UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Fire & Flower Holdings Corp.

FOR THE THIRTEEN AND TWENTY-SIX WEEKS ENDED JULY 30, 2022 AND JULY 31, 2021

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at July 30, 2022 and January 29, 2022 (In thousands of Canadian Dollars)

	As at July 30, 2022	As at January 29, 2022
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	18,575	19,847
Trade and other receivables	14,237	15,948
Merchandise inventories	10,884	12,458
Prepaid expenses, deposits, and other current assets	3,334	4,413
Total current assets	**47,030**	52,666
Non-current assets		
Deposits	3,177	3,305
Property and equipment, net (note 4)	42,682	47,500
Right-of-use assets, net (note 5)	40,047	43,755
Intangible assets, net (note 6)	40,985	45,113
Goodwill	30,541	30,541
Total assets	**204,462**	222,880
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	15,709	21,697
Income tax payable	4,721	3,749
Debentures and loans (note 8, 15)	1,973	20,119
Derivative liability (note 8)	1,056	1,349
Deferred revenue	152	489
Provisions (note 7)	2,430	1,742
Lease liabilities (note 5)	5,743	5,113
Total current liabilities	**31,784**	54,258
Non-current liabilities		
Debentures and loans (note 8, 15)	-	1,705
Derivative liability (note 8)	-	1,371
Provisions (note 7)	909	-
Lease liabilities (note 5)	44,364	47,090
Deferred tax liability	1,808	1,749
Other non-current liabilities	815	1,015
Total liabilities	**79,680**	107,188
Shareholders' equity		
Share capital (note 9)	358,439	320,487
Common shares to be issued (note 9)	3,761	3,761
Contributed surplus	8,781	6,179
Accumulated deficit	(246,202)	(214,739)
Accumulated other comprehensive income	3	4
Total shareholders' equity	**124,782**	115,692
Total liabilities and shareholders' equity	**204,462**	222,880

Nature of operations and going concern (note 1)
Commitments and contingencies (note 17)
Subsequent events (note 19)

/s/ "Stéphane Trudel"_____, Director
Stéphane Trudel

/s/ "Sharon Ranson"_____, Director
Sharon Ranson

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

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the Thirteen and Twenty-six Weeks Ended July 30, 2022 and July 31, 2021 (In thousands of Canadian Dollars, except per share information)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
	$	$	**$**	$
Revenue (note 18)	**40,742**	43,306	**81,686**	87,390
Cost of goods sold (note 18)	31,043	27,133	59,821	54,699
Gross profit	**9,699**	16,173	**21,865**	32,691
Expenses (income)				
Selling, general and administrative (note 11)	16,873	14,605	32,082	30,137
Depreciation & amortization (notes 4, 5, 6)	6,110	4,182	10,874	8,511
Restructuring, impairment and other costs, net (note 12)	6,370	793	6,370	940
(Gain) loss on revaluation of derivative liability, net (note 8)	(59)	(25,321)	(320)	28,789
Finance costs, net (note 13)	1,355	1,096	3,096	4,407
Total expenses (income)	**30,649**	(4,645)	**52,102**	72,784
(Loss) income before tax	**(20,950)**	20,818	**(30,237)**	(40,093)
Current tax expense	(546)	(1,793)	(1,167)	(2,572)
Deferred tax (expense) recovery	(61)	425	(59)	517
Net (loss) income	**(21,557)**	19,450	**(31,463)**	(42,148)
Net (loss) income per share (note 10)				
Basic	**$(0.48)**	$0.58	**$(0.76)**	$(1.33)
Diluted	**$(0.48)**	$0.18	**$(0.76)**	$(1.33)
Comprehensive (loss) income				
Net (loss) income	(21,557)	19,450	(31,463)	(42,148)
Items that may be reclassified to profit or loss				
Foreign currency translation, net of income tax effect	1	-	(1)	-
Other comprehensive income (loss), net of income tax effect	1	-	(1)	-
Total comprehensive (loss) income	**(21,556)**	19,450	**(31,464)**	(42,148)

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

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Twenty-six Weeks Ended July 30, 2022 and July 31, 2021 (In thousands of Canadian Dollars, except common shares information)

	Common Shares(1)	Share Capital	Shares to be issued	Warrant Reserve	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Shareholders' Equity
	#	$	$	$	$	$	$	$
Balance, January 29, 2022	**37,015,708**	**320,487**	**3,761**	**-**	**6,179**	**4**	**(214,739)**	**115,692**
Warrants exercised (note 8, 9)	8,288,067	37,794	-	-	1,344	-	-	39,138
Share-based compensation - options and restricted share units (note 9)	-	-	-	-	1,310	-	-	1,310
Redemption of restricted share units	2,561	22	-	-	(43)	-	-	(21)
Options exercised (note 9)	15,000	39	-	-	(9)	-	-	30
Common shares issued - debenture interest (note 8)	35,238	97	-	-	-	-	-	97
Currency translation adjustment on foreign subsidiary	-	-	-	-	-	(1)	-	(1)
Net loss and comprehensive loss	-	-	-	-	-	-	(31,463)	(31,463)
Balance, July 30, 2022	**45,356,574**	**358,439**	**3,761**	**-**	**8,781**	**3**	**(246,202)**	**124,782**
Balance, January 30, 2021	**23,211,418**	**180,780**	**112**	**4,874**	**1,056**	**-**	**(151,147)**	**35,675**
Common shares cancelled - acquisition post-closing adjustment	(53,678)	(53)	-	-	-	-	-	(53)
Common shares issued - At-the-Market offering	817,090	7,618	-	-	-	-	-	7,618
Common shares issued - store and asset acquisitions	8,838	100	-	-	-	-	-	100
Conversion of debentures	9,025,661	102,843	-	-	-	-	-	102,843
Common shares issued - debenture interest	285,925	1,602	-	-	-	-	-	1,602
Acquisition of Hifyre Inc.	45,000	312	(112)	-	-	-	-	200
Warrants exercised	1,050,577	12,599	-	(2,830)	-	-	-	9,769
Warrants expired	-	-	-	(2,044)	2,044	-	-	-
Share-based compensation - options and restricted share units	-	-	-	-	2,141	-	-	2,141
Options exercised	115	2	-	-	(1)	-	-	1
Net loss and comprehensive loss	-	-	-	-	-	-	(42,148)	(42,148)
Balance, July 31, 2021	**34,390,946**	**305,803**	**-**	**-**	**5,240**	**-**	**(193,295)**	**117,748**

(1) On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares, which was applied retrospectively. As a result, the common share amounts are stated on an adjusted post-consolidation basis (note 9). The common shares began trading on the TSX on a post-consolidation basis on December 2, 2021.

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

Fire & Flower Holdings Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Twenty-six weeks Ended July 30, 2022 and July 31, 2021 (In thousands of Canadian Dollars)

	Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021
	$	$
Operating activities		
Net loss	(31,463)	(42,148)
Items not affecting cash and cash equivalents		
Depreciation and amortization (note 4, 5 & 6)	10,892	8,511
Impairment of intangible assets (note 6 & 12)	1,364	-
Impairment of property and equipment (note 4 & 12)	2,039	755
Impairment of ROU assets, net lease liability remeasurement (note 5 & 12)	873	38
Gain on disposal of property and equipment	(2)	-
Share-based compensation (note 9 & 11)	1,310	1,851
Interest expense on debentures, loans and other finance costs (note 8)	316	2,340
(Gain) loss on revaluation of derivative liability (note 8)	(320)	28,789
Interest expense on lease liabilities (note 5)	2,430	2,199
Changes in restructuring provisions (note 7 & 12)	1,597	(423)
Cash (used in) provided by operating activities before changes in non-cash working capital items	(10,964)	1,912
Net change in non-cash working capital items (note 16)	(612)	(9,153)
Cash used in operating activities	**(11,576)**	**(7,241)**
Investing activities		
Acquisition of property and equipment and intangible assets (note 4 & 6)	(2,066)	(6,683)
Proceeds from disposal of property and equipment	17	-
Deposits related to acquisitions	-	(600)
Deposits related to leases	(48)	(41)
Cash used in investing activities	**(2,097)**	**(7,324)**
Financing activities		
Warrants exercise, net of Secured Loan and interest repayment (note 8)	17,334	-
Issuance of common shares and other equity securities	-	7,777
Cash collateral for loans, credit facilities and letters of credit	-	306
Transaction costs on issuance of shares	-	(159)
Redemption of restricted share units	(21)	-
Principal repayment on debentures and loans	-	(109)
Interest paid on debentures and loans	-	(68)
Exercise of warrants and options	30	9,770
Lease liability payments (note 5)	(4,941)	(4,290)
Cash provided by financing activities	**12,402**	**13,227**
Effect of foreign exchange on cash and cash equivalents	(1)	-
Decrease in cash and cash equivalents	(1,272)	(1,338)
Cash and cash equivalents, beginning of period	19,847	30,613
Cash and cash equivalents, end of period	**18,575**	**29,275**

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND GOING CONCERN

Fire & Flower Holdings Corp. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange (the "TSX") under the symbol 'FAF'. The Company is a technology-powered, independent cannabis retailer in Canada, with wholesale cannabis distribution and fulfilment business operations in Saskatchewan, Canada ("Open Fields Distribution"). The Company also operates a proprietary digital retail and analytics platform (the "Hifyre Digital Platform") supporting e-commerce retail activities, rapid delivery services and providing a compliant data platform for cannabis licensed producers and other industry stakeholders. The Company's head office and registered office is located at 130 King Street West, Suite 2500, Toronto, Ontario, M5X 1C8, Canada.

On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares and began trading on the TSX on a post-consolidation basis on December 2, 2021 (the "Share Consolidation"). The Share Consolidation has been applied retrospectively and as a result, the per share and common share amounts are stated on an adjusted post-consolidation basis. Refer to note 9 for further details.

Going concern and Liquidity

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business as they come due. The ability of the company to continue operations as a going concern is ultimately dependent upon increasing revenues, improving profitability and cash flows, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's ongoing operations, including lease payments for locations secured for future store operations.

As at July 30, 2022, the Company had cash and cash equivalents of $18,575 (January 29, 2022: $19,847). The Company's financial liabilities are comprised of convertible debentures and derivative liabilities including warrants, which have varying contractual maturity/expiry dates, and are described under note 8 and note 9.

The Company incurred net losses of $31,463 for the twenty-six weeks ended July 30, 2022 (July 30, 2021: $42,148) and negative cashflow from operating activities of $11,576 (July 30, 2021: $7,241). As at July 30, 2022, accumulated deficit was $246,202 (January 29, 2022: $214,739).

The Company's primary sources of liquidity are cash from sales of goods and services to its customers, warrants proceeds and equity financing. The Company's outstanding warrants are held by 2707031 Ontario Inc. (the "Investor"), a wholly-owned subsidiary of Alimentation Couche-Tard Inc. ("ACT"). As at July 30, 2022, 17,796,284 Series C warrant units were held by the Investor exercisable at any time after October 1, 2022 at an exercise price of the lesser of: (A) $30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised. As of July 30, 2022, ACT held 35.2% of the issued and outstanding Common Shares of the Company. During the twenty-six weeks ended July 30, 2022, the Investor exercised 8,288,067 Series B Warrants and the Company received net proceeds of $17,334. The Investor held a total of 17,796,284 warrants as at July 30, 2022 (January 29, 2022: 26,084,351) which are exercisable after October 1, 2022 until June 30, 2023, with maximum exercise price of $30.00 (notes 8 and 9).

The Company's ability to continue as a going concern is dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. The Company is actively pursuing additional financing options to raise additional capital in order to fund its operations and meet its future growth targets, including ongoing negotiations in respect of both non-dilutive debt financing and equity financing at preferred rates, however, there is no assurance that these initiatives will be successful, timely or sufficient. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern and, hence, the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These Interim Financial Statements were authorized for issue by the Board of Directors on September 12, 2022.

The Company's unaudited condensed interim consolidated financial statements for the thirteen and twenty-six weeks ended July 30, 2022 and July 31, 2021 ("Interim Financial Statements"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed, and these Interim Financial Statements should be read in conjunction with the Company's annual audited consolidated financial statements and accompanying notes for the fiscal years ended January 29, 2022 and January 30, 2021 ("2021 Annual Consolidated Financial Statements") except for the policy described below:

Revenue Recognition

Delivery revenue

The Company recognizes revenues from delivery services when the performance obligation is fulfilled which corresponds to when the goods are delivered to the customer destination (FOB destination). Costs of delivery to the customer are included as an expense in cost of goods sold.

Software licensing

The Company recognizes revenues from software licensing services when the customers' orders are successfully dispatched through the Company's software platform.

Leases

Where the Company acts as an intermediate lessor, it classifies the sublease as a finance lease by reference to the right of use asset arising from the head lease. If the applicable criteria of transferring majority of the risks and rewards to the sublessee is met, the Company derecognizes the right of use asset relating to the head lease of the subleased location, recognizes a corresponding lease receivable, and the lease liability relating to the head lease is retained. For leases where the majority of the risks and rewards are not transferred, the company retains the right of use asset and recognizes revenue as rental income. The lease receivable is periodically reduced by impairment losses, if any, and adjusted for certain lease renewals or modifications.

Basis of Preparation

The Interim Financial Statements have been prepared on a going concern basis using the historical cost basis except for certain financial instruments that are measured at fair value. The policies applied in these consolidated financial statements are based on IFRS standards, which have been applied consistently to all periods presented, unless otherwise stated.

The Interim Financial Statements have been prepared in accordance with the same accounting policies as the 2021 Annual Consolidated Financial Statements. The Company adopted "*Amendments to IAS 37 Onerous Contracts and Cost of Fulfilling a Contract" ("IAS 37")* prospectively beginning on January 30, 2022. The amendment specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company adopted this amendment for the annual period beginning January 30, 2022 and it did not have an impact on these Interim Financial Statements.

Functional and Presentation Currency

These Interim Financial Statements are presented in Canadian dollars which is the Company's presentation currency. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company's subsidiaries in Canada and the United States is the Canadian dollar and U.S. dollar, respectively.

Comparative Information

The subtotal of Loss from operations and the line item, total other income (expenses) which were previously presented separately in the consolidated statements of income (loss) and comprehensive income (loss) in the prior period have been eliminated to conform as management determined that the subtotal was no longer relevant to an understanding of the company's financial performance.

Certain of the prior year information was reclassified to conform with the current year presentation.

Significant Accounting Estimates and Judgments

The preparation of the Interim Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgment used in the preparation of the Interim Financial Statements are described in 2021 Annual Consolidated Financial Statements.

Additional updates on certain estimates and judgments, as relevant to the Interim Financial Statements, are as described within note 1.

3. ACQUISITIONS

The Company completed a series of business combination and asset acquisitions in the fiscal year ended January 29, 2022, which are described below. The measurement period for these acquisitions remains open as at July 30, 2022 unless otherwise stated.

a) Business Acquisition of Pineapple Express Delivery Inc.

On December 9, 2021, the Company entered into a definitive agreement (the "Agreement") to acquire Pineapple Express Delivery Inc. ("Pineapple Express Delivery"). The transaction closed effective January 21, 2022. Pursuant to the Agreement, the total purchase for the acquisition of Pineapple Express Delivery paid by the Company was comprised of (i) assumption and repayment of $5,049 in debt (ii) issuance of 313,708 common shares with an aggregate value of $1,405, based on the share price at the date of acquisition; and (iii) contingent consideration of $3,761 consisting of 839,436 common shares held in escrow. As at July 30, 2022, 839,436 common shares were held in escrow in relation to the share consideration issued for the acquisition, subject to certain adjustments in accordance with the terms of the Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. As the release of the 839,436 common shares held in escrow are not dependent on continued employment by the seller, the amount is included as part of the consideration paid for the business combination. For accounting purposes, the common shares issued as contingent consideration were fair valued at $3,761 based on the close price on the TSX on the date of acquisition and also factored in the probability of the contingent consideration becoming payable.

Pineapple Express Delivery is licensed to deliver cannabis and other regulated products including transportation and delivery of medical and recreational products in Ontario, Manitoba, Saskatchewan and British Columbia. Pineapple Express Delivery has partnered with BC Cannabis Stores to provide next business day delivery in the Metro Vancouver region through BC Cannabis Stores' e-commerce website.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, January 21, 2022.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

The estimated fair value of the identifiable assets and liabilities acquired, and the consideration paid is detailed below:

Consideration paid	
	$
Common shares issued	1,405
Contingent consideration	3,761
Assumption of debt	5,049
Total consideration	**10,215**

Identifiable assets (liabilities) acquired	
	$
Cash & cash equivalents	122
Prepaids	261
Property and equipment	797
Receivables and other assets	962
Accounts payable and accrued liabilities	(1,627)
Intangible assets - customer relationships	890
Intangible assets - software and platform related technology	741
Right-of-use assets	961
Lease liabilities	(1,053)
Deferred tax liability	(382)
Goodwill	8,543
Total identifiable net assets and goodwill	**10,215**

The estimated fair value of the material intangible assets was determined using the following methods:

- Customer relationships – Multiple period excess earnings method ("MEEM Method"); and
- Software and platform related technology – Replacement Cost method.

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected expansion of delivery services into new provinces and the growth in the medical delivery program.
- Discount rate of 17% across the valuation methods. The discount rate was based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated rate of return for companies of comparable size and other risk factors (utilized in the Corroborative Income approach).

The Company recognized deferred tax liabilities associated with the customer relationships and software and platform related technology. The deferred tax liability resulted in an additional goodwill amount of $382.

Changes in these assumptions may affect the fair value estimates determined for these intangibles and a reallocation of purchase price to or from the amount recognized for goodwill. The goodwill arising from the acquisition of Pineapple Express Delivery represents synergies to be realized by integrating its operations and technologies with the Company's retail network, wholesale and logistics segment and Hifyre digital platform and will allow the Company to service the market end-to-end through customer acquisition, product discovery and delivery.

Due to the timing of the acquisition, the Company has not finalized the assessment of the fair value of the net assets acquired and, as a result, the working capital balances, deferred taxes and the fair value assessments for intangible assets may be subject to adjustments pending close of the purchase price, final valuations and post-closing adjustments. Differences between the preliminary purchase price allocations and the final purchase price allocation accounting may occur. Adjustments, including purchase consideration finalization, will be finalized within twelve (12) months from the acquisition date.

b) Business Acquisitions of PotGuide and Wikileaf

Wikileaf Business Acquisition

On August 3, 2021, the Company entered into an asset purchase agreement (the "Wikileaf APA") with Wikileaf Technologies Inc. and certain subsidiaries ("Wikileaf"). The transaction closed effective September 15, 2021. Pursuant to the Wikileaf APA, the Company acquired certain digital assets, including the website domain, and intellectual property rights from Wikileaf for a total purchase consideration of $7,500, by issuing 801,710 common shares of the Company which was based on the Company's 10-day volume weighted average price on the TSX as of the date of agreement. For accounting purposes, the shares were fair valued at $7,296 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date, September 15, 2021. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating Wikileaf into the group of Retail and Digital CGUs.

PotGuide Business Acquisition

On August 25, 2021, the Company entered into a definitive share purchase agreement (the "PGED SPA") with PGED Corp. ("PotGuide"), the Denver Colorado based operator of PotGuide.com. The transaction closed effective September 15, 2021. Pursuant to the terms of the PGED SPA, the Company purchased all the issued and outstanding shares of PotGuide for an aggregate consideration of $10,912 (US$8,820), by paying $5,472 (US$4,320) in cash and issued 597,805 common shares of the Company based on the Company's 10-day volume weighted average price on the TSX as of the date of the agreement. For accounting purposes, the shares were fair valued at $5,440 based on the close price on the TSX on the date of acquisition.

In accordance with IFRS 3, the substance of the transaction constituted a business combination as PotGuide meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The goodwill on the acquisition is attributable to synergies expected to be achieved from integrating PotGuide into the group of Retail and Digital CGUs.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Further, PotGuide mainly operates in the USA with its operating activities majorly being carried out in U.S. Dollars. In accordance with IAS 21, management has determined that the functional currency of PotGuide is U.S. Dollars.

The estimated fair value of the identifiable assets and liabilities acquired, and consideration paid is detailed below:

Consideration paid	**PotGuide**	**Wikileaf**	**TOTAL**
	$	$	$
Common shares issued (1)	5,440	7,296	12,736
Cash	5,472	-	5,472
Total consideration	**10,912**	**7,296**	**18,208**

Identifiable assets (liabilities) acquired			
	$	$	$
Cash & cash equivalents	388	-	388
Receivables and other assets	177	-	177
Accounts payable and accrued liabilities	(160)	-	(160)
Intangible assets - trademarks, subscriber & dispensary relationships	3,436	2,269	5,705
Intangible assets - software and platform related technology	2,080	1,338	3,418
Deferred tax liability	(1,462)	-	(1,462)
Goodwill	6,453	3,689	10,142
Total identifiable net assets and goodwill	**10,912**	**7,296**	**18,208**
Common shares issued (#)	597,805	801,710	**1,399,515**

(1) In accordance with IFRS, the share consideration was fair valued based on close price on the TSX as of the acquisition date.

The estimated fair value of the material intangible assets was determined using the following methods:

- Dispensary relationships – Multiple period excess earnings method ("MEEM Method"),
- Subscriber relationships – Replacement Cost method, and
- Platform related technology - Replacement Cost method.

Wikileaf and PotGuide - Significant Judgments and Estimates

Significant judgments and areas of estimations in these valuations related to the following:

- Under the MEEM Method, Inputs in the 5-year financial projections included a 2% terminal value growth rate. The 5-year revenue projections reflect the expected growth of the Cannabis market and e-commerce activities in Canada and the United States.
- Discount rate range of 12% - 25% across the valuation methods. The discount rates were based on the cost of equity and weighted average cost of capital (utilized in the MEEM Method), and the estimated venture capital rate of return for an early-stage company (utilized in the Replacement Cost method).

The goodwill recognized under both acquisitions relate to expected synergies from combining operations, subscriber and customer relationships of Wikileaf, PotGuide and the Company's Hifyre digital platform, as well as assembled workforce, which is not separately recognizable as an intangible asset under IFRS. In addition, the Company recognized deferred tax liabilities associated with the PotGuide's intangible assets, which resulted in recognition of additional goodwill of $1,462.

Due to the timing of the acquisitions for Wikileaf and PotGuide, the Company has not finalized the assessment of the fair value of the net assets acquired and, as a result, the deferred taxes and the fair value assessments for intangible assets may be subject to adjustments pending final valuations and post-closing adjustments. Differences between these preliminary amounts and the final accounting may occur. Adjustments, including purchase consideration finalization, will be finalized within twelve (12) months from the acquisition date. The measurement period for PotGuide and Wikileaf acquisitions are closed.

c) Asset Acquisition – Orangeville and Sarnia

On April 13 and June 11, 2021 respectively, the Company entered into two asset purchase agreements (each an "APA") to acquire the assets related to the operations of cannabis retail stores located in Sarnia and Orangeville, Ontario for aggregate purchase consideration of $1,600, subject to certain closing adjustments.

The Orangeville transaction closed effective October 29, 2021. Pursuant to the terms of the Orangeville APA, the Company paid total aggregate consideration of $972 for the assets acquired comprising of (i) $872 in cash and (ii) 8,838 common shares of the Company with a value of $100. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included inventory, prepaids, and leasehold improvements of $379. The intangible assets included retail operating licenses for $593. Under IFRS 3, the substance of the acquisition does not constitute a business combination. The measurement period remains open as at July 30, 2022.

The Sarnia transaction closed effective November 9, 2021. Pursuant to the terms of the Sarnia APA, the Company paid total aggregate consideration of $697 in cash for the assets acquired. The assets acquired have been recorded at their estimated fair values at the acquisition date. The identifiable assets included leasehold improvements and other assets of $231. The intangible assets included retail operating licenses for $466. Under IFRS 3, the substance of the acquisition does not constitute a business combination. During the thirteen weeks ended July 30, 2022, the cannabis retail store located in Sarnia was closed as part of management's plan to optimize the Company's retail portfolio and strategy described in note 12. As a result, the measurement period for the Sarnia transaction is closed.

d) Fire & Flower U.S. Holdings Inc. (formerly American Acres) Arrangement

On February 22, 2021, the Company announced that it has entered into agreements with a Canadian private company, operating as "American Acres Managers" ("American Acres"), which comprised agreements to license the Company's brand, store operating system and Hifyre digital retail and analytics platform for cannabis dispensaries across certain U.S. states (collectively, the "Strategic Agreements"). On August 10, 2021, the Company announced that American Acres had changed its operating name to Fire & Flower U.S. Holdings Inc. ("Fire & Flower US") and opened its first Fire & Flower branded store in Palm Springs, California. On January 28, 2022, the Company amended certain terms of the Strategic Agreements with Fire & Flower US to provide for, among other things, the Company to pay the shareholders of Fire & Flower US an aggregate amount of US$5 million (subject to certain conditions). The cash deposit, plus a premium of one percent (1%), calculated monthly, will be deducted from the fair-market value purchase price payable, if and when the Company exercises its option to acquire Fire & Flower US. Hifyre will now receive a one-time implementation fee and ongoing software and support fees for each Fire & Flower branded store operated by Fire & Flower US. In addition, the amendments to the Strategic Agreements provide for the Company, upon the payment of additional cash amounts, (i) to extend its option to acquire Fire & Flower US to February 2028 or such later date upon the federal legalization of adult-use cannabis in the United States or when such acquisition would otherwise be permitted by the policies of the TSX or any other stock exchange on which the Company's securities are listed for trading, (ii) expand the number of cannabis retail stores that Fire & Flower US may operate utilizing the Company's licensed trademarks/intellectual property, and/or (iii) expand the territory within which Fire & Flower US may operate cannabis retailer stores utilizing the licensed trademarks/intellectual property.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

4. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Leasehold Improvements	Computers and Equipment	Signage and Displays	Vehicles	Total
Cost	$	$	$	$	$	$	$
Balance, January 29, 2022	5,407	3,346	40,244	8,940	1,357	475	59,769
Additions	-	44	1,404	31	3	-	1,482
Disposal	-	-	-	-	-	(31)	(31)
Impairment[(1)]	-	(13)	(2,706)	-	(10)	-	(2,729)
Transfers and Other Adjustments	-	-	-	(281)	-	-	(281)
Balance, July 30, 2022	**5,407**	**3,377**	**38,942**	**8,690**	**1,350**	**444**	**58,210**
Accumulated Depreciation							
Balance, January 29, 2022	506	1,004	6,830	3,224	452	253	12,269
Depreciation	97	408	2,417	868	140	35	3,965
Disposal	-	-	-	-	-	(16)	(16)
Impairment[(1)]	-	(3)	(684)	-	(3)	-	(690)
Balance, July 30, 2022	**603**	**1,409**	**8,563**	**4,092**	**589**	**272**	**15,528**
Net Book Value							
Balance, January 29, 2022	4,901	2,342	33,414	5,716	905	222	47,500
Balance, July 30, 2022	**4,804**	**1,968**	**30,379**	**4,598**	**761**	**172**	**42,682**

(1) For further details on the impairments, refer to Note 12, Restructuring and Impairments

As at July 30, 2022, the amount of property and equipment classified as under construction or development and therefore not being amortized was $1,255 (January 29, 2022: $2,251).

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets	**July 30, 2022**
	$
Beginning balance, January 29, 2022	**43,755**
Additions	1,513
Terminated locations[(1)]	(1,923)
Depreciation expense for the period	(3,298)
Ending balance, July 30, 2022	**40,047**

[(1)] For further details on the ROU asset impairment, refer to Note 12, Restructuring and Impairments

Lease liabilities	**July 30, 2022**
	$
Beginning balance, January 29, 2022	**52,203**
Additions	1,465
Cash outflows in the period	(4,941)
Terminated locations[(1)]	(1,050)
Accretion expense for the period	2,430
Ending balance, July 30, 2022	**50,107**

[(1)] For further details on the terminated lease liabilities, refer to Note 12, Restructuring and Impairments

Current	5,743
Non-current	44,364

(In thousands of Canadian Dollars, except number of shares and per share amounts)

The lease liabilities are summarized in the below table:

Maturity analysis - contractual undiscounted cash flow	$
One year	10,077
Two years	8,906
Three years	7,824
Four years	7,063
Five years	6,875
Beyond five years	18,968
	59,713

Other amounts recognized in the consolidated statement of loss and comprehensive loss	July 30, 2022
	$
Expenses relating to short-term leases	57
Expenses relating to lease payments not included in the measurement of lease liabilities	1,999
Income from subleasing right-of-use assets	199

6. INTANGIBLE ASSETS

	Trademarks, Subscriber & Customer Relationships	Licenses	Software and platform related technology	Total
Cost	$	$	$	$
Balance, January 29, 2022	15,086	35,269	7,269	57,624
Additions	-	-	584	584
Impairment[(1)]	-	(2,010)	-	(2,010)
Transfers and Other Adjustments	-	-	281	281
Balance, July 30, 2022	**15,086**	**33,259**	**8,134**	**56,479**
Accumulated Amortization				
Balance, January 29, 2022	1,526	9,167	1,818	12,511
Amortization	865	1,974	790	3,629
Impairment[(1)]	-	(646)	-	(646)
Balance, July 30, 2022	**2,391**	**10,495**	**2,608**	**15,494**
Net Book Value				
Balance, January 29, 2022	13,560	26,102	5,451	45,113
Balance, July 30, 2022	**12,695**	**22,764**	**5,526**	**40,985**

[(1)] *For further details on the license impairments, refer to Note 12, Restructuring and Impairments*

During the twenty-six weeks ended July 30, 2022, the Company capitalized $475 of internally developed software assets (July 31, 2021: $334).

7. PROVISIONS

	July 30, 2022	January 29, 2022
	$	$
Beginning balance	1,742	2,672
Additions (note 12)	2,094	777
Drawdowns	(497)	(1,707)
Total Provisions	**3,339**	**1,742**
Current Portion	(2,430)	(1,742)
Long-term Portion	**909**	**-**

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the thirteen and twenty-six weeks ended July 30, 2022, the Company recorded an expense of $750 comprised of severance and other benefits and $1,344 relating to the cost of closing certain retail locations including the expected cost to settle and exit the respective leases (note 12). The value of the provision is management's best estimate of the expenditures. Lease obligation costs related to the restructuring locations are recorded in lease liabilities (note 5). If the effect of time value is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability.

8. DEBENTURES AND LOANS, DERIVATIVE LIABILITY

Debentures and Loans balances outstanding:

	Contractual Maturity Date	Coupon Interest Rate	Principal Outstanding July 30, 2022	Principal Outstanding January 29, 2022	Carrying Amount July 30, 2022	Carrying Amount January 29, 2022
			$	$	$	$
Convertible debenture liability						
Investor Debentures [1]	June 30, 2023	8.00%	2,407	2,407	1,973	1,754
Term loans and credit facilities						
Secured Loan	October 1, 2022	8.00%	-	20,070	-	20,070
Total debentures and loans			**2,407**	22,477	**1,973**	21,824
Current Portion			(2,407)	(20,070)	(1,973)	(20,119)
Long-term Portion			-	2,407	-	1,705

Derivative Liability balances outstanding:

	Contractual Maturity Date	Conversion Price/unit	Equivalent Units July 30, 2022	Equivalent Units January 29, 2022	Carrying Amount July 30, 2022	Carrying Amount January 29, 2022
		$/unit	#	#	$	$
Conversion option derivative liabilities						
Investor Debentures [1]	June 30, 2023	variable [1]	240,741	240,741	980	1,074
Warrants recognized as derivative liability						
Series B Warrants [1] [2]	September 30, 2022	variable	-	6,717,554	-	1,171
Series C Warrants [1] [3]	June 30, 2023	variable	13,339,078	13,339,078	65	224
Top-up Series B Warrants [2]	September 30, 2022	variable	-	1,570,513	-	178
Top-up Series C Warrants [3]	June 30, 2023	variable	4,457,206	4,457,206	11	73
					76	1,646
Total derivative liability					**1,056**	2,720
Current Portion					(1,056)	(1,349)
Long-term Portion					-	1,371

(1) For further details refer to Note 15 of the 2021 Annual Financial Statements.

(2) Exercisable after January 1, 2022.

(3) Exercisable after October 1, 2022.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Convertible debenture related activity is summarized below:

		Carrying Amount	
	Principal Outstanding	**Debenture component**	**Derivative liability - conversion option**
	$	$	$
Balance, January 29, 2022	**2,407**	**1,754**	**1,074**
Gain on revaluation of derivative liability	-	-	(94)
Accretion and interest expense	-	316	-
Coupon interest paid in common shares	-	(97)	-
Balance, July 30, 2022	**2,407**	**1,973**	**980**

Derivative liability activity related to warrants are summarized below:

	Amount
	$
Balance, January 29, 2022	1,646
Gain on revaluation of derivative liabilities	(226)
Conversion and settlement	(1,344)
Balance, July 30, 2022	**76**

Measurement and sensitivity analysis as at July 30, 2022

During the thirteen and twenty-six weeks ended July 30, 2022, the revaluation of the warrants and the debenture conversion option derivative liabilities resulted in a gain of $59 and $320, respectively (July 31, 2021: $25,321 gain and $28,789 loss, respectively), of this gain, $5 relates to the revaluation of the Series B Warrants derivative liabilities on the date of exercise.

As at July 30, 2022, the derivative liabilities related to the Investor Debentures conversion option and Series C Warrants were revalued using the Monte-Carlo and trinomial tree model simulation valuation technique and the following inputs and assumptions: stock price of $2.25; risk-free interest rate of 3.14%; and expected volatility of 78.64% based on historical trading data of the Company and its peers (January 29, 2022: $4.46 stock price, 0.72% - 1.09% risk-free interest rate range, and 60% - 63% expected volatility range).

Volatility assumptions are a significant unobservable input to the estimate, mainly due to the limited available longer-term historical trading data for the Company and comparable companies in the industry, as well as the emerging market the Company operates in.

As at July 30, 2022, with all other variables held constant, a 5% increase and 5% decrease in volatility would have resulted in a change in the estimated fair values of the derivative liability instruments as follows:

Sensitivity Analysis		**As at July 30, 2022**	
	Valuation Technique	**Volatility - 5%**	**Volatility +5%**
		$	$
Investor Debentures conversion option	Monte-Carlo/ Trinomial	(44)	53
Series C Warrants	Monte-Carlo	(21)	36
Top-up Series C Warrants	Monte-Carlo	(4)	8
Total		(69)	97

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Warrants Exercise and Repayment of Secured Loan during the twenty-six weeks ended July 30, 2022

During the twenty-six weeks ended July 30, 2022, the Company received net proceeds of $17,334 (the "Proceeds") from the exercise of the Series B Warrants, comprising (a) 6,717,554 Series B Warrants exercised at a price of $4.5103, representing the 20-day volume-weighted average price of the common shares of the Company and (b) 1,570,513 Top-up Series B Warrants exercised at a price of $4.7732. Pursuant to the terms of the Secured Loan Agreement (as defined in note 15), a portion of the warrant amount of $37,794 was used to repay the principal of $20,000 and interest of $460 (January 29, 2022: $70) to the Investor as prescribed within the Secured Loan Agreement.

	July 30, 2022
	$
Series B Warrants	37,794
Secured Loan	(20,000)
Secured Loan interest	(460)
Net proceeds	**17,334**

9. SHAREHOLDERS' EQUITY AND SHARE BASED ARRANGEMENTS

a) Share Capital

Common Share Consolidation

In connection with the Nasdaq listing application, on June 9, 2021, the Company's shareholders passed a special resolution approving one or more future consolidations of the Company's issued and outstanding common shares on the basis of a consolidation ratio to be selected by the Board of Directors of the Company (the "Board") of up to ten (10) pre-consolidation common shares for one (1) post-consolidation common share.

On November 29, 2021, the Company announced that it had filed articles of amendment implementing a consolidation of its common shares on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding common shares (the "Share Consolidation"), with common shares trading on a post–consolidation basis commencing on December 2, 2021. The Share Consolidation has been applied retrospectively and as a result, all common shares, options, warrants, restricted share units, and per share amounts are stated on an adjusted post-consolidation basis for all periods presented.

Common Shares to be Issued

As at July 30, 2022, 839,436 common shares were held in escrow in relation to the share consideration issued for the Pineapple Express Delivery acquisition, subject to certain adjustments in accordance with the terms of the Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. As the release of the 839,436 common shares held in escrow are not dependent on continued employment by the seller, the amount is included as part of the consideration paid for the business combination. For accounting purposes, the common shares issued as contingent consideration were fair valued at $3,761 based on the close price on the TSX on the date of acquisition and also factored in the probability of the contingent consideration becoming payable. Subsequent to July 30, 2022, the Company released 52,800 Common Shares from escrow (note 19).

(In thousands of Canadian Dollars, except number of shares and per share amounts)

b) Warrants

The following is a summary, adjusted for the Share Consolidation, of the movement in warrants outstanding:

	Twenty-six Weeks Ended July 30, 2022	
	Warrants	**Weighted Average Exercise Price**
	#	$
Balance, beginning of period	26,084,351	26.43
Exercised - Series B Warrants	(6,717,554)	4.51
Exercised - Top-up Series B Warrants	(1,570,513)	4.77
Balance, end of period	**17,796,284**	**17.39**
Warrants recognized under derivative liability, end of period (note 8)	**17,796,284**	**variable**

(1) For purposes of weighted average calculations, the exercise price is assumed to be $17.39 for Series C Warrants. Exercise price conditions are described under Note 15 of the 2021 Annual Financial Statements.

As at July 30, 2022, 17,796,284 warrant units were held by the Investor (January 29, 2022: 26,084,351). During the twenty-six weeks ended July 30, 2022, a total of 8,288,067 warrants comprised of 6,717,554 Series B Warrants and 1,570,513 Top-up Series B Warrants were exercised for a total of $37,794.

For further details on the warrants held by the Investor, see Note 15 of the 2021 Annual Financial Statements.

c) Stock Options

The following is a summary, adjusted for the Share Consolidation, of the movement in stock options outstanding:

	Twenty-six Weeks Ended July 30, 2022	
	Options	**Weighted Average Exercise Price**
	#	$
Balance, beginning of period	1,577,823	8.87
Issued	1,259,100	3.58
Exercised	(15,000)	2.06
Forfeited	(139,628)	7.49
Balance, end of period	**2,682,295**	**6.45**
Exercisable balance, January 29, 2022	1,006,669	8.30
Exercisable balance, July 30, 2022	1,139,447	8.70

(In thousands of Canadian Dollars, except number of shares and per share amounts)

The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Twenty-six Weeks July 30, 2022
Options issued (#)	1,259,100
Expected option lives range in years	5
Volatility range, based on comparable companies	73.0 - 74.3%
Risk-free interest rate range	1.64 - 3.28%
Share price range	$2.37 - $4.70
Exercise Price range	$2.97 - $4.70
Dividend yield	nil

	Outstanding		Exercisable	
Exercise price per share	Number of Options #	Weighted Average Remaining Contractual Life (years)	Number of Options #	Weighted Average Remaining Contractual Life (years)
$0.20 - $3.66	532,710	3.40	194,628	0.83
$3.67 - $4.24	854,231	4.74	-	-
$4.25 - $8.20	473,595	1.92	371,284	1.25
$8.21 - $10.30	421,329	3.52	241,462	3.05
$10.31 - $15.00	400,430	2.13	332,073	1.89
Total	**2,682,295**	**3.40**	**1,139,447**	**1.75**

The Company's stock option plan (the "2021 Option Plan"), as ratified by the Company's shareholders in June 2021, authorizes the Board to grant options to any bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant (as such terms are defined in the 2021 Option Plan). The aggregate number of common shares from treasury that may be granted under the 2021 Option Plan and under all other Share Compensation Arrangement (as defined in the 2021 Option Plan) shall not exceed 10% of the issued and outstanding common shares as at the date of such grant. The exercise price of options granted may not be less than the Market Price (as defined in the 2021 Option Plan) at the time such option is granted. The term of any common share option grant cannot exceed ten (10) years and is subject to vesting conditions as determined at the discretion of the Board, with the default standard vesting schedule set at 1/3 on the date that is one year from the effective date of the option grant, and 1/36 each month thereafter. Certain outstanding stock options were issued under the Company's previous stock option plan (the "2019 Option Plan"). The 2021 Option Plan includes an update to the definition of "Change of Control" from the 2019 Option Plan, which increases the proportion of voting shares required for a "Change of Control" event to occur from more than 20% to more than 50%, and updates vesting provisions to require a double trigger for acceleration of vesting following a Change of Control.

d) Treasury-settled Restricted Share Units ("RSU")

Under the Company's Treasury Performance and Restricted Share Unit Plan, 137,079 RSUs were issued to employees of the Company during the twenty-six weeks ended July 30, 2022 (July 31, 2021: 85,183 RSUs). An RSU represents the right to receive a common share of the Company at settlement less applicable tax-related withholdings, or with the consent of the Company, to receive the cash equivalent of a common share at the time of settlement, less applicable tax-related withholdings. The share-based compensation expense is recognized using the graded vesting method, where the estimated fair value of RSUs is amortized, by tranche, on a straight-line basis over the vesting period, and accumulates in contributed surplus until settlement/redemption of the RSU by the holder.

All of the 137,079 RSUs issued during the twenty-six weeks ended July 30, 2022 vest over 3 years at the annual anniversary date from the issuance. The estimated fair value of $221 was recognized in contributed surplus during the twenty-six weeks ended July 30, 2022.

As at July 30, 2022, 170,038 RSUs were issued and outstanding (January 29, 2022: 60,700).

(In thousands of Canadian Dollars, except number of shares and per share amounts)

e) Deferred Share Units ("DSU")

Under the Company's Deferred Share Unit Plan, certain Directors elect to receive compensation in the form of DSUs. The plan contemplates DSUs being granted at the Market Price based on the 30-day VWAP as at the Award Date, which is predetermined and not subject to any further election once a Director has elected for the year. The DSUs are cash-settled upon a Director ceasing to hold office based on the market price at that time or paid quarterly in arrears.

During the thirteen and twenty-six weeks ended July 30, 2022, the Company issued a total of Nil DSUs (July 31, 2021: 2,720 and 5,288 units, respectively). As at July 30, 2022, 14,945 units were outstanding (July 31, 2021: 5,288), with an estimated fair value of $35.

10. (LOSS) INCOME PER COMMON SHARE

On December 1, 2021, the Company completed a ten-to-one Share Consolidation, which was applied retrospectively. As a result, the common share amounts and per share amounts are stated on an adjusted post-consolidation basis for all periods presented below (note 9).

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
(Loss) Income attributable to common shares ($)	(21,557)	19,450	(31,463)	(42,148)
Dilutive effect on income	-	(13,052)	-	-
Adjusted net (loss) income attributable to common shares	**(21,557)**	6,398	**(31,463)**	(42,148)
Weighted average number of shares outstanding - basic (#)	45,323,046	33,677,841	41,305,977	31,684,816
Dilutive effect of convertible debentures outstanding	-	240,741	-	-
Dilutive effect of options and RSUs outstanding	-	434,063	-	-
Dilutive effect of warrants outstanding	-	409,161	-	-
Weighted average number of shares outstanding - diluted (#)	45,323,046	34,761,806	41,305,977	31,684,816
(Loss) Income per common share, basic ($)	**(0.48)**	**0.58**	**(0.76)**	(1.33)
(Loss) Income per common share, diluted ($)	**(0.48)**	**0.18**	**(0.76)**	(1.33)

Basic loss per share and diluted loss per share were the same for the thirteen and twenty-six weeks ended July 30, 2022 and July 31, 2021, as the exercise of any potentially dilutive instruments would be anti-dilutive.

11. EXPENSES BY NATURE

Below are the expenses by nature included in selling, general and administrative expenses:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
	$	**$**	**$**	**$**
Selling, general and administrative expenses				
Salaries and benefits	**9,026**	7,739	**18,414**	16,094
Facility expenses	**1,961**	1,877	**3,901**	3,862
Professional and consulting fees	**1,461**	1,141	**1,854**	2,526
Marketing and promotion	**621**	862	**1,022**	1,772
Administrative	**2,667**	1,408	**5,022**	2,984
Share-based compensation (note 9)	**678**	1,319	**1,310**	1,851
Acquisition and strategic initiative professional fees	**459**	259	**559**	1,048
Total selling, general and administrative expenses	**16,873**	14,605	**32,082**	30,137

(In thousands of Canadian Dollars, except number of shares and per share amounts)

12. RESTRUCTURING, IMPAIRMENT AND OTHER COSTS, NET

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
	$	$	$	$
Impairment of intangible assets (note 6)	1,364	-	1,364	-
Impairment of property and equipment assets (note 4)	2,039	755	2,039	755
Impairment of ROU assets, net of lease liability remeasurement (note 5)	873	38	873	38
Restructuring charges (note 7)	2,094	-	2,094	147
Total restructuring, impairment and other costs, net	**6,370**	**793**	**6,370**	**940**

Impairments

During the thirteen and twenty-six weeks ended July 30, 2022, the Company recognized impairment on intangible and fixed assets totalling $1,364 and $2,039 in relation to retail licenses and property and equipment (July 31, 2021: $Nil and $755), $873 of impairment for the period relate to the right-of-use ("ROU") assets net of lease liability remeasurement (July 31, 2021: $38 impairment). These impairment charges are recognized on assets at locations closed in the year as part of management's plan to optimize the Company's retail portfolio and strategy.

Restructuring

During the twenty-six weeks ended July 30, 2022, the Company recorded an expense of $2,094 comprised of $750 of severance and other benefits and $1,344 relating to the cost of closing certain retail locations including the expected cost to settle and exit the respective lease (July 31, 2021: $Nil and $147).

13. FINANCE COSTS, NET

Finance costs are comprised of the following:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
	$	**$**	**$**	**$**
Interest expense on lease liabilities (note 5)	**1,215**	1,048	**2,430**	2,199
Interest expense on debentures and loans (note 8)	**163**	142	**705**	2,340
Other finance income	**(23)**	(94)	**(39)**	(132)
Total Finance costs, net	**1,355**	1,096	**3,096**	4,407

(In thousands of Canadian Dollars, except number of shares and per share amounts)

14. FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at July 30, 2022 and January 29, 2022:

As at July 30, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	$	$	$	$	$
Debentures and loans (note 8)	1,973	2,407	-	-	2,407
Derivative liability (note 8)	1,056	1,056	-	-	1,056

As at January 29, 2022	Total - Carrying Amount	Total - Fair Value	Level 1	Level 2	Level 3
	$	$	$	$	$
Debentures and loans (note 8)	21,824	22,477	-	20,070	2,407
Derivative liability (note 8)	2,720	2,720	-	-	2,720

There were no transfers between Level 1, Level 2, or Level 3 during the twenty-six weeks ended July 30, 2022.

The Company's risk exposures and the impact of the financial instruments are summarized below.

a) Interest Risk

The Company is exposed to interest rate risk to the extent that cash and investments maintained at financial institutions may fluctuate with the prevailing market rate. The Company invests surplus cash in GIC's which accumulate interest at the prevailing rate. As at July 30, 2022, the Company had cash and cash equivalents of $18,575 (January 29, 2022: $19,847) and outstanding debentures and loans of $1,973 (January 29, 2022: $21,824). Interest earned on the Company's surplus cash is not significant and the Company's financial liabilities have fixed rates of interest; therefore, the Company is not exposed to any significant interest rate fair value risk.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade and other receivables. The Company's cash and cash equivalents include petty cash, store cash flows, and cash held at Canadian financial institutions, which management believes the risk of loss is minimal. The Company's financial assets subject to credit risk includes trade accounts receivable balances of $9,816, which primarily arise from the Company's Digital Platform and Wholesale and Logistics segments (January 29, 2022: $12,386). The Company's point-of-sale retail stores operations do not give rise to significant accounts receivable amounts.

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

The carrying amount of cash and cash equivalents and trade and other receivables represent the maximum exposure to credit risk and at July 30, 2022, this amounted to $32,812 (January 29, 2022: $35,795), and provision for expected credit loss allowances related to trade account receivables was $504 as at July 30, 2022 (January 29, 2022: $410).

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 ability to satisfy its liquidity needs and meet future growth targets is dependent on increasing revenues, improving profitability and cash flows from operations, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity risk by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's normal operations, including lease payments for locations secured for future store operations.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

15. RELATED PARTY TRANSACTIONS

During the twenty-six weeks ended July 30, 2022, the following transactions occurred with the Investor:

- Exercised 6,717,554 Series B Warrants for gross total of $30,298
- Exercised 1,570,513 Top-Series B Warrants for gross total of $7,496
- Repayment of the Secured Loan of $20,000 and $460 interest expense (January 29, 2022: $70)
- Sub-lease rental and management fee charges of $38 and $Nil, respectively, were incurred for certain retail locations where the Company has sub-lease arrangements with the Investor (July 31, 2021: $61 and $123, respectively)

As at July 30, 2022, $413 of capital expenditure charges remain payable to the Investor, and was recognized under Other Liabilities (January 29, 2022: $429).

The Investor's strategic investment, including convertible debenture and warrants balances are described further under Note 15 of the 2021 Financial Statements. On December 13, 2021, the Company entered into a loan agreement (the "Secured Loan Agreement") with the Investor pursuant to which the Investor shall loan to the Company a maximum aggregate amount of $30,000 which may be drawn down in three separate tranches of $10,000 (the "Secured Loan"). Subject to the terms of the Secured Loan Agreement, the Secured Loan accrues interest at a rate of 8.0% per annum, payable quarterly, and matures on October 1, 2022. During the twenty-six weeks ended July 30, 2022, the Company received proceeds of $17,334 from the exercise of Series B Warrants after settling the outstanding amount of the Secured Loan of $20,000 and $460 interest. There are no further amounts owing under the Secured Loan Agreement.

Store Co-location Program
During the fiscal year ended January 29, 2022, the Company entered into certain master franchise agreements with a subsidiary of ACT (the "Franchisee"), where the Franchisee has the right to develop and operate (and sub-franchise and sub-license such rights to others) cannabis retail outlets utilizing the Company's brand trademarks, intellectual property, and operating plans and system of design. The agreements cover the operation of such franchises in the Canadian provinces of Alberta, Manitoba and Saskatchewan, and will advance the Company's strategic initiative to continue to open new Fire & Flower™ branded cannabis retail stores adjacent to ACT operated Circle K stores located in new markets across Canada. As at the twenty-six weeks ended July 30, 2022, no franchise locations were in operation.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Twenty-six Weeks Ended July 30, 2022	July 31, 2021
	$	$
Net change in non-cash working capital - operating activities		
Merchandise inventories	1,574	(4,624)
Trade and other receivables	1,711	(4,974)
Deposits held in trust	355	670
Prepaid expenses and other current assets	852	(383)
Deferred revenue	(337)	45
Accounts payable, accrued liabilities and other	(4,767)	113
Total	**(612)**	**(9,153)**
Non-cash investing and financing activities		
Acquisition of property and equipment and intangible assets - working capital	(392)	(2,683)

(In thousands of Canadian Dollars, except number of shares and per share amounts)

17. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Certain outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

On April 28, 2021, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia by Flora (Dawson Creek) enterprises Inc., Flora (Prince George) Enterprises Inc. and Tridelion Enterprises Inc., as plaintiffs, with respect to four asset purchase agreements for cannabis retail store locations in Kamloops, Vernon, Prince George and Quesnel, British Columbia which the parties agreed to terminate on April 6, 2020. The claim alleges breach by the Company of the asset purchase agreements and seeks an undefined amount of damages, a portion of which includes claims for the remainder of the purchase price under the terminated asset purchase agreements related to such cannabis retail stores, totalling approximately $8 million.

The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. As at July 30, 2022, based on information available, the Company has not recognized any legal provisions with respect to the above described matter. As at July 30, 2022, the Company is not aware of and has not identified any other legal proceedings that it reasonably expects could have a material adverse effect on the Company's financial position, results of operations or cash flows.

18. SEGMENTED INFORMATION

The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™; (2) The Wholesale and Logistics segment which distributes and delivers cannabis products and accessories; and (3) The Digital Platform segment which sells products and services provided by the Hifyre™ digital and analytics platform, PotGuide content platform and CannDeliv logistics platform.

The Chief Operating Decision Maker ("CODM") assesses segment performance based on segment operating income or loss. During the twenty-six weeks ended July 30, 2022, certain departmental costs previously presented under the Retail segment and their allocation to the other business lines and corporate segments were updated to better reflect how the Company services its customers and markets. Comparative period selling, general and administrative expense within the segments have been reclassified to conform to the current period's presentation.

With the acquisition of PotGuide, and the Company's strategic license agreement with BDS Analytics Inc. ("BDSA") during the fiscal year ended January 29, 2022, the Digital Platform segment expanded its presence into the USA. All other segments operate within Canada. Information on the Company's reporting segments are detailed below. Certain subsidiaries were also presented within a different segment from year ended January 29, 2022 to align with how the CODM reviews their performance. Sales between segments are made at prices that approximate market prices.

Information about reportable segments **Thirteen weeks ended July 30, 2022**	**Retail**	**Wholesale & Logistics**	**Digital Platform**	**Corporate**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Total revenues[(1)]	**30,357**	**8,464**	**1,921**	**-**	**40,742**
Cost of goods sold	(23,286)	(7,555)	(202)	-	(31,043)
Gross profit	**7,071**	**909**	**1,719**	**-**	**9,699**
Selling, general and administrative expenses	(11,611)	(1,314)	(1,078)	(2,870)	(16,873)
Depreciation & amortization	-	-	-	(6,110)	(6,110)
Restructuring, impairment and other costs, net	-	-	-	(6,370)	(6,370)
Gain on revaluation of derivative liability	-	-	-	59	59
Finance costs, net	-	-	-	(1,355)	(1,355)
Income (loss) before tax	(4,540)	(405)	641	(16,646)	**(20,950)**

[1.] Retail revenues includes $113 rental income from subleasing right of use assets.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Information about reportable segments **Twenty-six Weeks Ended July 30, 2022**	**Retail**	**Wholesale & Logistics**	**Digital Platform**	**Corporate**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Total revenues[1]	**59,913**	**16,923**	**4,850**	**-**	**81,686**
Cost of goods sold	(44,613)	(14,704)	(504)	-	(59,821)
Gross profit	**15,300**	**2,219**	**4,346**	**-**	**21,865**
Selling, general and administrative expenses	(22,529)	(2,732)	(1,988)	(4,833)	(32,082)
Depreciation & amortization	-	-	-	(10,874)	(10,874)
Restructuring, impairment and other costs, net	-	-	-	(6,370)	(6,370)
Gain on revaluation of derivative liability	-	-	-	320	320
Finance costs, net	-	-	-	(3,096)	(3,096)
Income (loss) before tax	(7,229)	(513)	2,358	(24,853)	**(30,237)**

1. Retail revenues includes $199 rental income from subleasing right of use assets.

As at July 30, 2022					
Total non-current assets	**125,444**	**13,827**	**17,491**	**670**	**157,432**
Total assets	**145,532**	**27,260**	**23,022**	**8,648**	**204,462**
Total non-current liabilities	**42,534**	**378**	**3,812**	**1,172**	**47,896**
Total liabilities	**54,572**	**9,926**	**8,897**	**6,285**	**79,680**

Information about reportable segments **Thirteen weeks ended July 31, 2021**	**Retail**	**Wholesale & Logistics**	**Digital Platform**	**Corporate**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Total revenues	**31,842**	**7,797**	**3,667**	**-**	**43,306**
Cost of goods sold	(20,978)	(6,155)	-	-	(27,133)
Gross profit	**10,864**	**1,642**	**3,667**	**-**	**16,173**
Selling, general and administrative expenses	(11,605)	(319)	(359)	(2,322)	(14,605)
Depreciation & amortization	-	-	-	(4,182)	(4,182)
Restructuring, impairment and other costs, net	-	-	-	(793)	(793)
Gain on revaluation of derivative liability	-	-	-	25,321	25,321
Finance costs, net	-	-	-	(1,096)	(1,096)
Income (loss) before tax	(741)	1,323	3,308	16,928	**20,818**

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Information about reportable segments **Twenty-six Weeks Ended July 31, 2021**	**Retail**	**Wholesale & Logistics**	**Digital Platform**	**Corporate**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Total revenues	**65,461**	**15,425**	**6,504**	**-**	**87,390**
Cost of goods sold	(42,375)	(12,324)	-	-	(54,699)
Gross profit	**23,086**	**3,101**	**6,504**	**-**	**32,691**
Selling, general and administrative expenses	(22,725)	(762)	(900)	(5,750)	(30,137)
Depreciation & amortization	-	-	-	(8,511)	(8,511)
Restructuring, impairment and other costs, net	-	-	-	(940)	(940)
Loss on revaluation of derivative liability	-	-	-	(28,789)	(28,789)
Finance costs, net	-	-	-	(4,407)	(4,407)
Income (loss) before tax	**361**	**2,339**	**5,604**	**(48,397)**	**(40,093)**
As at January 29, 2022					
Total non-current assets	**137,199**	**1,992**	**30,298**	**725**	**170,214**
Total assets	**157,748**	**14,579**	**39,996**	**10,557**	**222,880**
Total non-current liabilities	**46,192**	**258**	**3,770**	**2,710**	**52,930**
Total liabilities	**62,190**	**7,847**	**9,388**	**27,763**	**107,188**

Twenty-six Weeks Ended July 30, 2022	**Canada** **July 30, 2022**	**Canada** **July 31, 2021**	**USA** **July 30, 2022**	**USA** **July 31, 2021**	**Total** **July 30, 2022**	**Total** **July 31, 2021**
Total revenues	81,067	87,390	619	-	81,686	87,390
Gross profit	21,246	32,691	619	-	21,865	32,691
Loss before tax	(30,106)	(40,093)	(131)	-	(30,237)	(40,093)
As at July 30, 2022						
Total non-current assets	**145,449**	**164,117**	**11,983**	**-**	**157,432**	**164,117**
Total assets	**192,125**	**225,854**	**12,337**	**-**	**204,462**	**225,854**
Total non-current liabilities	**46,434**	**75,321**	**1,462**	**-**	**47,896**	**75,321**
Total liabilities	**78,071**	**108,106**	**1,609**	**-**	**79,680**	**108,106**

19. SUBSEQUENT EVENTS

Amendments Fire & Flower US Option and License Agreements and Payment of Option Fee

On August 2, 2022, the Company entered into amending agreements (the "August 2022 Amendments") in respect to its Strategic Agreements with Fire & Flower US. The August 2022 Amendments revised the conditions for payment to the shareholders of Fire & Flower US for an aggregate amount of US$5 million, which was released from escrow to the shareholders of Fire & Flower US concurrent with entering into the August 2022 Amendments. The August 2022 Amendments also revised the ongoing software and support fees payable to the Company until such time as Fire & Flower US has obtained a license to deliver cannabis in Denver, Colorado, and extended the territories in which Fire & Flower US may utilize the Company's intellectual property to include New Mexico and Ohio.

Pineapple Express Delivery Inc. Working Capital Adjustment Common Shares

On August 12, 2022, in accordance with the definitive agreement dated December 9, 2021, pursuant to which the Company acquired Pineapple Express Delivery, the Company issued an additional 150,281 Common Shares, reflecting an upwards adjustment to the aggregate purchase price, and released 52,800 Common Shares with a carrying value of $237 from escrow, all of the foregoing as settlement of certain working capital adjustments. Subsequent to July 31, 2022, 786,636 Common Shares were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery which may be released upon Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year.

Change in fiscal year end

The fiscal year of the Company was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar twelve-month period ending December 31. This adjustment will be made in the fourth quarter of the current fiscal year and will reflect the operating results from October 30, 2022 to December 31, 2022.