



**Condensed Consolidated Interim Financial Statements**

**For the three months ended September 30, 2021 and 2020**

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

**CHOOM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited, expressed in Canadian Dollars)



	Notes	September 30, 2021	June 30, 2021
<b>ASSETS (Note 11)</b>			
<b>Current</b>			
Cash		\$ 539,874	\$ 268,507
Short-term investments		46,000	46,000
Trade and accounts receivable	3	219,048	356,860
Notes receivable	4	-	485,245
Inventory	5	990,719	909,478
Prepaid expenses and deposits	20	191,670	225,272
		<b>1,987,311</b>	<b>2,291,362</b>
<b>Non-Current</b>			
Prepaid expenses and lease deposits	20	369,293	575,292
Property and equipment	6	4,545,888	4,477,387
Right-of-use assets	8	7,607,364	7,366,878
Intangible assets	7	10,176,216	10,433,974
Investment		715,282	715,282
Goodwill	7	346,091	346,091
Total assets		<b>\$ 25,747,445</b>	<b>\$ 26,206,266</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	9,10,11,15	\$ 2,077,074	\$ 6,035,477
Current portion of convertible debentures	11	-	3,907,348
Current portion of provision for restructuring fee	11	166,418	-
Lease liabilities	8	1,472,284	2,242,435
Government assistance	21	205,008	201,618
		<b>3,920,784</b>	<b>12,386,878</b>
<b>Non-Current</b>			
Lease liabilities	8	7,292,161	6,652,660
Notes payable	10	1,250,000	1,250,000
Government assistance	21	240,000	240,000
Convertible debentures	11	8,204,618	15,871,343
Provision for restructuring fee	11	1,477,877	-
Deferred income tax liability		961,740	961,740
Total liabilities		<b>\$ 23,347,180</b>	<b>37,362,621</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	12	139,102,539	131,147,686
Equity portion of convertible debentures	11	1,929,933	5,739,326
Contributed surplus	11,12,13	14,124,160	9,779,911
Accumulated other comprehensive loss		(12,512)	(10,673)
Accumulated deficit		(152,743,855)	(157,812,605)
Total shareholders' equity (deficit)		<b>2,400,265</b>	<b>(11,156,355)</b>
Total liabilities and shareholders' equity (deficit)		<b>\$ 25,747,445</b>	<b>\$ 26,206,266</b>

Approved on behalf of the Board of Directors by:

*"Stephen Tong"*

Stephen Tong

*"Christopher Bogart"*

Christopher Bogart

**CHOOM HOLDINGS INC.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, expressed in Canadian Dollars)



		<b>Three Months Ended September 30,</b>	
Notes		2021	2020
<b>REVENUES</b>			
Revenue	\$	4,840,757	\$ 5,985,415
Cost of sales		(3,041,314)	(3,863,339)
<b>GROSS PROFIT</b>		<b>1,799,443</b>	<b>2,122,076</b>
<b>EXPENSES</b>			
General and administrative	14	\$ 861,609	\$ 1,013,832
Salary, wages, benefits	15,21	1,298,352	1,068,327
Depreciation and amortization	6,7,8	918,492	577,019
Share-based payments	13(c)	315,126	118,762
<b>Operating expenses</b>		<b>(3,393,579)</b>	<b>(2,777,940)</b>
<b>Loss from operations</b>		<b>(1,594,136)</b>	<b>(655,864)</b>
<b>OTHER ITEMS</b>			
Other income		11,266	31,676
Financing costs	8,10,11	(631,009)	(1,059,047)
Gain on extinguishment of debt	11	7,044,619	-
Impairment of property and equipment		-	(115,435)
Loss on settlement of debt		-	(54,132)
Other expenses	12(a)	(285,460)	(63,991)
<b>Income/(loss) before income tax</b>		<b>4,545,280</b>	<b>(1,916,793)</b>
Current income tax expense		(2,074)	-
Deferred income tax recovery	11	560,082	-
<b>Income/(loss) from continuing operations</b>		<b>5,103,288</b>	<b>(1,916,793)</b>
<b>Loss from discontinued operations</b>	17	<b>(34,538)</b>	<b>(1,062,347)</b>
<b>Net income/(loss) for the period</b>		<b>5,068,750</b>	<b>(2,979,140)</b>
Other comprehensive income/(loss)		(1,839)	1,678
<b>NET COMPREHENSIVE INCOME/(LOSS)</b>		<b>\$ 5,066,911</b>	<b>\$ (2,977,462)</b>
<b>Net income/(loss) per share</b>			
<b>Continuing operations, basic and diluted</b>	16	\$ 0.01	\$ (0.01)
<b>Discontinued operations, basic and diluted</b>	16	\$ (0.00)	\$ (0.01)

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

**CHOOM HOLDINGS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

(Unaudited, expressed in Canadian Dollars)



	Share Capital		Obligation to Issue Shares	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount						
June 30, 2020	225,753,870	\$ 121,460,291	\$ 771,900	\$ 5,739,326	\$ 8,801,591	\$ -	\$ (136,189,760)	\$ 583,348
Net loss for the period	-	-	-	-	-	1,678	(2,979,140)	(2,977,462)
Shares issued for acquisition	64,608,187	6,460,819	-	-	134,384	-	-	6,595,203
Shares issued for transaction costs	3,126,025	412,603	-	-	-	-	-	412,603
Share-based payments	1,111,111	-	-	-	118,762	-	-	118,762
Share issue costs	-	(5,382)	-	-	-	-	-	(5,382)
September 30, 2020	294,599,193	\$ 128,328,331	\$ 771,900	\$ 5,739,326	\$ 9,054,737	\$ 1,678	\$ (139,168,900)	\$ 4,727,072
	Notes							
June 30, 2021	325,504,273	\$ 131,147,686	\$ -	\$ 5,739,326	\$ 9,779,911	\$ (10,673)	\$ (157,812,605)	\$ (11,156,355)
Net income for the period	-	-	-	-	-	(1,839)	5,068,750	5,066,911
Shares issued for debt	12	3,174,603	200,000	-	-	-	-	200,000
Shares issued for services	12	3,076,923	200,000	-	-	-	-	200,000
Extinguishment of debentures	11	79,754,843	5,184,065	(3,809,393)	3,249,311	-	-	4,623,983
Shares issued on the Offering	12	43,750,000	2,843,750	-	656,250	-	-	3,500,000
Share-based payments	13(c)	-	-	-	315,126	-	-	315,126
Share issue costs	12	1,312,500	(472,962)	-	123,562	-	-	(349,400)
September 30, 2021	456,573,142	\$ 139,102,539	\$ -	\$ 1,929,933	\$ 14,124,160	\$ (12,512)	\$ (152,743,855)	\$ 2,400,265

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

**CHOOM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited, expressed in Canadian Dollars)



		<b>Three Months Ended September 30,</b>	
	Notes	2021	2020
<b>OPERATING ACTIVITIES</b>			
Net income/(loss) for the period from continuing operations		\$ 5,103,288	\$ (1,916,793)
Items not affecting cash:			
Depreciation and amortization	6,7,8	918,492	577,019
Share-based payments	13(c)	315,126	118,762
Shares issued for transaction costs		-	154,132
Shares issued for services	12	200,000	-
Financing costs	11	225,876	834,412
Fair value loss on marketable securities		-	300
Impairment of property and equipment		-	115,435
Gain on extinguishment of debt	11	(7,044,619)	-
Gain on sale of property and equipment		-	(2,342)
Deferred income tax recovery	11	(560,082)	-
Foreign exchange loss		2,041	-
Net cash used in operations prior to changes in working capital		(839,878)	(119,075)
Changes in non-cash working capital:			
Trade and accounts receivable	3	101,541	(72,558)
Inventory	5	(81,241)	(178,633)
Trade and other payables	9,10,11,15	(895,912)	(718,062)
Prepaid expenses	20	(21,398)	(49,673)
Net cash used in operating activities from continuing operations		(1,736,888)	(1,138,001)
Net cash provided by/(used in) discontinued operations	17	318	(23,374)
Net cash used in operating activities		(1,736,570)	(1,161,375)
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	6,7,8	(466,918)	(33,676)
Acquisition of Phivida		-	1,448,891
Proceeds from sale of assets		-	469,426
Net cash provided by/(used in) investing activities		(466,918)	1,884,641
<b>FINANCING ACTIVITIES</b>			
Payments of interest on debt	11,19	(303,292)	-
Lease payments	8	(372,453)	(356,165)
Private placement, net of issuance costs	12	3,150,600	-
Share issue costs		-	(5,382)
Net cash provided by/(used in) financing activities		2,474,855	(361,547)
Increase in cash from continuing operations		271,049	385,093
Increase/(decrease) in cash from discontinued operations	17	318	(23,374)
<b>Cash, beginning of the period</b>		<b>268,507</b>	<b>461,100</b>
<b>Cash, end of the period</b>		<b>\$ 539,874</b>	<b>\$ 822,819</b>

Supplemental cash flow information – Note 19.

## 1. CORPORATION INFORMATION

Choom Holdings Inc. (the “Company” or “Choom”) was incorporated in the province of British Columbia on September 18, 2006, under the *Business Corporations Act*. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange under the symbol “SGH” as a Tier 2 issuer.

In 2019, the Company changed its focus from the cultivation aspect of the cannabis industry to the retail sector. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “CHOO” and on the OTC Markets Group under the symbol “CHOOF”.

## 2. BASIS OF PREPARATION AND GOING CONCERN

### Statement of Compliance and Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and do not include all of the information required for full annual financial statements prepared using International Financial Reporting Standards (“IFRS”). Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual audited consolidated financial statements for the year ended June 30, 2021. Certain prior period amounts have been reclassified to conform with the current period’s presentation.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2021.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its significant subsidiaries.

### Significant Accounting Estimates and Judgements

The preparation of the condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. 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 judgments used in the preparation of the consolidated financial statements are described in the annual audited consolidated financial statements for the year ended June 30, 2021, with the exception of new significant accounting estimates and judgements noted below.

#### *Provision for Restructuring Fees*

Significant estimates are required to estimate the provision for restructuring fees, including estimates of a market discount rate, projected sales revenue and growth rates.

### Significant Accounting Policies

Significant accounting policies applied to these condensed consolidated interim financial statements are the same as those applied to the Company’s audited consolidated financial statements for the year ended June 30, 2021, with the exception of new significant accounting policies noted below.

## 2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

### Significant Accounting Policies (cont'd)

#### *i. Equity Units*

From time to time in connection with private and/or public placements, the Company issues compensation units ("Compensation Options") to agents as commission for services. Awards of Compensation Options are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Compensation Options are issued. The fair value of Compensation Options is measured using the Geske compound option pricing model that requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the instruments.

#### *ii. Substantial Modification of Convertible Debentures*

Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is a least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The consideration paid, represented by the fair value of the modified convertible debentures are allocated to the liability and equity components of the original convertible debentures at the date of the extinguishment.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

- the amount of gain or loss relating to the original liability component is recognized in profit or loss, and
- the amount of consideration relating to the original equity portion is recognized in equity portion of convertible debt. The amount recognized in equity portion of convertible debentures attributable to the extinguished convertible debentures is also transferred to contributed surplus.

### Going Concern

The Company has not yet achieved profitable operations. These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a loss from operations of \$1,594,136 for the three-month period ended September 30, 2021 (September 30, 2020 - \$655,864) and as at that date has accumulated a deficit of \$152,743,855 (June 30, 2021 - \$157,812,605) and is expected to continue to incur losses. The Company had working capital deficit of \$1,933,473 as at September 30, 2021 (June 30, 2021 - \$10,095,516). The Company will continue to have to raise funds beyond its current working capital balance in order to finance future development of potential retail license acquisitions, meet its debt obligations until such time as future profitable revenues are achieved. Although it has been successful in raising capital in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary approvals and financing to meet the Company's obligations.

Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis. No adjustments to the carrying values of the assets and liabilities have been made in these condensed consolidated interim financial statements.

## 2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

### COVID-19 Update

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, retail store closures, self-imposed quarantine periods and physical distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Choom continues to maintain business continuity during the COVID-19 pandemic and takes its cues from the government and public health officials to keep employees and customers safe and healthy. During the pandemic, enhanced store procedures including safety shields, more frequent cleaning, curbside pickup of product and delivery services, where permissible, were enacted.

Choom experienced a decrease in sales in the three months ended September 30, 2021 compared to the prior period due to various factors, including among other things, the effect of the COVID-19 pandemic on the Company's operations. It is not possible to reliably measure or quantify the impact COVID-19 has had on the financial results of the Company. If the COVID-19 pandemic continues for an extended period, it may materially adversely impact business operations and, consequently, future financial results.

## 3. TRADE AND ACCOUNTS RECEIVABLE

The Company's trade and accounts receivables were comprised of the following:

	September 30, 2021	June 30, 2021
Trade accounts receivable	\$ 883	\$ 92,050
Sales tax receivable	140,534	169,675
Other receivables	77,631	95,135
<b>Total trade and accounts receivables</b>	<b>\$ 219,048</b>	<b>\$ 356,860</b>

## 4. NOTES RECEIVABLE

	September 30, 2021	June 30, 2021
Promissory notes receivable	\$ -	\$ 485,245
<b>Total notes receivable</b>	<b>\$ -</b>	<b>\$ 485,245</b>

In 2020, the Company had made advances of \$875,000 in the form of promissory note agreements which were to be used in developing a specified location into a cannabis retailer and secure certain retail opportunities in Canada. In the three months ended September 30, 2021, Choom entered into a settlement agreement, pursuant to which the Company agreed to settle debt obligations in the aggregate amount of \$550,000 and trade payables of \$135,245 by issuing 3,174,603 common shares of the Company (the "Common Shares") (Note 12a) fair valued at \$200,000 and releasing all obligations in connection to the advances made under the promissory note agreements. As a result of this settlement, during the three months ended September 30, 2021, the Company extinguished \$485,245 of the short-term notes receivable, net of impairment.



**CHOOM HOLDINGS INC.****NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(Unaudited, expressed in Canadian Dollars)

**5. INVENTORY**

Inventory is comprised of the following:

	<b>September 30, 2021</b>	June 30, 2021
Cannabis	\$ 922,823	\$ 856,326
Accessories	67,896	53,152
<b>Total inventory</b>	<b>\$ 990,719</b>	<b>\$ 909,478</b>

During the three months ended September 30, 2021, the Company recognized \$2,992,609 (September 30, 2020 - \$3,819,919) of inventory in cost of sales.

**6. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Leasehold Improvements</b>	<b>Furniture &amp; Fixtures</b>	<b>Total</b>
June 30, 2020	\$ 5,980,035	\$ 2,080,522	\$ 8,060,557
Assets acquired on acquisition	-	508,515	508,515
Assets acquired	686,491	136,341	822,832
Equipment classified as assets held for sale <sup>1</sup>	-	(501,614)	(501,614)
June 30, 2021	\$ 6,666,526	\$ 2,223,764	\$ 8,890,290
<b>Assets acquired</b>	<b>253,891</b>	<b>55,614</b>	<b>309,505</b>
<b>September 30, 2021</b>	<b>\$ 6,920,417</b>	<b>\$ 2,279,378</b>	<b>\$ 9,199,795</b>
<b>Depreciation and impairment losses</b>			
June 30, 2020	\$ 628,519	\$ 300,491	\$ 929,010
Depreciation	1,043,111	414,696	1,457,807
Impairment	2,041,361	373,164	2,414,525
Equipment classified as assets held for sale <sup>1</sup>	-	(388,439)	(388,439)
June 30, 2021	\$ 3,712,991	\$ 699,912	\$ 4,412,903
Depreciation	130,611	110,393	241,004
<b>September 30, 2021</b>	<b>\$ 3,843,602</b>	<b>\$ 810,305</b>	<b>\$ 4,653,907</b>
<b>Carrying amounts</b>			
June 30, 2020	\$ 2,953,535	\$ 1,523,852	\$ 4,477,387
<b>September 30, 2021</b>	<b>\$ 3,076,815</b>	<b>\$ 1,469,073</b>	<b>\$ 4,545,888</b>

<sup>1</sup> The sale of this equipment was completed on June 16, 2021.

**7. INTANGIBLE ASSETS AND GOODWILL**

	<b>Store Permits</b>	<b>Patient List</b>	<b>Intellectual Property</b>	<b>Total</b>
June 30, 2020	\$ 7,773,001	\$ 53,600	\$ 108,087	\$ 7,934,688
Acquisition	-	-	4,776,257	4,776,257
Additions	-	-	220,344	220,344
Impairment	(1,900,123)	(51,925)	(74,870)	(2,026,918)
Amortization	-	(1,675)	(468,722)	(470,397)
June 30, 2021	\$ 5,872,878	\$ -	\$ 4,561,096	\$ 10,433,974
<b>Additions</b>	<b>-</b>	<b>-</b>	<b>7,413</b>	<b>7,413</b>
<b>Amortization</b>	<b>-</b>	<b>-</b>	<b>(265,171)</b>	<b>(265,171)</b>
<b>September 30, 2021</b>	<b>\$ 5,872,878</b>	<b>\$ -</b>	<b>\$ 4,303,338</b>	<b>\$ 10,176,216</b>

**CHOOM HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Unaudited, expressed in Canadian Dollars)

**7. INTANGIBLE ASSETS AND GOODWILL (cont'd)**

The Company recorded \$265,171 in amortization expense related to the Company's ecommerce platform for the three months ended September 30, 2021. In the comparative period ended September 30, 2020, the ecommerce platform was in development and had not been put into use yet, therefore amortization expense for the three months ended September 30, 2020 was \$Nil.

*Goodwill*

	Medical Centre	Niagara Store	Total
June 30, 2020	\$ 973,050	\$ 2,181,521	\$ 3,154,571
Impairment	(973,050)	(1,835,430)	(2,808,480)
<b>June 30 and September 30, 2021</b>	<b>\$ -</b>	<b>\$ 346,091</b>	<b>\$ 346,091</b>

**8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

<b>Right-of-Use Assets</b>	
June 30, 2020	\$ 8,096,315
Additions	3,611,593
Depreciation	(2,009,089)
Terminations	(1,096,846)
Impairment	(1,235,095)
June 30, 2021	\$ 7,366,878
<b>Additions</b>	<b>652,803</b>
<b>Depreciation</b>	<b>(412,317)</b>
<b>September 30, 2021</b>	<b>\$ 7,607,364</b>
<b>Lease Liabilities</b>	
June 30, 2020	\$ 7,939,737
Additions	3,611,593
Lease interest expense	1,006,445
Payments	(2,499,596)
Terminations	(1,163,084)
June 30, 2021	\$ 8,895,095
<b>Additions</b>	<b>241,803</b>
<b>Lease interest expense</b>	<b>229,012</b>
<b>Payments</b>	<b>(601,465)</b>
<b>September 30, 2021</b>	<b>\$ 8,764,445</b>
Short-term portion	\$ 1,472,284
Long-term portion	7,292,161
<b>Total lease liabilities</b>	<b>\$ 8,764,445</b>

During the three months ended September 30, 2021, the Company entered into a new three-year lease agreement for retail space in the province of British Columbia, Canada. The Company makes monthly fixed payments for the usage of the assets during the contract period. In the three months ended September 30, 2021, the Company recognized \$652,803 in right-of-use asset and \$241,803 in related lease liability. Included in the right-of-use asset are direct costs of \$411,000 associated with obtaining the right-of-use asset. The incremental borrowing rate used was 10%.

**CHOOM HOLDINGS INC.**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020  
(Unaudited, expressed in Canadian Dollars)

**9. TRADE AND OTHER PAYABLES**

	Notes	September 30, 2021	June 30, 2021
Trade payables		\$ 1,237,363	\$ 2,568,057
Sales tax payable		425,504	560,042
Interest payable on convertible debenture & notes	10,11	158,323	2,416,493
Due to related parties	15	130,876	362,553
Advances from shareholders		4,000	4,000
Taxes payable		121,008	124,332
<b>Total trade and other payables</b>		<b>\$ 2,077,074</b>	<b>\$ 6,035,477</b>

**10. NOTES PAYABLE**

In June 2020, the Company entered into a promissory note agreement with an arm's length individual, for proceeds of \$900,000. The note payable was due on June 4, 2021, unsecured and bore interest at 15% per annum. On December 31, 2020, the note was amended and increased to \$1,250,000 with a revised maturity date of December 31, 2022. The note remains unsecured and bears interest at 15% per annum with interest payable bi-annually. Upon the amendment, the \$1,250,000 was reclassified to long-term notes payable.

As at September 30, 2021, \$47,260 in interest is included in accounts payable (June 30, 2021 - \$43,116) and \$47,260 has been recognized as interest in financing costs for the three months ended September 30, 2021 (September 30, 2020 - \$34,027).

**11. CONVERTIBLE DEBENTURES**

The following table summarizes the accounting for the convertible debentures and the amounts recognized in respect of the liability and equity components for the three months ended September 30, 2021 and the year ended June 30, 2021, as follows:

	Liability Portion	Equity Portion
June 30, 2020	\$ 17,606,912	\$ 5,739,326
Accretion expense	2,195,795	-
Gain on modification of debt	(24,016)	-
June 30, 2021	\$ 19,778,691	\$ 5,739,326
<b>Extinguishment of debt in connection with Debt Restructuring</b>	<b>(19,778,691)</b>	<b>(5,739,326)</b>
<b>Issuance of the convertible debentures</b>	<b>8,025,623</b>	<b>2,490,015</b>
Accretion and interest expense	178,995	-
Deferred income tax recovery	-	(560,082)
<b>September 30, 2021</b>	<b>\$ 8,204,618</b>	<b>\$ 1,929,933</b>
<b>Current portion</b>	<b>\$ -</b>	
<b>Long-term portion</b>	<b>8,204,618</b>	
<b>Total convertible debentures</b>	<b>\$ 8,204,618</b>	

For the three months ended September 30, 2021, \$354,737 of accretion and interest (September 30, 2020 - \$837,932) was recorded as financing costs in the condensed consolidated interim statements of loss and comprehensive loss.

**Aurora Debenture***Original Debenture*

On November 2, 2018, the Company completed a non-brokered private placement of a debenture (the "Aurora Debenture") in the principal amount of \$20 million in Choom with Aurora Cannabis Inc. ("Aurora") (together with Choom - the "Parties"), that was convertible into common shares of Choom at a conversion price of \$1.25 per share and was to mature on November 2, 2022. The debenture was non-transferrable and bore an annual interest rate of 6.5% calculated semi-annually, payable annually in arrears on the anniversary date.

**11. CONVERTIBLE DEBENTURES (cont'd)****Aurora Debenture (cont'd)**

In connection with the Aurora Debenture, the Company also issued to Aurora, for no additional consideration, 95,760,367 common share purchase warrants at an exercise price of \$2.75 to allow Aurora to increase its pro rata equity interest in Choom to approximately 40% expired on November 2, 2020. Additionally, the Company issued 703,881 pro-rata warrants to Aurora at an exercise price of \$1.25 expired on November 2, 2020.

On June 24, 2020, the Parties amended the terms of the Aurora Debenture wherein Choom granted to Aurora a second ranking security interest over all of its present and after-acquired property of Choom. Among other amendments, the amended agreement included amendments to reflect a reduction of the conversion price of the debenture from \$1.25 to \$0.65 per share.

*Debt Restructuring*

On July 8, 2021, the Company completed a series of debt restructuring agreements (the "Debt Restructuring"), whereby Aurora agreed to extinguish the principal of \$20 million and interest accrued of approximately \$2.2 million owed to Aurora in consideration of, among other things, the following:

- Aurora converted approximately \$5.2 million of indebtedness into 79,754,843 Common Shares, such that following closing of the Debt Restructuring, Aurora owned approximately 19.9% of the Company's issued and outstanding Common Shares,
- The Company issued to Aurora a convertible debenture in the aggregate principal amount of \$6 million (the "Aurora 2021 Debenture") maturing on December 23, 2024, and
- The Parties entered into a debt restructuring fee agreement, whereby Aurora will be paid a restructuring fee ("Restructuring Fee") equal to 1.25% of all revenue (net of applicable sales taxes) received by the Company from the sale of products at the Company's retail locations. The Company has the option, exercisable at any time after May 2026 to purchase the restructuring fee for a cash amount equal to six times the preceding twelve-month Restructuring Fee. The Parties also agreed to negotiate terms of a services agreement (the "Services Agreement") with a view to enter into the Services Agreement by no later than 90 days following the Debt Restructuring ("Services Agreement Deadline"). Should the Parties not enter into the Services Agreement by the Services Agreement Deadline, the Restructuring Fee will increase by 2% beginning on the date immediately following the Services Agreement Deadline and continue to increase 0.5% upon elapse of each 30-day period up to a maximum of 5%. The Services Agreement Deadline was subsequently revised to 180 days following the Debt Restructuring.

The Aurora 2021 Debenture bears an interest rate of 7% per annum, payable on maturity, and has an optional conversion feature whereby Aurora may elect to convert the Aurora 2021 Debentures into common shares of the Company at the exercise price of \$0.10 per share.

In accordance with *IFRS 9, Financial Instruments*, ("IFRS 9"), the Company determined that the changes within the Debt Restructuring agreements meet the definition of a substantial modification and was accounted for as an extinguishment of the Aurora Debenture.

The fair value of the liability portion of the convertible debenture is \$4,505,379 at the time of issue and was determined based on an estimated discount rate of 16.5% for the debenture. The Company also determined that the restructuring fee meets a definition of a financial liability. In assessing the value attributed to the restructuring fee payments, the estimated future cash flows were discounted to their present value using a pre-tax discount rate of 20.7%, which, in management's belief, is reflective of current market assessments of the time value of money and the risks specific to the revenue from net sales of the product at existing retail locations. As at the time of issue, the fair market value of restructuring fee payments was \$1,700,377. The fair value of the 79,754,843 Common Shares issued to Aurora is \$5,184,065, determined based on the market price on the date of issue. Consequently, \$6,650,344 was recorded as a gain on extinguishment of debt in the condensed consolidated interim statements of loss and comprehensive loss.

**11. CONVERTIBLE DEBENTURES (cont'd)****Aurora Debenture (cont'd)**

As at September 30, 2021, interest in connection with the Aurora 2021 Debenture of \$Nil (June 30, 2020 - \$2,104,183) was included in trade and other payables, and \$97,431 has been recognized as interest in financing costs (September 30, 2020 - \$327,671), included in convertible debentures on the condensed consolidated interim statements of financial position. For the three months ended September 30, 2021, restructuring fees based on revenues was \$56,085, which was reclassified into trade and other payables. As at September 30, 2021, \$166,418 of provision for restructuring fee (June 30, 2021 - \$Nil) was classified as short-term liability.

The equity portion of the original Aurora debenture of \$5,419,751 was derecognized and the amended conversion option was revalued to be \$1,541,238 at the extinguishment date using the Black-Scholes model and the weighted average assumptions as follows: risk-free rate of 0.78%, expected volatility of 71.94%, expected dividend of \$Nil, and expected life of 3.46 years. A deferred tax liability of \$403,548 was offset against the equity portion. Consequently, \$3,878,513 was recorded as a gain on extinguishment to contributed surplus.

**December Debentures***Original Debentures*

On December 23, 2019, the Company completed a non-brokered private placement of debenture units at \$250,000 per unit for gross proceeds of \$4,100,000 (the "December 2019 Debentures"). The debentures accrued interest at the rate of 10% per annum, payable semi-annually, and had a maturity date of December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months.

The December 2019 Debentures had an optional conversion option to convert the debentures into common shares of Choom at a conversion price of \$0.15 per share. Under the offering, the Company also issued an aggregate 27,333,330 of common share purchase warrants ("2019 Warrants"), each such warrant was exercisable to acquire one common share for a four-year period at an exercise price of \$0.20 per share.

The December 2019 Debentures are secured by certain property of the Company, and rank pari passu in right of payment of principal and interest and may be redeemed by the Company on certain conditions. The maximum amount of principal secured may be increased with the consent of the December 2019 Debenture holders representing the majority of the outstanding principal.

*Debt Restructuring*

On July 8, 2021, pursuant to Debt Restructuring agreements with the holders of December 2019 Debentures, the term of the debentures was extended to December 23, 2024 (the "December 2021 Debentures"). The Company has also extended the expiry date of the 2019 Warrants from December 23, 2023 to December 23, 2024.

In accordance with IFRS 9, the Company determined that the changes within the Debt Restructuring agreements meet the definition of a substantial modification and was accounted for as an extinguishment of the December 2019 Debentures.

The estimates and assumptions used to calculate liability, fair values of conversion feature and share purchase warrants components of December 2021 Debentures were the same as in Aurora 2021 Debenture calculations.

As a result of the extinguishment, the Company recognized \$3,520,244 in liability portion and a gain on the extinguishment of the debt of \$394,275 which was recorded on the condensed consolidated interim statements of loss and comprehensive loss for the three months ended September 30, 2021. The equity portion of the original December 2019 Debentures of \$319,575 was derecognized and the amended equity portion was revalued to be \$948,777 using the Black-Scholes model with the same estimates and assumptions as in Aurora 2021 Debenture calculations. A deferred tax liability of \$156,534 was offset against the equity portion. Consequently, \$629,202 was recorded as a loss on extinguishment to contributed surplus.

As at September 30, 2021, interest in connection with the December 2021 and 2019 Debentures of \$111,062 (June 30, 2021 - \$267,307) is included in trade and other payables, and \$126,436 has been recognized as interest and accretion in financing costs (September 30, 2020 - \$103,242).

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**12. SHARE CAPITAL AND RESERVES****a) Common Shares**

The Company's authorized share capital is an unlimited number of common shares with no par value.

During the three months ended September 30, 2021, the Company had the following share issuances:

On July 8, 2021, the Company completed a public offering transaction (the "Offering") whereby the Company issued 43,750,000 units (the "Offering Units") for gross proceeds of \$3,500,000. Each Offering Unit issued consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant is exercisable into one Common Share of the Company at \$0.12 per share until July 8, 2024. The residual value of \$656,250 was allocated to warrants and recorded in contributed surplus. The Company incurred share issuances cost totaling \$472,962, of which \$349,400 was paid in cash, \$105,000 through the issuance of 1,312,500 Offering Units where \$85,313 was attributed to the Common Shares and \$19,687 was attributed to the warrants, and \$103,875 through the issuance of 2,406,250 compensation options (the "Compensation Options").

The Compensation Options issued to the agents who participated in the Offering are exercisable at any time until July 8, 2024 to purchase up to 2,406,250 compensation option units (the "Compensation Option Units") of the Company at the price of \$0.08 per share. Each Compensation Option Unit will be comprised of one Common Share and one-half of one common share purchase warrant (a "Compensation Option Warrant"). Each Compensation Option Warrant will entitle the holder to acquire one common share at a price of \$0.12 per Common Share until July 8, 2024.

On July 8, 2021, pursuant to the Debt Restructuring agreement (Note 11), the Company issued 79,754,843 common shares of the Company to Aurora. The shares were valued at \$5,184,065.

On August 11, 2021, the Company issued 3,174,603 common shares pursuant to the settlement agreement with a debtholder to settle \$550,000 in aggregate debt obligations and extinguish all obligations in relation to the advances made under the promissory note agreements (Note 4). The issued shares were valued at \$200,000.

On September 23, 2021, the Company issued 3,076,923 common shares to pay for services rendered to the Company in the three months ended September 30, 2021. This was included in other expenses on the condensed consolidated interim statements of loss and comprehensive loss.

**b) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from June 30, 2020 to September 30, 2021:

	Number	Weighted Average Exercise Price
June 30, 2020	127,550,078	\$2.13
Expired	(104,414,574)	\$2.56
Issued	19,449,537	\$0.12
June 30, 2021	42,585,041	\$0.17
<b>Issued in connection with the Offering</b>	<b>22,531,250</b>	<b>\$0.12</b>
<b>September 30, 2021</b>	<b>65,116,291</b>	<b>\$0.15</b>

As at September 30, 2021, the share purchase warrants have a weighted average remaining contractual life of 2.23 years (June 30, 2021 – 2.53 years). Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Price Per Share	Expiry Date
150,000	\$0.42	18-Jan-24
27,333,330	\$0.20	23-Dec-23
15,101,711	\$0.12	23-Feb-23
22,531,250	\$0.12	8-Jul-24

## 12. SHARE CAPITAL AND RESERVES (cont'd)

### c) Compensation Options

A continuity schedule of the Company's outstanding compensation options for the three months ended September 30, 2021 is as follows:

	Number	Weighted Average Exercise Price
<b>June 30, 2021 and 2020</b>	-	\$ -
<b>Issued in connection with the Offering</b>	2,406,250	0.08 <sup>(1)</sup> /\$0.12 <sup>(2)</sup>
<b>September 30, 2021</b>	2,406,250	\$0.08 <sup>(1)</sup> /\$0.12 <sup>(2)</sup>

(1) The holder of each Compensation Option is entitled to purchase one unit at an exercise price of \$0.08. These units have the same terms as the Offering Units.

(2) Each whole Compensation Option Warrant is exercisable into one common share of the Company at an exercise price of \$0.12.

## 13. SHARE-BASED PAYMENTS

### a) Stock Options

The following is a summary of changes in options from June 30, 2020 to September 30, 2021:

	Shares issuable on exercise of options	Weighted average exercise price
Outstanding, June 30, 2020	13,740,000	\$ 0.20
Issued in Phivida Acquisition	7,881,837	0.42
Granted	1,100,000	0.10
Exercised	-	-
Expired/forfeited	(11,257,437)	0.36
Outstanding, June 30, 2021	11,464,400	\$ 0.18
<b>Granted</b>	<b>15,125,000</b>	<b>0.07</b>
<b>Outstanding, September 30, 2021</b>	<b>26,589,400</b>	<b>\$ 0.12</b>

The fair value of the options granted during the three months ended September 30, 2021 was determined using the Black-Scholes option pricing model with weighted average assumptions as follows: risk-free rate of 0.87%, expected volatility of 75.31%, expected dividend of \$Nil, and expected life of 5 years.

As at September 30, 2021, the Company had the following options issued and outstanding:

Options Outstanding					Options Exercisable	
Range of exercise price	Number of options	Weighted average exercise price	Weighted average remaining contractual years		Number of options	Weighted average exercise price
\$0.15 - \$0.29	617,698	\$ 0.18	1.01		617,698	\$ 0.18
\$0.07 - \$0.86	891,702	0.48	1.42		891,702	0.48
\$0.17 - \$0.24	8,555,000	0.17	3.25		4,738,000	0.17
\$0.07 - \$0.15	16,525,000	0.07	4.80		5,147,500	0.07
	<b>26,589,400</b>	<b>\$ 0.12</b>	<b>4.10</b>		<b>11,394,900</b>	<b>\$ 0.15</b>

### b) Restricted Share Units

During the three months ended September 30, 2021, the Company granted an aggregate of 750,000 Restricted Share Units ("RSU") (June 30, 2021 - 4,000,000) in accordance with the RSU Plan. The RSUs were measured at \$0.06, the share price at the time of the grant. 50% of RSUs granted vested on the day of the grant, with 12.5% vesting every quarter from the day of the grant. As at September 30, 2021, 4,375,000 of RSUs are exercisable (June 30, 2021 - 3,500,000) at a weighted average exercise price of \$0.10 (June 30, 2021 - \$0.10).

### 13. SHARE-BASED PAYMENTS (cont'd)

#### b) Restricted Share Units (cont'd)

A continuity table of the equity settled RSUs outstanding is as follows:

	RSUs
Outstanding, June 30, 2020	-
Granted	4,000,000
Outstanding, June 30, 2021	4,000,000
<b>Granted</b>	<b>750,000</b>
<b>Outstanding, September 30, 2021</b>	<b>4,750,000</b>

#### c) Expenses Arising from Share-Based Payment Transactions

The following table summarized non-cash share-based compensation for the periods indicated:

	Three months ended September 30,	
	2021	2020
Share purchase option expense	\$ 279,248	\$ 118,762
RSU expense	35,878	-
<b>Total compensation expense</b>	<b>\$ 315,126</b>	<b>\$ 118,762</b>

### 14. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Three months ended September 30,	
		2021	2020
Accounting and legal		\$ 98,739	\$ 181,128
Business licenses and permits		30,247	10,481
Consulting	15	169,713	171,170
Insurance		178,308	122,167
Interest and service charges		78,140	76,186
Office and administration fees		120,766	121,095
Rent, utilities & security, net of rent received		33,875	131,463
Travel		29,707	26,268
Marketing		88,926	98,348
Other		33,188	75,526
<b>Total general and administrative expenses</b>		<b>\$ 861,609</b>	<b>\$ 1,013,832</b>

General and administrative expenses include compensation for key management and personnel (Note 15).

### 15. RELATED PARTY TRANSACTIONS

#### Key Management Compensation

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

	Three months ended September 30,	
	2021	2020
Consulting fees	\$ 66,095	\$ 102,200
Administration	-	37,548
Wages	236,000	45,377
Share-based payments	202,490	82,999
<b>Total compensation</b>	<b>\$ 504,585</b>	<b>\$ 268,124</b>



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**15. RELATED PARTY TRANSACTIONS (cont'd)**

Included in trade and other payables are amounts due to current and former officers, directors, and related parties for fees and expenses of \$130,876 (June 30, 2021 – \$362,553) (Note 9). During the three months ended September 30, 2021 the Company repaid \$250,000 of non-interest bearing short-term borrowings that were included in amounts due to related parties as at June 30, 2021.

In the three months ended September 30, 2021, the Company declared a grant of \$100,000 performance bonus payable to a related party. As at September 30, 2021, the full balance remains outstanding and is included in trade and other payables (Note 9).

On August 9, 2021, the Company granted 8,125,000 stock options and 750,000 RSUs to related parties of the Company. The stock options have an exercise price of \$0.065 per share, are exercisable until August 9, 2026 (Note 13a).

**16. INCOME/(LOSS) PER SHARE**

	Three months ended September 30,	
	2021	2020
Income/(loss) from continuing operations	\$ 5,103,288	\$ (1,916,793)
Weighted average number of common shares	441,427,377	211,353,457
Basic and diluted income/(loss) per share from continuing operations	0.01	(0.01)
Loss from discontinued operations	\$ (34,538)	\$ (1,062,347)
Weighted average number of common shares	441,427,377	211,353,457
Basic and diluted loss per share from discontinued operations	\$ (0.00)	\$ (0.01)

**17. DISCONTINUED OPERATIONS**

The results of the operations of Medical Clinics and Island Green Cure (cultivation segment), presented as discontinued operations for the three months ended September 30, 2021 and 2020, were as follows:

	Three months ended September 30,	
	2021	2020
<b>Revenue from clinic services</b>	\$ -	\$ 135,823
<b>Cost of Sales</b>		
Doctor and coaching fees	-	(34,292)
<b>Gross profit</b>	-	101,531
<b>Expenses</b>		
General and administrative	\$ 33,714	\$ 73,406
Salary, wages, benefits	824	48,200
Depreciation and amortization	-	13,777
<b>Loss before other items</b>	<b>(34,538)</b>	<b>(33,852)</b>
<b>Other items</b>		
Impairment of intangible assets	-	(51,925)
Impairment of goodwill	-	(973,050)
Financing costs	-	(3,520)
<b>Total loss for the period</b>	<b>\$ (34,538)</b>	<b>\$ (1,062,347)</b>

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**17. DISCONTINUED OPERATIONS (cont'd)**

Cash flows from discontinued operations for the three months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,	
	2021	2020
<b>Net loss from discontinued operations</b>	\$ (34,538)	\$ (1,062,347)
Items not affecting cash:		
Depreciation and amortization	-	13,777
Financing costs	-	3,520
Impairment of goodwill	-	973,050
Impairment of intangible assets	-	51,925
Changes in non-cash working capital items:		
Trade and accounts receivable	36,316	(21,520)
Trade and other payables	(1,460)	(4,006)
Prepaid expense	-	22,227
<b>Net cash provided by/(used in) discontinued operations</b>	\$ 318	\$ (23,374)

**18. SEGMENT REPORTING**

Three months ended September 30, 2021					
Operating Segments	Retail Cannabis	Corporate	Patient Counselling	Cannabis Cultivation	Total
Revenue	\$ 4,840,757	-	-	-	\$ 4,840,757
Cost of sales	(3,041,314)	-	-	-	(3,041,314)
<b>Gross Profit</b>	1,799,443	-	-	-	1,799,443
<b>Expenses</b>					
General and administrative	284,270	577,339	-	-	861,609
Salary, wages, benefits	713,512	584,840	-	-	1,298,352
Depreciation and amortization	606,206	312,286	-	-	918,492
Share-based payments	-	315,126	-	-	315,126
<b>Income/(loss) before other items</b>	195,455	(1,789,591)	-	-	(1,594,136)
<b>Total Assets</b>	\$ 10,249,164	15,480,031	3,186	15,064	\$ 25,747,445
<b>Total Liabilities</b>	(12,193,229)	(10,966,093)	(187,858)	-	(23,347,180)

  

Three months ended September 30, 2020					
Operating Segments	Retail Cannabis	Corporate	Patient Counselling	Cannabis Cultivation	Total
Revenue	\$ 5,985,415	-	-	-	\$ 5,985,415
Cost of sales	(3,863,339)	-	-	-	(3,863,339)
<b>Gross Profit</b>	2,122,076	-	-	-	2,122,076
<b>Expenses</b>					
General and administrative	243,653	770,179	-	-	1,013,832
Salary, wages, benefits	600,767	467,560	-	-	1,068,327
Depreciation and amortization	516,045	60,974	-	-	577,019
Share-based payments	-	118,762	-	-	118,762
<b>Income/(loss) before other items</b>	761,611	(1,417,475)	-	-	(655,864)
<b>Total Assets</b>	\$ 14,753,765	23,696,103	258,236	-	\$ 38,708,104
<b>Total Liabilities</b>	(12,960,170)	(20,708,570)	(312,292)	-	(33,981,032)

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**19. SUPPLEMENTAL CASH FLOW INFORMATION**

During the three months ended September 30, 2021 and 2020 the Company conducted the following non-cash investing and financing transactions:

- i) Settled a debt obligation of \$200,000 by issuing 3,147,603 common shares of the Company (Note 12a),
- ii) Paid for services rendered to the Company by issuing 3,076,923 common shares of the Company for the total value of \$200,000 (Note 12a),
- iii) Issued 1,312,500 common shares for fees on the Offering transaction. The common shares were valued at \$85,313 (Note 12a),
- iv) Issued 2,406,250 Compensation Options to the agents who participated in the Offering. The fair value allocated to Compensation Options issued in connection with the Offering was \$103,875,
- v) Accrued interest of \$158,323 (June 30, 2021 - \$2,416,493) in trade and other payables (Note 9),
- vi) Prepaid expenses of \$55,000 (June 30, 2021 - \$Nil) and long-term deposits of \$150,000 (June 30, 2021 - \$Nil) were capitalized to right-of-use assets during the three months ended September 30, 2021.

During the three months ended September 30, 2021, the Company paid interest of \$303,291 (September 30, 2020 - \$881,524) and income taxes of \$3,324 (September 30, 2020 - \$Nil).

**20. COMMITMENTS***Leases*

The Company has entered into arrangements for office and retail spaces. As at September 30, 2021, minimum lease payments in relation to these commitments are payable as follows:

	<b>September 30, 2021</b>	June 30, 2021
Not later than 1 year	\$ 2,301,952	\$ 2,242,435
Later than 1 year and not later than 5 years	6,158,920	6,251,330
Later than 5 years and not later than 10 years	3,713,739	3,996,975
<b>Total lease commitments</b>	<b>\$ 12,174,611</b>	<b>\$ 12,490,740</b>

As at September 30, 2021, the Company had \$378,755 (June 30, 2021 - \$639,775) in lease deposits of which \$9,482 (June 30, 2021 - \$64,482) is classified as current and \$369,293 (June 30, 2021 - \$575,292) is classified as non-current.

The Company has prepaid expenses of \$182,188 (June 30, 2021 - \$160,790) which were classified as current as at September 30, 2021.

**21. GOVERNMENT ASSISTANCE**

In connection to the COVID-19 pandemic, the Company and its subsidiaries received an aggregate of \$280,000 in Canada Emergency Business Account ("CEBA") loans from the Government of Canada. These CEBA loans are non-interest bearing and mature on December 31, 2022. Repaying the loan balance on or before December 31, 2022, will result in loan forgiveness of approximately \$80,000. The principal balance of \$280,000 (June 30, 2021 - \$280,000) is included in government assistance payable as at September 30, 2021 on the consolidated statements of financial position, \$40,000 (June 30, 2021 - \$40,000) of which is classified as current.

As part of the Phivida acquisition in 2020, the Company assumed a deferred payment loan of \$165,008 (US \$130,400) from the federal U.S. agency, bearing annual interest of 1%, and maturing on May 4, 2022. The loan is classified as current liability as at September 30, 2021. Principal and interest payments began November 4, 2020. The loan is subject to partial or full forgiveness according to the terms under the Paycheck Protection Program loan in the United States.

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**21. GOVERNMENT ASSISTANCE (cont'd)**

The Company also qualified for the Canada Emergency Wage Subsidy ("CEWS"), a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. During the three months ended September 30, 2021, the Company was eligible for \$49,651 in CEWS (September 30, 2020 - \$66,475), which was credited to salary, wages and benefits in the condensed consolidated interim statements of loss and comprehensive loss. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

**22. CONTINGENCIES**

On January 21, 2020, the Company received a Statement of Claim from a non-related party for damages of \$4,654,390 due to a wrongful termination of an asset purchase agreement.

On August 31, 2020 and on September 18, 2020, the Company received two Statement of Claims from non-related parties, for damages of \$1,093,098 and \$562,973 due to a breach of lease agreements.

The Company and the Company's legal counsel is currently in process of defending these claims. An estimate of the contingent liabilities and likelihood of loss is unable to be determined at this time and no loss provision has been made in these condensed consolidated interim financial statements. The Company intends to vigorously defend these claims. Should an adverse outcome result in the future, any amounts incurred may affect future results of operations and cash flows.