

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the selling costs and sales prices. In calculating final inventory values, management is required to determine an estimate of impaired inventory and compares the inventory cost versus net realizable value.

I) EXPECTED CREDIT LOSSES ("ECL") ON RECEIVABLES:

The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses, which requires the use of the lifetime expected credit loss provision for trade receivables that do not have a significant financing component. To measure lifetime expected credit losses, trade receivables are first classified into groups with shared credit characteristics and the age of days past due, followed by an assessment of the Company's historical experience of bad debts including the customers' ability to pay and the impact of any relevant economic conditions which are expected during the life of the balance. The loss allowance is determined according to a provision matrix incorporating historical experiences, when available, adjusted for current and future conditions expected for the life of the balance.

J) FAIR VALUE MEASUREMENTS:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company calculates the estimated fair value of financial instruments using quoted market prices where available. When quoted market prices are not available, the Company uses standard pricing models.

K) VALUATION OF CONVERTIBLE DEBT AND WARRANTS:

Management uses the residual method when warrants are combined with other financial instruments and the Black-Scholes Option Pricing model for valuation of warrants issued as compensation. Each model requires the input of subjective assumptions. The residual model includes market rate assumptions in determining the fair value of the liability used in calculating the residual value, and the Black-Scholes model includes expected price volatility, risk-free interest rates and forfeiture rates. Convertible debentures are valued on the closing date in accordance to IFRS 9 and IAS 32. When applying this valuation technique, the Company makes subjective assumptions in regard to volatility and the risk-free rate. Changes in these assumptions can materially affect the fair value estimate and the Company's results of operations and equity reserves.

L) VALUATION OF STOCK-BASED COMPENSATION:

Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation which requires the input of subjective assumptions including expected price volatility, and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

M) INCOME TAXES

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. 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 date of the statement of financial position could be impacted. Future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

N) GOING CONCERN AND LIQUIDITY

Going concern assumes an entity will meet its financial obligations when they fall due, and the company will be able to function without the threat of liquidation for the foreseeable future. In assessing going concern, management determines the probability that its strategic plans will be effectively implemented within one year to mitigate substantial doubt of the Company's ability to continue as a going concern.

Determining probability requires analysis of key indicators, including but not limited to:

- Actual financial results providing historical information and trends for the Company
- Annual budget and forecasts for the subsequent year, and years thereafter
- Forecast of future cash flows
- Existing executed contracts and anticipated contracts in the pipeline
- Strategic plans and market activations including expected timelines
- Economic conditions, market demands, production quality and capital expenditures
- Potential challenges that may alter estimated timelines and revenue projections
- All debt related instruments including the maturity dates and contract terms, along with the ability to obtain new funding should it be required.

When probable that management's plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements were issued, it is determined that the Company is able to continue as a going concern.

O) LITIGATION AND CLAIMS RISKS

Disputes may arise in the normal course of business. The Company may become involved in legal actions and proceedings which arise from time to time, including the legal proceedings discussed in note 27, "Contingencies and Commitments". The Company makes certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about any matters, and internal and external legal counsel, are often consulted for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of matters related to disputes, legal actions and proceedings may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

6. SIGNIFICANT ACCOUNTING POLICIES

A) FOREIGN CURRENCY AND FOREIGN CURRENCY TRANSLATION ON CONSOLIDATION

Foreign currency transactions within each subsidiary are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income (loss).

Consolidation of subsidiaries that operate in a functional currency other than Canadian dollars, are translated into Canadian dollars as follows:

- *Assets and liabilities* have been translated by applying the rate in effect at the end of the reporting period.
- *Equity* has been translated by applying the historical exchange rate.
- *Revenues and expenses are* translated at the average exchange rate for the period.

Translation gains or losses resulting from the application of these criteria have been included in other comprehensive income as a separate component of shareholders' equity. Functional currencies for each subsidiary included in these Financial Statements can be found in note 3.

B) CASH AND CASH EQUIVALENTS

Cash includes cash on hand and in the bank.

C) FINANCIAL INSTRUMENTS

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost.

The following table summarizes classification of the Company's financial instruments under IFRS 9 *Financial Instruments*:

Asset or Liability	Classification under IFRS 9	Measurement
Cash and cash equivalents	FVTPL	Fair value
Trade and other receivables	Amortized cost	Amortized cost
Contingent consideration receivable	Amortized cost	Amortized cost
Short-term investment	FVTPL	Fair value
Unearned revenues	Amortized cost	Amortized cost
Long-term investments	FVOCI and FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Promissory notes and loans payable	Amortized cost	Amortized cost
Coupon interest payable on convertible notes	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Contingent consideration payable	Amortized cost	Amortized cost

Recognition and subsequent measurement

The Company recognizes financial assets and financial liabilities into the statement of financial position when the Company enters into a contract relating to a financial instrument. All financial instruments are measured at fair value on initial recognition. Financial instruments related to all contract assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract. All other financial instruments are considered noncurrent if they are expected to be realized more than 12 months after the reporting period.

Transaction costs directly attributable to an acquisition or issuance of financial assets and financial liabilities, other than financial assets and liabilities classified as FVTPL, are added to, or deducted from, the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income. Contingent assets are not recognized in the consolidated financial statements as this may result in the recognition of income that may never be realized. Should the realization of a contingent asset become certain, the Company recognizes the asset accordingly.

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial Instrument	Subsequent Measurement
Financial assets at FVPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVPL or FVOCI	Measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity investments that are held for trading are measured at FVPL net gains and losses are recognized in as profit or loss in the statement of income (loss) and other comprehensive income (loss). For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.
Debt investments at FVOCI	Measured at fair value. Interest income is calculated using the effective interest rate method. Foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Classification

Financial assets are measured at amortized cost if it meets the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments are measured at FVOCI if it meets the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments that are held for trading are measured at FVPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVPL.

Impairment of financial instruments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired under the expected credit loss (“ECL”) model.

The ECL model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For trade and other receivables, the Company has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss, where available, economic conditions and financial factors specific to the debtors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of income (loss) and comprehensive income (loss). When it is determined that recovery of an amount owing is not possible, the financial asset is written off to bad debt.

D) INVENTORY

Inventory is recorded at the lower of cost and net realizable value (note 10). Cost is determined using the weighted average cost method, which is reviewed regularly to reflect current conditions. Cost of inventory includes cost of purchase (purchase price, freight, handling, duties, tariffs, and other costs directly attributable to the acquisition of inventory), cost of conversion, and other costs incurred in bringing the inventory to a state of commercial sale. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventory is reviewed at the end of each fiscal period for impairment. Provisions for obsolescence, shrinkage or defective inventory are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is recorded on a straight-line basis over the estimated useful life. Cost comprises expenditures that are directly attributable to the acquisition of the asset in addition to other varied costs associated with bringing the assets to a state of commercial readiness. When assets are retired or sold, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in profit or loss (note 14). Depreciation methods, useful lives, and estimated residual values are reviewed by management each fiscal year end.

The Company depreciates property, plant, and equipment over the useful life of the asset. Management has set depreciation as follows:

Property, plant, and equipment	Depreciation Method	Term
Computer hardware	Straight-Line	5 years
Machinery and equipment	Straight-Line	5 years
Furniture and fixtures	Straight-Line	5 years
Leasehold improvements	Straight-Line	Lease term (5 years)
Right-of-use assets	Straight-Line	Lease term (5 years)

Costs associated property, plant and equipment under a $3,000 threshold are recognized as an expense as incurred.

F) INTANGIBLE ASSETS

Finite life intangible assets are recorded at cost less any accumulated amortization and impairment losses, if any. Amortization is recorded on a straight-line basis over the estimated useful life. Cost comprises expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the asset and recognized in profit or loss (note 15).

Indefinite life intangible assets are deemed to have no foreseeable limit over which the asset is expected to generate net cash inflows. Following initial recognition, intangible assets with indefinite lives are carried at cost less any accumulated impairment losses and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Amortization methods, useful lives, and estimated residual values are reviewed by management each fiscal year end.

The Company amortizes intangible assets over the useful life of the asset. Management has set amortization as follows:

Intangible Assets	Amortization Method	Term
Patents and trademarks	Straight-Line	5-10 years
Software design and development	Straight-Line	10 years

Costs associated with maintaining computer software under a $3,000 threshold are recognized as an expense as incurred. Development costs that directly contribute to the design and testing of identifiable and unique products controlled by the Company, are capitalized, and recognized as intangible assets when certain criteria are met. Depreciation commences once the acquired asset is available for use.

G) LEASES

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

The Company depreciates the right-of-use assets on a straight-line basis over the lease term. The Company also assesses the right-of use asset for impairment at the end of each reporting period or when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the rate implicit in the lease or the Company’s incremental borrowing rate where available or market comps. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

H) IMPAIRMENT OF LONG-LIVED ASSETS

At the end of each fiscal period, the Company’s long-lived assets (including property, plant and equipment and intangible assets) are assessed to determine whether there is any indication of impairment. If an asset is deemed to be impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its' carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the asset (or cash generating unit) to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

I) BUSINESS COMBINATIONS

The Company applies the purchase method to account for acquisitions. Consideration is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Transaction costs directly attributable to the business combination are expensed as incurred. Identifiable net assets are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded by the Company as goodwill. In circumstances where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

Non-controlling interest in the acquiree are initially measured at the non-controlling shareholder's fair value. The measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statements of loss and comprehensive loss.

J) INVESTMENT IN JOINT ARRANGEMENTS

Under IFRS 11, *Joint Arrangements*, a joint arrangement is a contractual arrangement wherein two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement when the strategic financial and operating decisions relating to the arrangement require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are accounted for using the equity method and are initially recognized at cost. The entire carrying amount of the investment is tested for impairment annually.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company consolidates, on a proportionate basis, its share of the joint operations financial results including assets, liabilities, revenues, and expenses. When control is established in accordance with IFRS 10 *Consolidated Financial Statements*, the Company consolidates the joint operation on full consolidation basis and accounts for non-controlling interests in the statement of financial position and the statement of loss and comprehensive loss.

K) SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's subordinate voting and proportionate voting shares (collectively, "shares"), conversion features on convertible debentures, outstanding warrants, and stock options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, convertible debenture options, share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the shares issued in the private placements offered by the Company were determined to be the more easily measurable component, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

L) WARRANTS

The Company accounts for warrants using the Black-Scholes option pricing model at the date of issuance. If and when warrants ultimately expire, the applicable amounts are transferred to contributed surplus. In instances where warrants are attached to another financial instrument (a "Unit"), the Company uses the residual method to first calculate the present values of the equity component of the unit. Once the residual is calculated, the Company applies the Black-Scholes pricing model to determine the value of the warrant.

M) CONVERTIBLE INSTRUMENTS

Convertible debentures (convertible debt) are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

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

N) EARNINGS (LOSS) PER SHARE

Basic loss per share has been calculated using the weighted average number of subordinate voting and converted proportionate voting shares outstanding during the year.

Diluted loss per share is calculated using the weighted average number of subordinate voting and converted proportionate voting shares that would have been outstanding during the respective period had the holders of the convertible debentures exercised their right to convert, in addition to stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

O) NON-CONTROLLING INTERESTS

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

P) SHARE-BASED COMPENSATION

The Company's stock option plan allows employees, directors, and consultants to acquire subordinate voting shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a "direct employee") or provides services substantially similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. Share-based compensation is expensed by the Company on a graded vesting schedule.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

Q) ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent liabilities for goods and/or services provided to the Company which remain unpaid as at the end the date of the reporting period. The amounts are unsecured and are typically paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Accounts payable and accrued liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities dominated in currencies other than the functional currency are revalued at the end of each reporting period.

R) REVENUE RECOGNITION

The Company assesses its contracts in accordance with IFRS 15:9;

- the contract has been approved by the parties to the contract:
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Area's of judgment for revenue recognition include (i) estimating returns on product sold and price concessions (ii) assessment of whether control has passed to the customer based on criteria established in IFRS 15 and (iii) estimating the period in which performance obligations are met.

Revenue from contracts with customers is recognized in accordance with IFRS 15.31 when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is recognized by the Company at the point in time when control of the products sold transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the customer contract.

When (or as) a performance obligation is satisfied, the Company recognizes, as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue from sales of Ignite products have a single performance obligation and are sold for a fixed price. The Company recognizes revenue in an amount that reflects the consideration which the Company expects to receive from the customer for the sales of the goods, net of promotional discounts, sales taxes, or similar obligations. The Company does not recognize a liability for estimated sales refunds for goods expected to be returned as based on historical information, the amount is immaterial. The Company's return policy is seven (7) days upon receipt of the goods for wholesale orders, and 30 days for eCommerce orders.

For contracts involving multiple performance obligations, the transaction price is allocated based on relative standalone selling prices of the goods or services. If a standalone selling price is not directly observable, it is estimated using an adjusted-market-assessment approach, which, for the most part, involves referring to prices from competitors for similar goods and then making an adjustment to such prices to reflect the company's costs and margins. Contract assets arise when the company transfers goods or services in advance of receiving consideration from customers. Contract liabilities arise from the obligation to transfer goods or services to the customer when consideration has already been received.

The Company's revenue is comprised of three sales channels (i) Royalty Revenue, (ii) eCommerce Revenue, and (iii) Wholesale Revenue.

(i) **Royalty Revenue:** Revenue from Royalty contracts is recognized when control of Ignite branded goods, under contract, has transferred from the Royalty partners to the Royalty partners' customer.

(ii) **eCommerce Revenue:** Revenue from sales through the Company's e-commerce channel is revenue that is generally recognized on the date the goods are shipped to from the Company's warehouse or third-party distribution partner (FOB shipping point). Costs to ship orders to customers are included as an expense in cost of goods sold.

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

Sales of products are for cash or otherwise agreed-upon 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 does not offer a warranty on its products. Returns are only refundable if a product was received damaged and must be returned to the Company within seven days of receipt for wholesale customers, and thirty days of receipt for ecommerce customers. The Company exposure to returns for damaged goods is mitigated by filing claims with the responsible freight courier.

S) COST OF GOODS SOLD

Cost of goods sold, primarily consists of cost incurred to ready inventory for sale, including product costs, packaging and labeling, warehousing, fulfillment, distribution, freight, and tariff costs. The Company also includes discounts given, inventory revaluations, write-offs, shrinkage, and obsolescence within cost of goods sold.

T) OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Executive Committee that makes strategic decisions.

U) INCOME TAXES

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted as of December 31, 2019.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

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

7. ACQUISITIONS

Acquisition of Non-Controlling Interests in Ignite Distribution, LLC

On May 5, 2020, in consideration of financial accommodations provided by International Investments, Ltd. ("II"), Ignite Distribution, LLC ("Ignite USJO") issued 800 shares of its common stock to II free and clear of encumbrances. The issuance constituted 80% of the issued and outstanding shares of common stock of Ignite USJO, reducing the Company's ownership to 10% of the issued and outstanding common stock of Ignite USJO (the "II Acquisition"). The remaining 10% of the Company ownership belonged to ECVD/MMS Wholesale LLC (d/b/a UBIQ) ("MMS").

In conjunction with the change in ownership, Ignite USJO was converted from an LLC to a corporation and the name was changed accordingly from Ignite Distribution, LLC to Ignite Distribution, Inc. ("Ignite Distro").

On May 29, 2020, the Company entered into a binding term sheet, pursuant to which, the Company would acquire the remaining 90% of the issued and outstanding equity securities of Ignite Distro that it did not already own.

On June 12, 2020, a definitive share purchase agreement was executed reflecting the terms of the binding term sheet and was approved of the Canadian Securities Exchange. As consideration for the purchase of the shares of Ignite Distro (the "Ignite Distro Acquisition"), the Company (i) issued to II an unsecured promissory note in the amount of US$3.35 million (the "II USD$3.35MM Convertible Debt"), bearing an annual interest rate of 10%, maturing on June 11, 2022; the II USD$3.35MM Convertible Debt is repayable on the earlier of (x) the Company having consolidated annual EBITDA of at least US$10 million, as reported on its quarterly or annual financial statements and calculated in the ordinary course AND the Company having unencumbered cash of at least US$10 million during the same reporting period; and (y) two years from the closing date, with II being permitted to convert the II USD$3.35MM Convertible Debt at any time prior to its maturity at a price per subordinate voting share of CA$1.54; (ii) issued to MMS an unsecured promissory note (the "MMS USD$0.5MM Convertible Debt") in the amount of US$500,000, bearing an annual interest rate of 10%, maturing on December 11, 2021, with either the Company or MMS being permitted to convert the MMS USD$0.5MM Convertible Debt at any time prior to its maturity at a price per subordinate voting share equal to the greater of (x) CA$1.53, being the closing price on May 28, 2020; and (y) 110% of the closing market price of the shares on the last trading date immediately prior to the conversion of the MMS USD$0.5MM Convertible Debt; and (iii) issued 285,205 subordinate voting shares to II and 35,651 subordinate voting shares to MMS.

(In Canadian Dollars)

The II Acquisition was intended to be the first step of a two-part acquisition which ultimately resulted in the Ignite Distro Acquisition whereby the Company acquired 100% of Ignite Distribution, Inc. As the Company had controlling interest in Ignite USJO prior to the II Acquisition, the Company continues to consolidate Ignite Distribution, Inc. on a 100% basis.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid resulting from the Ignite Distro acquisition is as follows:

Consideration paid	CA$
Fair value of shares issued to International Investments, Ltd. (285,205 @ $1.03/subordinate voting share)	293,761
Fair value of shares issued to ECVD/MMS Wholesale, LLC. (35,651 @ $1.03/subordinate voting share)	36,720
Issuance of Convertible Debenture Promissory Note to International Investments, Ltd.	4,540,255
Issuance of Convertible Debenture Promissory Note to ECVD/MMS Wholesale, LLC	677,650
Reassignment of Promissory Note from International Investments, Ltd. to Ignite International Brands, Ltd.	(4,503,549)
Total consideration	**1,044,837**
Non-Controlling Interests	**CA$**
Non-Controlling Interests in Equity	1,652,550
Non-Controlling Interests in Retained Deficit	(1,459,282)
Non-Controlling Interests in Net Loss for the period to date of acquisition	(437,235)
Non-Controlling Interest Balance on Acquisition Date	**(243,967)**
Excess consideration over Non-Controlling Interest Balance	1,288,804
Total consideration	**1,044,837**

8. CASH

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

	As at December 31, 2021	As at December 31, 2020
	$	$
Cash	4,401,697	5,462,783
Balance, Cash	**4,401,697**	**5,462,783**

The Company did not have any cash equivalents as at December 31, 2021.

(In Canadian Dollars)

9. 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 December 31, 2021	As at December 31, 2020
	$	$
Trade receivables	18,419,969	1,485,049
Allowance for expected credit losses	(1,207,578)	(150,536)
Total trade receivables	**17,212,391**	**1,334,513**
Sales tax recoverable	209,842	259,793
Balance, Receivables	**17,422,233**	**1,594,306**

The Company assessed the carrying amount of trade receivables at December 31, 2020 for expected credit loss ("ECL") and included an allowance of $1,207,578 (2020: $150,536) against receivables and the corresponding bad debt expense on the 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. The increase in ECL for the year ended 2021 when compared to the year ended 2020, is a direct result to the increase in sales revenue from the Company extending credit to more customers.

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					209,842
Receivables Balance, December 31, 2021	**10,283,862**	**1,482,696**	**4,581,020**	**864,813**	**17,422,233**

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2020 was is follows:

Rate of expected credit loss:	5%	10%	20%	100%	Total
	1-30 days	**31-60 days**	**61-90 days**	**91+ days**	
Trade receivables	328,598	669,901	160,666	325,884	1,485,049
Expected credit losses	(2,400)	(2,147)	(18,603)	(127,386)	(150,536)
Net trade receivables	326,198	667,754	142,063	198,498	1,334,513
Sales tax recoverable					259,793
Receivables Balance, December 31, 2020	**326,198**	**667,754**	**142,063**	**198,498**	**1,594,306**

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 the 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 million. The Company will receive the first US$5 million above a US$55 million sale price and an additional fifty percent (50%) of all net sales proceeds after its receipt of US$5 million. In the event sales proceeds are less than US$55 million, the Company will receive US$2.5 million, 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$2.5 million, 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.

The Settlement Agreement was initially assessed under IFRS 9 *Financial Instruments* resulting in a write-down of the asset in fiscal year 2020 to the minimum amount to be received in a sale scenario which is US$2.5 million. The Company initially accounted for the contingent receivable in long-term receivables on its 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 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 December 31, 2021, the Company had a short-term receivable of $3,124,258 associated with the Settlement Agreement (2020; $nil / Long-term receivable 2020; $3,017,973). For the year ended December 31, 2021, the Company accounted for the discount by recording other income of $105,497 (2020; $52,524).in the statement of profit and loss and comprehensive profit and loss.

(In Canadian Dollars)

10. INVENTORY

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

	As at December 31, 2021	As at December 31, 2020
	$	$
Merchant apparel	762,879	265,211
Finished goods	26,131,658	11,383,624
Finished goods in process	118,172	-
Raw Materials	1,830,456	4,252,995
Total inventory before provisions	**28,843,165**	**15,901,830**
Inventory provisions	(1,270,909)	(3,402,037)
Balance, Inventory	**27,572,256**	**12,499,793**

Raw materials inventory includes inputs to be processed by contracted manufacturers. For the year ended December 31, 2021, the Company recorded $1,270,909 (2020; $3,402,037) in inventory provisions to account for slow moving and obsolescent inventory, and recorded $708,210 (2020; $2,323,006) in inventory impairments.

11. DEPOSITS

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

	As at December 31, 2021	As at December 31, 2020
	$	$
Trade deposits	4,820,851	194,174
Retainers	62,577	145,639
Term deposit	-	30,441
Merchant processor reserves	115,778	-
Balance, Short term deposits	**4,999,206**	**370,254**

Trade deposits includes deposits paid in advance for inventory purchases and other vendor deposits. As at December 31, 2021, the Company had no long-term deposits (December 31, 2020; $nil).

12. PREPAID EXPENSES

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

	As at December 31, 2021	As at December 31, 2020
	$	$
Expenses	1,282,467	2,069,383
Rents	18,611	22,272
Total prepaid expenses	**1,301,078**	**2,091,655**

13. INVESTMENTS

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

On February 21, 2018, Company entered into an agreement to acquire 3,000,000 units of Salvation Botanicals Ltd. ("Salvation") at a price of $0.50 per unit for a total cost of $1,500,000 pursuant to a subscription agreement between the Company and Salvation (the "Subscription Agreement"). Each unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of $0.75 for a term of eighteen months. Subsequent to December 31, 2019, Salvation completed a reverse take-over transaction with Rojo Resources Ltd ("Rojo"), and changed the name of the resulting issuer to Numinus Wellness Inc. (NUMI:TSXV) ("Numinus"). Concurrent with the reverse-takeover transaction, Rojo completed a non-brokered private placement of subscription receipts at $0.25 per subscription receipt, with each subscription receipt entitling the holder to receive one common share and one-half of a share purchase warrant of Numinus.

In December 2020, the Company sold all 3,000,000 shares in Numinus for $1.23 per share netting proceeds of $3,671,550 after fees and commissions. Further to this, the Company exercised 632,100 warrants at a cost of $0.75 per warrant and a total cost of $474,075; and subsequently sold the received shares for $2.30 per share netting proceeds of $1,446,183 after fees and commissions.

During January 2021, the Company exercised the remaining 867,900 warrants 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 December 31, 2021, 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 and has accounted for non-controlling interests in the statement of financial position and statement of loss and comprehensive loss.

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.

(In Canadian Dollars)

14. 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, 2019	107,554	627,233	154,479	133,366	8,857,918	9,880,550
Additions	-	21,916	-	172,932	-	194,848
Disposals	(102,524)	(203,923)	-	(67,410)	(8,768,946)	(9,142,803)
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**
Accumulated depreciation						
Balance, December 31, 2019	27,688	63,032	8,931	8,021	2,992,186	3,099,858
Depreciation for the period	24,689	130,189	31,580	16,294	1,727,995	1,930,747
Disposals	(50,558)	-	-	(5,115)	(4,659,171)	(4,714,844)
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**	**354,249**
Foreign currency movement						
Balance, December 31, 2019	6,610	(8,505)	(2,737)	(1,975)	(312,134)	(318,741)
Balance, December 31, 2020	-	(9,755)	(5,566)	(4,645)	-	(19,965)
Balance, December 31, 2021	**-**	**2,354**	**(2,984)**	**(3,572)**	**-**	**(4,200)**
Net book value						
Balance, December 31, 2019	86,476	555,696	142,811	123,370	5,553,598	6,461,951
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**

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.

(In Canadian Dollars)

15. INTANGIBLE ASSETS

A continuity of the intangible assets, is as follows:

	Product Development & Design	Software Development & Design	Patents &Trademarks	Total
	$	$	$	$
Cost				
Balance, December 31, 2019	-	55,942	287,238	343,180
Additions	18,451	-	120,196	138,647
Disposals	-	(16,725)	-	(16,725)
Balance, December 31, 2020	18,451	39,217	407,434	465,102
Balance, December 31, 2021	**18,451**	**39,217**	**407,434**	**465,102**
Accumulated amortization				
Balance, December 31, 2019	-	6,024	101,703	107,727
Amortization for the year	-	4,060	42,481	46,541
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**
Foreign currency movement				
Balance, December 31, 2019	-	222	626	848
Balance, December 31, 2020	-	(747)	(8,279)	(9,026)
Balance, December 31, 2021	**(4)**	**17**	**1,880**	**1,893**
Net book value				
Net book value, December 31, 2019	-	50,140	186,161	236,301
Net book value, December 31, 2020	18,451	28,386	254,971	301,808
Balance, December 31, 2021	**16,634**	**25,363**	**220,229**	**262,226**

(In Canadian Dollars)

16. LEASE OBLIGATIONS

A continuity of right of use liabilities is as follows:

	As at December 31, 2021	As at December 31, 2020
	$	$
Opening balance	24,589	6,124,357
Additions	560,751	-
Disposals	-	(4,332,352)
Interest Accretion	5,621	530,453
Interest Payments	(5,621)	(530,453)
Principal Payments	(31,091)	(1,595,241)
Ending balance	554,249	196,764
Effects of foreign exchange	(58)	(172,175)
Less: Current portion	(77,707)	(24,589)
Long-term lease obligation	**476,484**	-

Future minimum lease payments (principal and interest):	As at December 31, 2021
	$
2021	179,648
2022	193,041
2023	198,833
2024	204,798
2025	201,146
Thereafter	-
Total minimum lease payments	977,466
Present value of minimum lease payments	549,548
Effect of discounting	4,643
Current portion lease obligations	(77,707)
Long term lease obligations	**476,484**

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.

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities:

	As at December 31, 2021	As at December 31, 2020
	$	$
Trade payables	11,119,976	2,339,530
Accrued Liabilities and other	968,629	905,143
Customer deposits	206,003	-
Unearned revenues	18,495	2,247
Stock received not invoiced	19,859	12,748
Sales and excise tax payable	447,650	-
Total	**12,780,612**	**3,259,668**

During the year December 31, 2021, the Company had one significant supplier representing 95% of trade payables.

(In Canadian Dollars)

18. DEBT

A) SHORT TERM NOTES

The Company issued the following short-term promissory notes and incurred the related interest during the period ending December 31, 2021, and 2020:

	Canadian Emergency Business Account ("CEBA") Loan	IIC CAD$1.0MM Note	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	Total
Date of Issue	2020-04-01	2020-11-09	2021-05-24	2021-06-10	2021-10-01	2021-10-14	2021-12-10	
Lender*	Canadian Government	International Investments Company, Inc.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	International Investments, Ltd.	
Note value	CAD $40,000	CAD$1,000,000	USD$1,500,000	CAD$1,000,000	USD$1,738,400	USD$1,886,349	USD$3,000,000	
Interest rate	0%	10%	10%	10%	10%	10%	10%	
Maturity date	2021-12-31	2020-12-21	2021-09-30	2021-12-15	On Demand	2021-12-31	On Demand	
Purpose	Covid relief	Short-term cashflow	Funding for KSI Sponsorship	Short-term cashflow	Finance large inventory purchase	Finance large inventory purchase	Finance large inventory purchase	
		CAD$	*CAD$*	*CAD$*	*CAD$*	*CAD$*	*CAD$*	*CAD$*
Balance, December 31, 2019	-	-	-	-	-	-	-	-
Additions	-	1,000,000	-	-	-	-	-	1,000,000
Principal payments	-	(1,000,000)	-	-	-	-	-	(1,000,000)
Accrued interest	-	11,506	-	-	-	-	-	11,506
Interest Payments	-	(11,506)	-	-	-	-	-	(11,506)
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**

**International Investments Company, LLC ("IIC"). and International Investments, Ltd. ("II") are considered a related party as the entities share a common director (note 25).*

As at December 31, 2021, the Company had $3,815,583 in principal, and $21,968 in related interest outstanding on the II CAD$3.0MM Note (2020; $nil), and $40,000 in principle on the CEBA Loan Convertible Debt (2020; $40,000). In aggregate, these loans total $3,877,551 in Short-term loans on the statement of financial position.

(In Canadian Dollars)

B) LONG-TERM NOTES

The Company issued the following long-term promissory notes and incurred the related interest during the period ending December 31, 2021, and 2020:

	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, 2019	-	-	-	
Additions	40,000	**1,374,657**	203,058	1,617,715
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	-	-	-	-

Ignite Pubco held a Canadian Emergency Business Account (“CEBA”) loan for $40,000. The loan 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.

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.

A reconciliation of convertible debt liability can be found in the following tables for the years ended December 31, 2021 and 2020. The terms of each debt issuance have been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

Debt	**Series A Convertible Debt**	**Series B Convertible Debt**	**II CAD$5.0MM Convertible Debt**	**II USD$3.35MM Convertible Debt**	**MMS USD$0.5MM Convertible Debt**	**II CAD$2.0MM Convertible Debt**	**II CAD$6.5MM Convertible Debt**	**Total**
Date of Issue	2019-10-25	2020-12-10	2020-06-08	2020-06-11	2020-06-11	2020-10-16	2020-11-16	
Lender*	Liza Holdings, Ltd.	Liza Holdings, Ltd.	International Investments, Ltd.	International Investments, Ltd.	ECVD/MMS Wholesale, LLC	International Investments, Ltd.	International Investments, Ltd.	
Note value	CAD$10,000,000	CAD$10,000,000	CAD$5,000,000	USD$3,350,000	USD$500,000	CAD$2,000,000	CAD$6,537,500	
Coupon Interest rate	8.00%	8.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
Default interest rate	n/a	n/a	20.00%	20.00%	20.00%	20.00%	20.00%	
Interest due	Semi-Annually	Semi-Annually	On Maturity	On Maturity	On Maturity	On Maturity	On demand	
Maturity date	2022-10-24	2022-12-10	Earlier of: 2022-06-07 or $10M EBITDA & $10M free-cashflow in the same period	Earlier of: 2022-06-11 or $10M EBITDA & $10M free-cashflow in the same period	2021-06-11	2020-11-15	On Demand	
Exercise price	CAD$2.66	CAD$ 2.39	CAD$1.58	CAD$1.55	CAD$1.53	125% of prior day close	CAD$1.00	
Security / Collateral	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	
Purpose of issuance:	Finance Startup operations	Finance Startup operations	Finance Startup operations	USJO Acquisition	USJO Acquisition	Cashflow	Inventory Purchase	
Attached subordinate voting share warrants	2,500,000	2,500,000	-	-	-	-	-	
Warrant exercise price	CAD$3.32	CAD$3.22	-	-	-	-	-	
Warrant expiry date	2022-10-25	2022-12-10	-	-	-	-	-	
Additional valuation inputs								
Stock price on date of grant	CAD$2.23	CAD$1.45	-	-	-	-	-	
Discount Factor	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	-	
Risk-free rate	1.68%	1.68%	-	-	-	-	-	
Volatility	143.82%	95.06%	-	-	-	-	-	
Interest accretion rate	12.29%	11.94%	23.28%	23.79%	32.33%	17.17%	-	
Dividends	$nil	$nil	-	-	-	-	-	
Related financial statement disclosure	**Note 18**	**Note 18**	**Note 25**	**Note 7, 25**	**Note 7, 25**	**Note 25**	**Note 25**	
	CAD$	***CAD$***	***CAD$***	***CAD$***	***CAD$***	***CAD$***	***CAD$***	***CAD$***
Convertible debt, Balance January 1, 2020	**9,128,661**	**9,073,227**	-	-	-	-	-	**18,201,888**
Additions	-	-	5,000,000	4,540,255	677,650	2,000,000	6,537,500	18,755,405
Equity portion of convertible debt	-	-	(1,053,539)	(989,238)	(115,118)	-	-	(2,097,970)
Interest Accretion	917,005	893,987	532,129	469,228	3,489	10,289	-	2,826,127
Accrued coupon interest	(655,914)	(655,914)	(282,192)	(237,216)	(1,300)	(6,027)	-	(1,838,563)
Associated transaction costs	-	-	(15)	-	-	-	-	(15)
Settlement for inventory purchase	-	-	-	(4,501,729)	-	-	(1,390,401)	(5,892,130)
Issuance of Subordinate voting shares (SPA)	(7,200,000)	(7,200,000)	-	-	(681,238)	-	-	(15,081,238)
Issuance of Proportionate voting shares	-	-	-	-	-	(2,000,000)	-	(2,000,000)
Contributed Surplus (excess over price paid)	(2,800,000)	(2,800,000)	-	-	-	-	-	(5,600,000)
Equity portion of convertible debt on extinguishment	947,876	947,876	-	989,238	115,118	-	-	2,940,183
*Extinguishment gain (Contributed Surplus due to related party transaction (IFRIC 19))	(190,961)	(212,509)	-	-	-	(4,262)	-	(407,731)
Coupon interest payable	655,914	655,914	282,192	-	1,300	6,027	80,599	1,681,946
Coupon Interest Payments	-	-	-	237,216	-	(6,027)	-	231,189
Interest on outstanding coupon interest	17,201	14,054	-	-	-	-	-	31,255
Loan forgiveness	(819,781)	(716,635)	-	-	-	-	-	(1,536,416)
Gain/loss on foreign exchange	-	-	-	(507,754)	99	-	-	(507,655)
Balance December 31, 2020	-	-	**4,478,575**	-	-	-	**5,227,698**	**9,706,273**
Short-term, Balance, December 31, 2020	-	-	**-**	-	-	-	**5,227,698**	**5,227,698**
Long-term, Balance, December 31, 2020	-	-	**4,478,575**	-	-	-	**-**	**4,478,575**

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

(In Canadian Dollars)

Debt	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
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$5,513,644	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$1.40	
Security/collateral	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	Unsecured/none	
Purpose of issuance:	Finance Startup operations	Inventory Purchase	Capital Investment Ignite Distro Co.	Excess cashflow for operations	Debt consolidation	Debt consolidation	
Additional valuation inputs							
Discount Factor	12.00%	n/a	n/a	12.00%	12.00%	12.00%	
Interest accretion rate	23.28%	n/a	n/a	20.29%	21.96%	22.41%	
Related financial statement disclosure	**Note 25**	**Note 25**	**Note 25**	**Note 25**	**Note 25**	**Note 25**	
	CAD$	***CAD$***	***CAD$***	***CAD$***	***CAD$***	***CAD$***	***CAD$***
Convertible debt, Balance January 1, 2021	**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, Balance, December 31, 2021	**-**	**-**	**-**	**-**	**15,532,356**	**22,658**	**15,555,014**
Long-term, Balance, December 31, 2021	**-**	**-**	**-**	**-**	**-**	**4,763,109**	**4,763,109**

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

As at December 31, 2021, the Company had $404,163 in coupon interest outstanding on the II CAD$16MM Convertible Debt (2020; $nil), and $22,658 in coupon interest outstanding on the II CAD$5.5MM Convertible Debt (2020; $nil).

D) DEBT SETTLEMENTS/EXTINGUISHMENTS

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.

Securities Purchase Agreement for the Series A & Series B Convertible Debt Extinguishment

On October 26, 2020, in order to extinguish the Series A and Series B Convertible Debt through the issuance of capital in the Company, the Company entered into a series of purchase agreements with the CEO and Chairman of the Company (the "CEO"), and the holder of the Series A and Series B Convertible Debentures (the "Seller") to settle the debt. The CEO first entered into a Securities Purchase Agreement with the Seller, resulting in the sale all of the rights, title, and interest in and to the Series A and B Convertible Debentures by the Seller to the CEO. On closing of the Securities Purchase Agreement, the Company immediately purchased the Series A and B Debentures from the CEO for immediate cancellation and in consideration for proportionate voting shares in the capital of the Company. Pursuant to their terms, the proportionate voting shares are convertible to subordinate voting shares at a ratio of one (1) proportionate voting share for two hundred (200) subordinate voting shares. For the purposes of the settlement of the Series A and B Convertible Debentures, the Company used a 39% premium to the closing price of the subordinate voting shares on the Canadian Securities Exchange ("CSE") on the day prior to settlement resulting in a price of $0.50 per subordinate voting share. The Company issued 100,000 proportionate voting shares to settle the principle of the Series A Convertible Debentures and 100,000 shares to settle the principle of the Series B Convertible Debentures. An aggregate of $1,536,416 in interest related to the Series A and B convertible Debentures was forgiven on closing.

On extinguishment, the closing price of the subordinate voting shares on the CSE was $0.36. The carrying value of the Series A Convertible Debt was $9,243,085 and the fair value of consideration paid was valued at $9,052,124. The issuance of the 100,000 proportionate voting shares at $0.36 translated to $7,200,000 in capital of the Company. $2,043,085 was also recorded by the Company to contributed surplus resulting from the extinguishment. The carrying value of the Series

B Convertible Debenture was $9,264,633 and the fair value of consideration paid was valued at $9,052,124. The issuance of the 100,000 proportionate voting shares at $0.36 translated to $7,200,000 in capital of the Company. $2,064,633 was also recorded by the Company to contributed surplus resulting from the extinguishment.

II USD$3.35MM Convertible Debt Extinguishment

On December 31, 2020, in order satisfy the debt and the lenders wish to purchase products from the Company, the II USD $3.35MM Convertible Debt and $245,553 in related interest was settled in exchange for a purchase of products from the Company by the related party lender (note 25). The non-cash transaction resulted in the elimination of $3,031,007 in convertible debt liability and a reduction in contributed surplus of $989,238.

MMS USD$0.5MM Convertible Debt Extinguishment

On June 18, 2020, at the option of the holder, the MMS USD$0.5MM Convertible Debt and $1,300 in related interest was settled through the issuance of 443,823 subordinate voting shares in the capital of the Company, based on a price of $1.53 per subordinate voting share. The non-cash resulted in an increase in the share capital of the Company of $681,239 and a reduction in contributed surplus of $115,118.

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.

II CAD $2.0MM Convertible Debt Extinguishment

On October 26, 2020, the CEO subscribed for 50,000 Proportionate Voting Shares of the Company for proceeds of $5,000,000 (note 19 and 25). $2,000,000 of the $5,000,000 proceeds were sent direct to II to settle the principal balance on II CAD$ Convertible Debt and $6,027 in related interest was settled by the Company. The non-cash transaction for the debt repayment resulted in a decrease of $1,992,598 in convertible debt liability and a net decrease in contributed surplus of $7,402.

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.

19. CAPITAL AND RESERVES

A) AUTHORIZED

As at December 31, 2021, 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.

(In Canadian Dollars)

B) ISSUED AND OUTSTANDING

During the period ended December 31, 2021, and 2020, the Company issued the following shares and had balance outstanding:

Shares	Subordinate Voting Shares	Proportionate Voting Shares	As converted
	#	#	#
Balance Outstanding, December 31, 2019	**107,203,254**	**748,625**	**256,928,254**
Issuance, Ignite USJO Acquisition (note 7)	320,856	-	320,856
Issuance, Conversion of MMS USD $0.5MM Convertible Debt (note 7, 18)	443,823	-	443,823
Issuance, private placement by CEO (note 25)	-	50,000	10,000,000
Issuance, issued to extinguish Class A and B convertible debt (note 18, 25)	-	200,000	40,000,000
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**

On September 9, 2021, the Company issued two million (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 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 December 31, 2021. 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.

(In Canadian Dollars)

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

Grant Date	Options Granted/Cancelled	Stock price on Date of Grant	Exercise Price	Volatility(1)	Risk free Rate	Dividends
	#	$	$	%	%	$
30-May-19	30-May-19	30-Apr-23	1.50	5.00	1.47	$nil
22-Oct-20	22-Oct-21	22-Oct-24	0.36	0.50	0.26	$nil
21-Dec-20	21-Dec-21	21-Dec-24	0.59	0.70	0.29	$nil
8-Mar-21	8-Mar-22	8-Mar-26	1.01	1.10	0.51	$nil
23-Mar-21	23-Mar-22	23-Mar-25	1.09	1.09	0.5	$nil
25-Mar-21	25-Mar-22	25-Mar-26	1.09	1.10	0.46	$nil
19-Apr-21	19-Apr-22	19-Apr-25	0.76	0.76	0.50	$nil
11-May-21	11-May-22	11-May-25	0.77	0.77	0.49	$nil
21-Jun-21	21-Jun-22	21-Jun-25	0.72	0.72	0.62	$nil
1-Jul-21	1-Jul-22	1-Jul-25	0.92	0.92	0.65	$nil
8-Jul-21	8-Jul-22	8-Jul-25	1.05	1.05	0.65	$nil
19-Jul-21	19-Jul-22	19-Jul-25	1.18	1.18	0.57	$nil
27-Jul-21	27-Jul-22	27-Jul-25	1.08	1.08	0.54	$nil
16-Aug-21	16-Aug-22	16-Aug-25	1.15	1.15	0.55	$nil
24-Aug-21	24-Aug-22	24-Aug-25	1.19	1.19	0.56	$nil
15-Sep-21	15-Sep-22	15-Sep-25	1.53	1.58	0.52	$nil
18-Oct-21	18-Oct-22	18-Oct-25	1.19	1.19	0.88	$nil
25-Oct-21	25-Oct-22	25-Oct-25	1.13	1.13	0.94	$nil
1-Nov-21	1-Nov-22	1-Nov-25	1.13	1.13	1.13	$nil
17-Dec-21	17-Dec-22	17-Dec-25	1.39	1.40	0.98	$nil

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

(2) *The Board determined that it was in the best interests of the Corporation to cancel 3,055,000 previously issued stock options held by certain executives, directors, and employees for no monetary consideration. Each of the option holders voluntarily surrendered such stock options held by them and provided the Company with written consent regarding the cancellation of such stock options. These options were replaced with new options and are included in the options granted on October 22, 2020.*

The number of stock options and weighted average exercise prices as at December 31, 2021 and 2020 are as follows:

	Options	Weighted average exercise price
	#	$
Balance as at December 31, 2019	**5,190,000**	**2.27**
Options issued	6,800,000	1.01
Options expired	(735,395)	2.25
Options cancelled	(3,055,000)	2.25
Options forfeited	(3,329,605)	2.25
Balance as at 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 Outstanding December 31, 2021	**5,416,665**	**0.78**
Balance Exercisable December 31, 2020	55,781	4.22
Balance Exercisable December 31, 2021	**1,263,333**	**0.65**

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 twelve months ended December 31, 2021, the Company expensed $437,553 (2020; $1,664,819) in share-based compensation.

(In Canadian Dollars)

The following reflects the remaining contractual life for outstanding and exercisable options as at December 31, 2021:

Outstanding				Exercisable	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	$	#	(years)	#	(years)
30-Apr-23	5.00	40,000	1.33	40,000	1.33
22-Oct-24	0.50	3,086,665	2.81	1,190,000	2.81
21-Dec-24	0.70	100,000	2.98	33,333	2.98
8-Mar-26	1.10	500,000	4.19	-	-
25-Mar-26	1.10	100,000	4.23	-	-
23-Mar-25	1.09	50,000	3.23	-	-
19-Apr-25	0.76	30,000	3.30	-	-
11-May-25	0.77	25,000	3.36	-	-
21-Jun-25	0.72	10,000	3.47	-	-
1-Jul-25	0.92	550,000	3.50	-	-
8-Jul-25	1.05	30,000	3.52	-	-
19-Jul-25	1.18	200,000	3.55	-	-
27-Jul-25	1.08	20,000	3.57	-	-
16-Aug-25	1.15	10,000	3.63	-	-
24-Aug-25	1.19	50,000	3.65	-	-
15-Sep-25	1.58	100,000	3.71	-	-
18-Oct-25	1.19	50,000	3.80	-	-
25-Oct-25	1.13	250,000	3.82	-	-
1-Nov-25	1.13	15,000	3.84	-	-
17-Dec-25	1.40	200,000	3.96	-	-
		5,416,665	**3.20**	**1,263,333**	**2.77**

D) WARRANTS

As of December 31, 2021, and 2020, 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, 2019	5,000,000	3.27
Balance outstanding December 31, 2020	5,000,000	3.27
Balance outstanding, December 31, 2021	**5,000,000**	**3.27**

As of December 31, 2021, the remaining contractual life on the SVS Warrants and the exercisability is as follows:

Outstanding				Exercisable	
Expiry dates	Warrants outstanding	Exercise price	Remaining Contractual Life	Exercisable Warrants	Remaining Contractual Life
Date	**#**	**$**	**years**	**#**	**years**
25-Oct-22	2,500,000	3.32	0.82	2,500,000	0.82
10-Dec-22	2,500,000	3.22	0.94	2,500,000	0.94
Total warrants	**5,000,000**		**0.88**	**5,000,000**	**0.88**

On October 26, 2020, ownership of the 5,000,000 SVS Warrants was transferred to the CEO and Chairman through a Securities Purchase Agreement (note 18 and 25).

(In Canadian Dollars)

20. EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the twelve months ended December 31, 2021, and 2020 is as follows:

	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
Outstanding shares, as converted	309,692,933	307,692,933
Exercisable stock options	1,263,333	55,781
Exercisable SVS Warrants	5,000,000	5,000,000
Earnings (loss) attributable to Ignite Pubco shares ($)	5,633,390	(18,949,794)
Weighted average number of shares outstanding, basic	308,323,070	266,498,986
Weighted average number of shares outstanding, diluted	315,372,362	272,762,319
Earnings/loss per share, basic ($)	**0.02**	**(0.07)**
Earnings/loss per share, diluted ($)	**0.02**	**(0.07)**

No stock options or warrants have been included in the computation of diluted loss per share for the period ended December 31, 2020, as their effect would be anti-dilutive.

21. 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.

Revenues for the twelve months ended December 31, 2021, and 2020 is as follows:

	Twelve ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
E-Commerce sales	3,186,628	3,786,227
Wholesale sales	74,810,888	12,887,902
Royalties	780,740	270,030
Total Sales	**78,778,256**	**16,944,159**

(In Canadian Dollars)

Revenue as a percentage of total sales for twelve months ended December 31, 2021, and 2020 is as follows:

	Twelve ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
E-Commerce sales	4.0%	22.3%
Wholesale sales	95.0%	76.1%
Royalties	1.0%	1.6%
Total Sales	**100.0%**	**100.0%**

As of December 31, 2021, the Company does 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 year December 31, 2021, the Company had three significant customers representing 17%, 19% and 25% (2020; one customer; 50%) of total revenues earned by the Company, all of which purchased within the USA segment (2020; USA segment).

See *Segmented Information*; note 28 for more information on revenue by geographic regions.

22. GENERAL AND ADMINISTRATIVE EXPENSES

Below are the general and administrative expenses for the twelve months ended December 31, 2021, and 2020:

	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
Payroll and benefits	6,618,926	8,924,059
Bank and Merchant Fees	215,787	274,395
Office Expenses	1,566,700	1,756,403
Facilities Expense	636,792	678,001
Consulting and advisory Fees	798,788	719,412
Professional Fees	1,365,407	1,310,429
Insurance	138,445	230,991
Travel and accommodation	279,391	578,188
Total general and administrative expenses	**11,620,236**	**14,471,878**

(In Canadian Dollars)

23. INCOME TAXES

A) PROVISION FOR INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	Twelve ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
Income (loss) for the year	**5,462,070**	**(19,361,064)**
Expected income tax recovery based on statutory rate	1,447,449	(5,130,682)
Adjustment to expected income tax recovery:		
Change in statutory foreign tax, foreign exchange rates and other	(830,632)	1,448,477
Permanent differences	(188,370)	(209,028)
Impact of flow through share	-	-
Adjustment to prior years provision versus statutory returns	431,685	(437,107)
Non-capital losses applied		
Expiry of non-capital losses	41,305	-
Change in unrecognized deductible temporary differences	(1,081,482)	4,045,578
Others	31,923	3,573
Total income tax expense (recovery)	**(148,123)**	**(279,188)**
Current income tax expense (recovery)	**615,410**	**-**
Deferred income tax expense (recovery)	**(763,533)**	**(279,188)**

B) DEFERRED INCOME TAXES

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

	Twelve ended December 31, 2021	Twelve months ended December 31, 2020
Recognize deferred tax assets and liabilities		
Property, plant and equipment	(133,055)	-
Intangible assets	(30,838)	-
Right of use assets	(132,079)	-
Convertible debenture liability	(439,121)	(279,188)
Receivables	(27,725)	-
Non-capital losses	770,818	279,188
deferred income tax liability	**-**	**-**

(In Canadian Dollars)

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

	Twelve ended December 31, 2021	Twelve months ended December 31, 2020
Unrecognized deferred tax assets		
Non-capital losses available for future period	17,247,000	18,729,000
Property, Plant and Equipment	22,000	279,000
Intangible assets	39,000	(21,000)
Right of Use Assets	133,000	-
Share issue costs	104,000	214,000
Marketable securities	-	(66,000)
Investments	12,000	-
Convertible debenture liability		(581,000)
Inventory	388,000	-
Receivables	277,000	-
Accounts payable and accrued liabilities	20,000	-
Others	1,181,000	1,985,000
	19,423,000	20,539,000
Unrecognized deferred tax assets	(19,423,000)	(20,539,000)
Net deferred tax assets	-	-

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

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	Twelve ended December 31, 2021	Expiry Date Range	Twelve months ended December 31, 2020	Expiry Date Range
	$		$	
Temporary Differences				
Non-capital losses available for future periods	79,787,000	*2031 to 2041*	83,676,000	*2026 to 2040*
Property and equipment	87,000	*No expiry date*	16,000	*No expiry date*
Intangible assets	160,000	*No expiry date*	-	*No expiry date*
Right of use assets/lease liability	554,000	*No expiry date*	1,970,000	*No expiry date*
Share issue costs	392,000	*2038 to 2044*	807,000	*2038 to 2044*
Investments	45,000	*No expiry date*		*No expiry date*
Convertible debenture liability	-	*No expiry date*	-	*No expiry date*
Inventory	1,619,000	*No expiry date*		*No expiry date*
Receivables	1,092,000	*No expiry date*		*No expiry date*
Accounts payable and accrued liabilities	84,000	*No expiry date*		*No expiry date*
Others 4,455,000	4,455,000	*No expiry date*	8,269,000	*No expiry date*
Canada	18,373,000	*2031 to 2041*	12,586,000	*2026 to 2040*
USA	64,181,000	*2038 to 2041*	76,550,000	*2038 to 2040*
United Kingdom	5,533,000	*No expiry date*	5,384,000	*No expiry date*
Ireland	-	*No expiry date*	137,000	*No expiry date*
Luxembourg	-	*No expiry date*	22,000	*No expiry date*
Malaysia	106,000	*2027-2028*	6,000	*2027*
Mexico	184,000	*2030-2031*	53,000	*2030*

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(In Canadian Dollars)

24. NON-CONTROLLING INTERESTS

C) IGNITE DISTRIBUTION, LLC

On January 21, 2020, a capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed $1,306,700 (USD$1,000,000) in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC was held by Ignite International, Ltd. which resulted in a capital contribution of $654,657 (USD$501,000). The 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of $652,043 (USD$499,000).

On February 14, 2020, an additional capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed $661,125 (USD$499,000) in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC was held Ignite International, Ltd. which resulted in a capital contribution of $331,225 (USD$250,000). The 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of $329,900 (USD$249,000).

On May 5, 2020, Ignite Distribution, LLC, in conjunction with the II Acquisition (note 7) converted to Ignite Distribution, Inc., a corporation formed under the laws of the state of Delaware. The II Acquisition was intended to be the first step of a two-part acquisition which ultimately resulted in the Ignite USJO Acquisition (note 7) on June 11, 2020, whereby the Company acquired 100% of Ignite Distribution, Inc. As such, non-controlling interests were concluded upon the closing of the Ignite USJO Acquisition.

D) IGNITE DISTRIBUTION COMPANY, INC.

On January 1, 2021, the Company executed a shareholders' agreement with Al Khalifa Group LLC (note 13). 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. The following table presents summarized financial information before intragroup eliminations for non-wholly owned subsidiaries at December 31, 2021, and 2020:

	As at December 31, 2021	As at December 31, 2020
	($)	($)
Assets		
Current	-	346,028
Non-current	-	(166)
Total assets	-	345,862
Liabilities		
Current	-	98,064
Non-current	-	736,959
Total liabilities	-	835,023
Net Assets	-	(489,161)
Net Income (loss)	103,526	(924,064)
Interests		
Controlling interests – 50.1%	51,866	(501,931)
Non-controlling interests – 49.9%	**51,659**	**(422,133)**

(In Canadian Dollars)

25. 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:

	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
	$	$
Management salaries, bonuses, and other benefits	1,404,481	1,186,463
Share-based payment – management	354,396	852,019
Share-based payments – directors	166,415	91,392
Total	**1,925,292**	**2,129,874**

B) AMOUNTS DUE TO/FROM RELATED PARTIES

As at December 31, 2021, the Company had the following amounts due to related parties. See note 18 for details relating to debt and related interest.

- The Company had outstanding payables of $496,912 due to Blitz NV, LLC, a company controlled by the CEO, for operational expenditures paid on behalf of the Company (2020; $23,675). The Company included this amount in due to related parties in the statement of financial position.
- The Company is indebted to II, for convertible debt issuances, which have been included in short-term and long-term convertible debt on the statement of financial position. II is related to the Company by virtue of a common Gregory Gilpin-Payne, and the balanced owed are as follows:
  - $16,034,717 in principal and $404,163 in related interest on the II $16MM Convertible Debt (2020; $nil);
  - $5,513,644 in principal and $22,659 in related interest on the II $5.5MM Convertible Debt (2020; $nil);
- The Company is indebted to II $3,815,583 in principal and $21,968 in related interest for the II USD $3.0MM Note; (2020; $nil), which has been included in short-term loans on the statement of financial position.

As at December 31, 2020, the Company had the following amounts due to related parties. See note 18 for details relating to debt and related interest.

- The Company had outstanding payables of $23,675 due to Blitz NV, LLC. The Company included this amount in due to related parties in the statement of financial position.
- The Company was indebted to II for convertible debt issuances, which have been included in short-term and long-term convertible debt and contributed surplus on the statement of financial position:
  - $5,000,000 in principal and $282,192 in related interest on the II $5.0MM Convertible Debt;
  - $5,147,099 in principal and $80,599 in related interest on the II $6.5MM Convertible Debt;

C) RELATED PARTY TRANSACTIONS

During the period ended December 31, 2021, the Company entered the following transactions with related parties. See note 18 for details relating to debt issuances and debt repayments and note 19 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.
- 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.

During the year ended December 31, 2020, the Company entered the following transaction with related parties. See note 18 for details relating to debt issuances and debt repayments and note 19 for details relating to stock options or shares of the Company.

- The Company issued a US$200,000 non-interest-bearing promissory note to Ignite Social, LLC and incurred US$31,821 in Ignite Social expenses. These amounts were deemed uncollectible and written off to bad debt.
- A member of the Board resigned, and three new Board members were appointed during the year. The Company granted 100,000 stock options for each new appointment.
- The CFO resigned, forfeiting 400,000 stock options, and a new CFO was appointed and granted 400,000 stock options.
- The Company granted 1,500,000 stock options to a newly appointed President who resigned within the period and on resignation, the options were forfeited.

- The Company cancelled and reissued the stock options as part of a solution to motivate and retain employees during a period in which the stock price drastically reduced from market conditions caused by COVID. The Company allowed option holders to surrender their underwater options for cancellation in exchange for new options that reset to a new vesting period. Of the options cancelled, 2,100,000 stock options were held by related parties. 1,600,000 of these options were reissued to parties considered related to the Company, including the CFO, two directors and the President.
- The Company entered into a series of purchase agreements with the CEO of the Company, and the holder of the Series A and Series B Convertible Debentures (the "Seller") to settle the Series A and Series B Convertible Debentures in the amount of $20,000,000, resulting in the issuance of 200,000 Proportionate Voting Shares to the CEO of the Company. $1,536,417 in accrued interest related to the Series A and B convertible Debentures was forgiven by the CEO on closing.
- The CEO of the Company subscribed for, and the Company issued, 50,000 Proportionate Voting Shares of the Company for net proceeds of $5,000,000. $2,000,000 of the $5,000,000 in net proceeds were sent direct to II to settle the principal balance on the II CAD$2.0M Convertible Debt, and $3,000,000 was paid to the Company.
- 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.
- In connection with the Shared Services Agreement ("SSA") with Blitz NV, LLC ("Blitz") paid US$57,789 for salaries.
- Various operating expenditures totaling $316,801 were paid by Blitz on behalf of the Company.
- Though a definitive share purchase agreement, the Company purchased all the outstanding shares of Ignite Distribution, Inc., resulting in wholly ownership of the subsidiary (the "Ignite Distro Acquisition"). In conjunction with the Ignite Distro Acquisition, the Company issued the II USD$3.35M Convertible Debt and the MMS USD$500,000 Convertible Debt, and in addition issued 285,205 subordinate voting shares to II and 35,651 subordinate voting shares to MMS (note 7).
- The Company issued four (4) convertible debentures to II at an aggregate of $18,077,755, which includes the II USD$3.35M Convertible Debt issued in conjunction with the Ignite Distro Acquisition. Also included is an issuance of a $6,357,500 convertible debenture (the "II CAD$6.5M Convertible Debt") to fund a large inventory purchase in which the funds were sent directly from II to the Company's main supplier.
- The MMS USD$0.5M Convertible Debt and $1,300 in related interest thereon, was settled through the issuance of 443,823 Subordinate Voting Shares.
- The Company issued a $1,000,000 promissory note (the "IIC CAD$1.0MM Note") to International Investments Company, Inc., a related company by virtue of a common Board member. The IIC CAD$1.0MM Note and $11,506 in related interest thereon was settled by the Company in full.
- II made purchases of product from the Company amounting to $5,862,130. This amount was settled to the Company in exchange of debt owing by the Company to II.

26. 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.

At December 31, 2020 the Company revalued its investment in Numinus (note 13) to $497,741 in the statement of financial position at fair value and correspondingly recorded the unrealized gain to the statement of profit and loss for the year. This remeasurement would be categorized as Level 2 in the fair value hierarchy above.

During January 2021, the Company exercised the remaining 867,900 warrants 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 $686,631 after fees and commissions (note 13).

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.

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 $4,401,697 in cash (2020; $5,462,783). The Company also had deposits with vendors amounting to $4,999,206 (2020; $370,254). 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 $18,419,969 (2020; $1,485,049) arising from wholesale distribution. Receivables are considered low risk and primarily consist of sales tax receivable from government agencies amounting to $209,842 (2020; $259,793). The Company also has a short-term receivable, also considered to be low risk by management, amounting to $3,124,258 (2020; $nil).

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 December 31, 2021, these amounted to $26,846,775 (2019; $4,056,215). An expected credit loss of

(In Canadian Dollars)

$1,207,578 (2020; $150,536) related to trade accounts receivable was recorded as at December 31, 2021 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 9 for an aging of the Company's trade receivables as at December 31, 2021, and 2020.

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 December 31, 2021, the Company had cash of $4,401,697 to settle current liabilities of $32,787,796 including short term lease obligations (note 16) and short term convertible debentures. Refer to note 18 for list of financial liabilities and their respective terms and maturity dates. The Company's non-current financial liabilities comprise of convertible debentures of $4,763,109 (2020; $4,478,575), long term loans of $nil (2020; $1,617,715) and long-term lease obligations of $476,484 (2020; $nil).

As at December 31, 2021, and 2020, working capital of the Company was as follows:

	As at December 31, 2021	As at December 31, 2020
	$	$
Cash (note 8)	4,401,697	5,462,783
Receivables (note 9)	17,422,233	1,594,306
Short-term receivables (note 9)	3,124,258	-
Inventory (note 10)	27,572,256	12,499,793
Deposits (note 11)	4,999,206	370,254
Prepaid expenses (note 12)	1,301,078	2,091,655
Total current assets	**58,820,728**	**22,018,791**
Accounts payable and accrued liabilities (note 17)	12,780,612	3,259,668
Short-term Loans (note 18)	3,877,551	-
Short-term Convertible Debt (note 18)	15,555,014	5,227,698
Due to related parties (note 25)	496,912	23,675
Short-term lease obligations (note 16)	77,707	24,589
Total current liabilities	32,787,796	8,535,630
Working capital	**26,032,932**	**13,483,161**

D) INTEREST RATE RISK

The Company has cash which is not at a significant risk to fluctuating interest rates. As at December 31, 2021, and throughout the periods presented, the Company did not have any financial instrument liabilities which were subject to variable rates of interest.

(In Canadian Dollars)

E) FOREIGN CURRENCY RISK

The Company is also 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 December 31, 2021, and 2020, the Company was exposed to the following currency risk:

	Twelve-months Ended December 31, 2021	Twelve-months Ended December 31, 2020
	$	$
Financial assets denominated in foreign currencies	56,718,900	21,686,729
Financial liabilities denominated in foreign currencies	(94,630,921)	(68,680,566)
Net exposure	**(37,912,020)**	**(46,993,837)**

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 year ended December 31, 2021 by $349,706.

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

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 year ended December 31, 2021. 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.

27. 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.

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.

28. 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 December 31, 2021, as required by IFRS 8 *Segment Reporting*, the Company is required to report on three (3) geographic segments. The Company's reportable segments include: 1) Corporate ("PUB"), 2) Canada ("CAN"), and 3) 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.

Canada ("CAN"): Revenues generated in Canada are the result of the Company's royalty channel. The Company the Company grants a license to specified distributors to use certain IGNITE branded trademarks on products for sale by the licensed distributor in consideration for royalty payments.

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.

Ignite Distribution, Inc. and Ignite Distribution Company Inc. are consolidated with these financials on a full consolidation basis and has been included in the USA segmented reporting accordingly. Non-controlling interests have been accounted for on the statement of financial position and statement of income (loss) and comprehensive income (loss). Non-controlling interests account for 49.9% of the investment in both Ignite Distribution, Inc. and Ignite Distribution Company, Inc.

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(In Canadian Dollars)

B) SEGMENT RESULTS

Condensed information on the Company's operating segments for the twelve-months ended December 31, 2021, and 2020 is as follows:

Twelve months-ended December 31, 2021	PUB	CANADA	USA	ROW	CONSOLIDATED
Sales revenue	-	753,563	77,519,996	504,697	78,778,256
Cost of goods sold	-	(495,300)	(54,131,844)	(678,507)	(55,305,651)
Total gross profit (loss)	**-**	**258,263**	**23,388,152**	**(173,810)**	**23,472,605**
Total gross profit (loss) (%)	-%	34%	30%	-34%	30%
Total operating expenses	(2,576,961)	(1,337,569)	(12,263,670)	(806,054)	(16,984,254)
Interest and other expenses	(3,039,731)	(141,848)	1,072,937	1,082,361	(1,026,281)
Income tax	763,533	-	(540,554)	-	222,979
Net income (loss)	**(4,853,159)**	**(1,221,154)**	**11,656,865**	**102,497**	**5,685,049**
Attributed to:					
Ignite International Brands, Ltd.	(4,853,159)	(1,221,155)	11,605,208	102,495	5,633,390
Non-controlling interests	-	-	51,659	-	51,659
Total assets	320,226	1,837,967	55,619,628	2,472,669	60,250,490
Total non-current assets	56,365	-	1,351,881	21,515	1,429,762
Total liabilities	24,411,649	45,338	13,260,184	310,218	38,027,389
Total non-current liabilities	4,763,109	-	476,484	-	5,239,593
% of revenue	0.0%	1.0%	98.4%	0.6%	100.0%
% of loss	79.9%	20.1%	0.0%	0.0%	100.0%
% of Income	0.0%	0.0%	99.1%	0.9%	100.0%

Twelve months-ended December 31, 2020	PUB	CANADA	USA	ROW	CONSOLIDATED
Sales revenue	-	212,434	16,244,860	486,865	16,944,159
Cost of goods sold	-	-	(10,022,673)	(472,855)	(10,495,528)
Total gross profit (loss)	**-**	**212,434**	**6,222,187**	**14,010**	**6,448,631**
Total gross profit (loss) (%)	0%	100%	38%	3%	38%
Total operating expenses	(3,608,558)	(569,978)	(17,157,278)	(1,329,139)	(22,664,953)
Interest and other expenses	3,570,503	(1,494)	(6,149,386)	(564,365)	(3,144,742)
Income tax	(4,977)	-	(5,886)	-	(10,863)
Net income (loss)	**(43,032)**	**(359,038)**	**(17,090,363)**	**(1,879,494)**	**(19,371,927)**
Attributed to:					
Ignite International Brands, Ltd.	(43,032)	(359,038)	(16,668,230)	(1,879,494)	**(18,949,794)**
Non-controlling interests	-	-	(422,133)	-	(422,133)
Total assets	4,821,240	1,532,272	18,512,212	1,567,458	**26,433,182**
Total non-current assets	605,607	-	3,768,781	40,003	4,414,391
Total liabilities	9,978,895	29,566	4,256,398	367,061	14,631,920
Total non-current liabilities	4,518,575	-	1,577,715		6,096,290
% of revenue	0.0%	1.3%	95.9%	2.9%	100.0%
% of loss	0.2%	1.9%	88.2%	9.7%	100.0%
% of Income	0.0%	0.0%	0.0%	0.0%	0.0%

29. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021, the Company had the following material events:

On January 1, 2022, through its subsidiary, Ignite Canada, the Company executed a Beverages Alcohol Packaging Agreement with one of Canada's top packaging facilities to accommodate the sale of Ignite's alcohol product line in Western Canada. In addition, Ignite Canada entered into a Broker and Marketing Agreement with a leading Nova Scotian distributor assigning the distributor as its primary agent for the sale of IGNITE premium vodka within Atlantic Canada, and certain to certain customers outside of the province.

On January 6, 2022, to finance a large inventory purchase, the Company issued a short-term promissory note for $2,068,388 (the "II USD$2.0MM Note") to II. The principal balance accrues interest at a rate of 10% per annum, with the principal and interest due on demand provided the Company's cash balance shall not fall below CAD $2,000,000 immediately after payment.

On February 24, 2022, through its subsidiary, Ignite Canada, the Company executed a Sales Agency Agreement to sell, and market IGNITE branded premium tequila within Atlantic Canada.

On February 28, 2022, the President and Chief Operating Officer resigned from the Company.

On March 1, 2022, the Company issued 175,000 stock options of the Company to employees at an exercise price of $1.18, vesting over a three-year term and expiring on March 1, 2026.

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$3.14MM in receivables owed to the Company for USD$3.0MM (the "AR Assignment Agreement"). Consideration for the AR Assignment Agreement was settled by II through the cancellation of a $3.0MM promissory note issued by the Company to II on December 10, 2021 (the "II USD$3.0MM Note").

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