



Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 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	December 31, 2021	June 30, 2021
ASSETS (Note 11)			
Current			
Cash		\$ 684,628	\$ 268,507
Short-term investments		46,000	46,000
Trade and accounts receivable	3	220,831	356,860
Notes receivable	4	-	485,245
Inventory	5	517,581	909,478
Prepaid expenses and deposits	20	196,215	225,272
		1,665,255	2,291,362
Non-Current			
Prepaid expenses and lease deposits	20	369,293	575,292
Property and equipment	6	3,483,665	4,477,387
Right-of-use assets	8	6,747,853	7,366,878
Intangible assets	7	6,619,536	10,433,974
Investment		715,282	715,282
Goodwill	7	-	346,091
Total assets		\$ 19,600,884	\$ 26,206,266
LIABILITIES			
Current			
Trade and other payables	9,10,11,15	\$ 2,461,798	\$ 6,035,477
Convertible debentures	11	-	3,907,348
Provision for restructuring fee	11,23	200,266	-
Lease liabilities	8	1,492,189	2,242,435
Notes payable	10	1,250,000	-
Government assistance	21	445,321	201,618
		5,849,574	12,386,878
Non-Current			
Lease liabilities	8	6,912,239	6,652,660
Notes payable	10	-	1,250,000
Government assistance	21	-	240,000
Convertible debentures	11	8,399,827	15,871,343
Provision for restructuring fee	11,23	924,233	-
Deferred tax liability	7	329,446	961,740
Total liabilities		\$ 22,415,319	\$ 37,362,621
SHAREHOLDERS' DEFICIENCY			
Share capital	12	139,476,539	131,147,686
Equity portion of convertible debentures	11	1,929,933	5,739,326
Contributed surplus	11,12,13	14,434,956	9,779,911
Accumulated other comprehensive loss		(13,066)	(10,673)
Accumulated deficit		(158,642,797)	(157,812,605)
Total shareholders' deficiency		(2,814,435)	(11,156,355)
Total liabilities and shareholders' deficiency		\$ 19,600,884	\$ 26,206,266

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)



	Notes	Three Months Ended December 31,		Six Months Ended December 31,	
		2021	2020	2021	2020
REVENUES					
Revenue		\$ 4,214,584	\$ 6,077,523	\$ 9,055,341	\$ 12,062,938
Cost of sales		(2,632,747)	(3,867,299)	(5,674,061)	(7,730,638)
GROSS PROFIT		1,581,837	2,210,224	3,381,280	4,332,300
EXPENSES					
General and administrative	14	\$ 817,883	\$ 926,093	\$ 1,679,492	\$ 1,929,612
Salary, wages, and benefits	15,21	1,265,217	1,107,617	2,563,569	2,152,401
Depreciation and amortization	6,7,8	1,034,214	633,217	1,952,706	1,210,236
Share-based payments	13(c)	160,796	440,305	475,922	559,067
Operating expenses		(3,278,110)	(3,107,232)	(6,671,689)	(5,851,316)
Loss from operations		(1,696,273)	(897,008)	(3,290,409)	(1,519,016)
OTHER ITEMS					
Other income		62,976	53,119	74,242	82,453
Financing costs	8,10,11	(571,241)	(1,422,400)	(1,202,250)	(2,481,447)
Gain on extinguishment of debt	11	-	-	7,044,619	-
Change in fair value of provision for restructuring fee	23	467,074	-	467,074	-
Impairment of property and equipment	6,8	(1,168,602)	(35,595)	(1,168,602)	(151,030)
Impairment of intangible assets and goodwill	6,7	(3,643,248)	-	(3,643,248)	-
Other expenses	12(a)	(40,650)	(778,205)	(326,110)	(927,842)
Loss before income tax		(6,589,964)	(3,080,089)	(2,044,684)	(4,996,882)
Current income tax recovery		57,203	-	55,129	-
Deferred tax recovery	7,11	632,294	-	1,192,376	-
Loss from continuing operations		(5,900,467)	(3,080,089)	(797,179)	(4,996,882)
Income/(loss) from discontinued operations	17	1,525	(282,938)	(33,013)	(1,345,285)
Net loss for the period		(5,898,942)	(3,363,027)	(830,192)	(6,342,167)
Other comprehensive loss		(554)	(6,034)	(2,393)	(4,356)
Net comprehensive loss		\$ (5,899,496)	\$ (3,369,061)	\$ (832,585)	\$ (6,346,523)
Net income/(loss) per share					
Continuing operations, basic and diluted	16	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.02)
Discontinued operations, basic and diluted	16	\$ 0.00	\$ (0.00)	\$ (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' DEFICIENCY

(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	-	-	-	-	-	(4,356)	(6,342,167)	(6,346,523)
Shares issued for acquisition	64,608,187	6,460,819	-	-	134,384	-	-	6,595,203
Shares issued for services	2,530,010	212,083	-	-	-	-	-	212,083
Shares issued for debt	3,755,747	362,603	-	-	-	-	-	362,603
Share commitments issued	374,709	385,950	(385,950)	-	-	-	-	-
Share-based payments	-	-	-	-	559,068	-	-	559,068
Share issue costs	-	(5,382)	-	-	-	-	-	(5,382)
December 31, 2020	297,022,523	\$ 128,876,364	\$ 385,950	\$ 5,739,326	\$ 9,495,043	\$ (4,356)	\$ (142,531,927)	\$ 1,960,400

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 loss for the period		-	-	-	-	-	(2,393)	(830,192)	(832,585)
Shares issued for debt	4,12	3,174,603	200,000	-	-	-	-	-	200,000
Shares issued for services	12	3,476,923	224,000	-	-	-	-	-	224,000
Extinguishment of debentures	11	79,754,843	5,184,065	-	(3,809,393)	3,249,311	-	-	4,623,983
Shares issued for the Offering	12	43,750,000	2,843,750	-	-	656,250	-	-	3,500,000
Shares issued for private placement	12	10,000,000	350,000	-	-	150,000	-	-	500,000
Share-based payments	13(c)	-	-	-	-	475,922	-	-	475,922
Share issue costs	12	1,312,500	(472,962)	-	-	123,562	-	-	(349,400)
December 31, 2021		466,973,142	\$ 139,476,539	\$ -	\$ 1,929,933	\$ 14,434,956	\$ (13,066)	\$ (158,642,797)	\$ (2,814,435)

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)



		Six Months Ended December 31,	
	Notes	2021	2020
OPERATING ACTIVITIES			
Net loss for the period from continuing operations		\$ (797,179)	\$ (4,996,882)
Items not affecting cash:			
Depreciation and amortization	6,7,8	1,952,706	1,210,236
Share-based payments	13(c)	475,922	559,067
Shares issued for services	12	224,000	212,083
Financing costs	8,10,11	421,084	1,080,852
Gain on extinguishment of debt	11	(7,044,619)	-
Deferred tax recovery	7,11	(1,192,376)	-
Foreign exchange loss		3,640	-
Change in fair value of provision for restructuring fee	23	(467,074)	-
Impairment of property and equipment	6,8	1,168,602	333,558
Impairment of intangible assets and goodwill	6,7	3,643,248	-
Fair value loss and impairment of marketable securities		-	374
Accretion income		-	(30,799)
Loss on settlement of debt		-	54,132
Loss on sale of inventory		-	100,218
Gain on derecognition of lease agreements		-	(40,018)
Gain on sale of property and equipment		-	(2,342)
Net cash used in operations prior to changes in working capital		(1,612,046)	(1,519,521)
Changes in non-cash working capital:			
Trade and accounts receivable	3	99,758	61,798
Inventory	5	391,897	71,338
Trade and other payables	9,10,11,15	(865,857)	370,532
Prepaid expenses	20	(25,943)	98,825
Net cash used in operating activities from continuing operations		(2,012,191)	(917,028)
Net cash used in discontinued operations	17	(1,341)	(48)
Net cash used in operating activities		(2,013,532)	(917,076)
INVESTING ACTIVITIES			
Capital expenditures	6,7,8	(488,477)	(264,383)
Acquisition of Phivida		-	1,438,249
Proceeds from sale of assets		-	469,426
Net cash provided by/(used in) investing activities		(488,477)	1,643,292
FINANCING ACTIVITIES			
Proceeds from promissory note agreement		-	350,000
Repayment of loans and borrowings		-	(105,000)
Lease payments	8	(732,470)	(778,295)
Issuances of shares	12	4,000,000	-
Share issue costs		(349,400)	(5,382)
Net cash provided by/(used in) financing activities		2,918,130	(538,677)
Increase in cash from continuing operations		417,462	187,587
Decrease in cash from discontinued operations	17	(1,341)	(48)
Cash, beginning of the period		268,507	461,100
Cash, end of the period		\$ 684,628	\$ 648,639

Supplemental cash flow information – Note 19.

CHOOM HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020
(Unaudited, expressed in Canadian Dollars)



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 February 28, 2022.

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 Fee

Significant estimates are required to estimate the provision for restructuring fee, 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 contributed surplus 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 at 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 net loss from continuing operations of \$797,179 for the six-month period ended December 31, 2021 (December 31, 2020 - \$4,996,882) and as at that date has accumulated a deficit of \$158,642,797 (June 30, 2021 - \$157,812,605) and is expected to continue to incur losses. The Company had working capital deficit of \$4,184,319 as at December 31, 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.

CHOOM HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020**

(Unaudited, expressed in Canadian Dollars)

**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 six months ended December 31, 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:

	December 31, 2021	June 30, 2021
Trade accounts receivable	\$ 39,902	\$ 92,050
Sales tax receivable	111,200	169,675
Other receivables	69,729	95,135
Total trade and accounts receivables	\$ 220,831	\$ 356,860

4. NOTES RECEIVABLE

	December 31, 2021	June 30, 2021
Promissory notes receivable	\$ -	\$ 485,245
Total notes receivable	\$ -	\$ 485,245

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 six months ended December 31, 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 six months ended December 31, 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 AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

(Unaudited, expressed in Canadian Dollars)

**5. INVENTORY**

Inventory is comprised of the following:

		December 31, 2021		June 30, 2021
Cannabis	\$	461,513	\$	856,326
Accessories		56,068		53,152
Total inventory	\$	517,581	\$	909,478

During the three and six months ended December 31, 2021, the Company recognized \$2,592,977 and \$5,585,586 of inventory in cost of sales, respectively (three and six months ended December 31, 2020 - \$3,821,561 and \$7,641,480, respectively).

6. PROPERTY AND EQUIPMENT

Cost		Leasehold Improvements		Furniture & Fixtures		Total
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 disposed ¹		-		(501,614)		(501,614)
June 30, 2021	\$	6,666,526	\$	2,223,764	\$	8,890,290
Assets acquired		269,803		55,614		325,417
December 31, 2021	\$	6,936,329	\$	2,279,378	\$	9,215,707
Depreciation and Impairment losses						
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 disposed ¹		-		(388,439)		(388,439)
June 30, 2021	\$	3,712,991	\$	699,912	\$	4,412,903
Depreciation		392,985		224,022		617,007
Impairment		702,132		-		702,132
December 31, 2021	\$	4,808,108	\$	923,934	\$	5,732,042
Carrying amounts						
June 30, 2021	\$	2,953,535	\$	1,523,852	\$	4,477,387
December 31, 2021	\$	2,128,221	\$	1,355,444	\$	3,483,665

¹ The sale of this equipment was completed on June 16, 2021.

During the six months ended December 31, 2021, there were certain indicators of impairment noted over intangible assets and goodwill, including the decline in performance of certain cash generating units ("CGU"), caused by pressure from new market entrants and lower than expected cash flows for future periods. The Company determined the recoverable amount by calculating its value in use using a five-year discounted cash flow ("DCF") model. The cash flows derived from the Company's five-year strategic plan are based on managements' expectations of market growth, industry reports and trends, and past performance. These projections are inherently uncertain due to the evolving impact of the COVID-19 pandemic. The DCF model included projections surrounding revenue, cost of sales, expenses, discount rate, and growth rates. The model used an average annual revenue growth rate of 3%, operating expenses were projected to increase with revenue. The discount rates used to calculate the recoverable amounts reflect the CGU's specific risks and market conditions and range from 20% to 24%.

CHOOM HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020**

(Unaudited, expressed in Canadian Dollars)

**6. PROPERTY AND EQUIPMENT (cont'd)**

A 1% change in discount rates does not have a material impact on the recoverable value estimate. During the six months ended December 31, 2021, the carrying amounts of eight individual CGUs exceeded the estimated recoverable amounts. The shortfall of the CGU's carrying value of assets over the estimated value in use was recorded as an impairment expense on all the assets of the CGUs on a proportionate basis (Notes 6, 7, and 8).

For the six months ended December 31, 2021, \$702,132 of impairment was attributed to leasehold improvements (December 31, 2020 - \$151,030).

7. INTANGIBLE ASSETS AND GOODWILL

Cost	Store Permits	Patient List	Intellectual Property	Total
June 30, 2020	\$ 12,400,512	\$ 60,300	\$ 821,087	\$ 13,281,899
Assets acquired on acquisition	-	-	4,776,257	4,776,257
Assets acquired	-	-	220,344	220,344
June 30, 2021	\$ 12,400,512	\$ 60,300	\$ 5,817,688	\$ 18,278,500
Assets acquired	-	-	13,060	13,060
December 31, 2021	\$ 12,400,512	\$ -	\$ 5,830,748	\$ 18,291,560
Amortization and Impairment losses				
June 30, 2020	\$ 4,627,511	\$ 6,700	\$ 713,000	\$ 5,347,211
Amortization	-	1,675	468,722	470,397
Impairment	1,900,123	51,925	74,870	2,026,918
June 30, 2021	\$ 6,527,634	\$ 60,300	\$ 1,256,592	\$ 7,844,526
Amortization	-	-	530,341	530,341
Impairment	3,297,157	-	-	3,297,157
December 31, 2021	\$ 9,824,791	\$ -	\$ 1,786,933	\$ 11,672,024
Carrying amounts				
June 30, 2021	\$ 5,872,878	\$ -	\$ 4,561,096	\$ 10,433,974
December 31, 2021	\$ 2,575,721	\$ -	\$ 4,043,815	\$ 6,619,536

The Company recorded \$530,341 in amortization expense related to the Company's ecommerce platform for the six months ended December 31, 2021. In the comparative period ended December 31, 2020, the ecommerce platform was in development and had not been put into use yet, therefore amortization expense for the six months ended December 31, 2020 was \$Nil.

As discussed in Note 6, management determined the carrying value of eight individual CGUs exceeded the estimated recoverable amounts. Impairment of \$3,297,157 was allocated to store permits for the six months ended December 31, 2021 (December 31, 2020 - \$Nil) and was recorded in the impairment of intangible assets and goodwill in the condensed consolidated interim statements of loss and comprehensive loss for the period ended December 31, 2021. As a result of impairment allocated to the Niagara CGU's store permit, the Company recognized \$632,294 of deferred tax recovery for the six months ended December 31, 2021 (December 31, 2020 - \$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)
June 30, 2021	\$ -	\$ 346,091	\$ 346,091
Impairment	-	(346,091)	(346,091)
December 31, 2021	\$ -	\$ -	\$ -

As at December 31, 2021, management determined that the carrying value of Niagara CGU exceeded its recoverable amount. Impairment of \$346,091 was allocated to the Niagara CGU's goodwill (December 31, 2020 - \$Nil).

CHOOM HOLDINGS INC.

 NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 AND 2020

(Unaudited, expressed in Canadian Dollars)


8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets	
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
Additions	652,803
Depreciation	(805,358)
Impairment	(466,470)
December 31, 2021	\$ 6,747,853
Lease Liabilities	
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
Additions	241,803
Lease interest expense	450,490
Payments	(1,182,960)
December 31, 2021	\$ 8,404,428
Short-term portion	\$ 1,492,189
Long-term portion	6,912,239
Total lease liabilities	\$ 8,404,428

During the six months ended December 31, 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 six months ended December 31, 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%.

As discussed in Note 6, management determined the carrying value of eight individual CGUs exceeded the estimated recoverable amounts. Impairment of \$466,470 was allocated to right-of-use assets for the six months ended December 31, 2021 (December 31, 2020 - \$Nil) and was recorded in the impairment of property, plant and equipment in the condensed consolidated interim statements of loss and comprehensive loss for the period ended December 31, 2021.

9. TRADE AND OTHER PAYABLES

	Notes	December 31, 2021	June 30, 2021
Trade payables		\$ 1,442,562	\$ 2,568,057
Sales tax payable		463,341	560,042
Interest payable on convertible debenture & notes	10,11	312,876	2,416,493
Due to related parties	15	173,322	362,553
Advances from shareholders		4,000	4,000
Taxes payable		65,697	124,332
Total trade and other payables		\$ 2,461,798	\$ 6,035,477

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**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, bears interest at 15% per annum with interest payable bi-annually and classified as a short-term liability as at December 31, 2021. As at December 31, 2021, \$94,521 in interest is included in accounts payable (June 30, 2021 - \$43,116) and \$94,521 has been recognized as interest in financing costs for the six months ended December 31, 2021 (December 31, 2020 - \$68,055).

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 six months ended December 31, 2021 and the year ended June 30, 2021:

	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
Extinguishment of debt in connection with Debt Restructuring	(19,778,691)	(5,739,326)
Issuance of the convertible debentures	8,025,623	2,490,015
Accretion and interest expense	374,204	-
Deferred tax recovery	-	(560,082)
December 31, 2021	\$ 8,399,827	\$ 1,929,933
Current portion	\$ -	
Long-term portion	8,399,827	
Total convertible debentures	\$ 8,399,827	

For the six months ended December 31, 2021, \$657,239 of accretion and interest (December 31, 2020 - \$1,942,879) 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.

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.

11. CONVERTIBLE DEBENTURES (cont'd)**Aurora Debenture (cont'd)***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 March 31, 2022.

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 Debenture 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 Aurora 2021 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, which was subsequently revalued for the three months ended December 31, 2021 (Note 23). 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.

As at December 31, 2021, interest in connection with the Aurora 2021 Debenture of \$Nil was included in trade and other payables (Aurora Debenture interest accrued as at June 30, 2021 was \$2,104,183). Interest and accretion of \$408,956 has been recognized in financing costs for the six months ended December 31, 2021 (December 31, 2020 - \$1,591,063) and included in convertible debentures on the condensed consolidated interim statements of financial position. For the six months ended December 31, 2021, restructuring fees based on revenues was \$108,807 and was reclassified from provision for restructuring fee into trade and other payables. As at December 31, 2021, \$200,266 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.

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**11. CONVERTIBLE DEBENTURES (cont'd)****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 six months ended December 31, 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 December 31, 2021, interest in connection with the December 2021 and 2019 Debentures of \$218,355 (June 30, 2021 - \$267,307) is included in trade and other payables, and \$248,253 has been recognized as interest and accretion in financing costs (December 31, 2020 - \$351,716).

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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 six months ended December 31, 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 and October 29, 2021, the Company issued 3,076,923 and 400,000 common shares, respectively, to pay for services rendered to the Company for the six months ended December 31, 2021. This was included in other expenses on the condensed consolidated interim statements of loss and comprehensive loss.

On December 23, 2021, the Company completed a non-brokered private placement (the "Private Placement") for gross proceeds of \$500,000 through the issuance of 10,000,000 units of the Company ("Units"), each Unit consists of one common share and one transferrable warrant. Each warrant entitles the holder to purchase an additional common share with an exercise price of \$0.05 per share until December 24, 2023. A residual value of \$150,000 was allocated to the warrants and recorded to contributed surplus.

b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from June 30, 2020 to December 31, 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
Issued	32,531,250	\$0.10
December 31, 2021	75,116,291	\$0.14

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**12. SHARE CAPITAL AND RESERVES (cont'd)****b) Share Purchase Warrants (cont'd)**

As at December 31, 2021, the share purchase warrants have a weighted average remaining contractual life of 1.98 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
15,101,711	\$0.12	23-Feb-23
27,333,330	\$0.20	23-Dec-23
10,000,000	\$0.05	24-Dec-23
150,000	\$0.42	18-Jan-24
22,531,250	\$0.12	8-Jul-24

c) Compensation Options

A continuity schedule of the Company's outstanding compensation options for the six months ended December 31, 2021 is as follows:

	Number	Weighted Average Exercise Price
June 30, 2021 and 2020	-	\$ -
Issued in connection with the Offering	2,406,250	0.08⁽¹⁾/\$0.12⁽²⁾
December 31, 2021	2,406,250	\$0.08⁽¹⁾/\$0.12⁽²⁾

(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 December 31, 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
Expired/forfeited	(11,257,437)	0.36
Outstanding, June 30, 2021	11,464,400	\$ 0.18
Granted	15,125,000	0.07
Outstanding, December 31, 2021	26,589,400	\$ 0.12

The fair value of the options granted during the six months ended December 31, 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. Expected stock price volatility was derived from historical movements in the closing prices of the Company's stock for a length of time equal to the expected life of the options. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.00% in determining the expense recorded in the accompanying statements of comprehensive loss.

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**13. SHARE-BASED PAYMENTS (cont'd)****a) Stock Options (cont'd)**

As at December 31, 2021, the Company had the following options issued and outstanding:

Range of exercise price	Options Outstanding			Options Exercisable	
	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	0.76	617,698	\$ 0.18
\$0.07 - \$0.86	891,702	0.48	1.17	891,702	0.48
\$0.17 - \$0.24	8,555,000	0.17	3.00	5,682,250	0.17
\$0.07 - \$0.15	16,525,000	0.07	4.55	5,187,500	0.07
	26,589,400	\$ 0.12	3.85	12,379,150	\$ 0.15

b) Restricted Share Units

During the six months ended December 31, 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 December 31, 2021, 4,421,875 of RSUs are exercisable (June 30, 2021 – 3,500,000) at a weighted average exercise price of \$0.10 (June 30, 2021 – \$0.10).

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
Granted	750,000
Outstanding, December 31, 2021	4,750,000

c) Expenses Arising from Share-Based Payment Transactions

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

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Share purchase option expense	\$ 154,713	\$ 119,932	\$ 433,961	\$ 238,694
RSU expense	6,083	320,373	41,961	320,373
Total compensation expense	\$ 160,796	\$ 440,305	\$ 475,922	\$ 559,067

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**14. GENERAL AND ADMINISTRATIVE EXPENSES**

	Note	Three months ended December 31,		Six months ended December 31,	
		2021	2020	2021	2020
Accounting and legal		\$ 150,999	\$ 133,331	\$ 249,738	\$ 292,833
Business licenses and permits		21,563	1,499	51,810	11,980
Consulting	15	147,137	193,459	316,850	385,055
Insurance		170,219	192,097	348,527	309,104
Interest and service charges		84,033	75,478	162,173	151,076
Office and administration fees	15	89,290	110,422	210,056	229,549
Rent, utilities & security		71,153	46,119	105,028	177,022
Travel		8,464	24,788	38,171	51,056
Marketing		48,748	67,507	137,674	165,018
Other		26,277	81,393	59,465	156,919
Total general and administrative expenses		\$ 817,883	\$ 926,093	\$ 1,679,492	\$ 1,929,612

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 December 31,		Six months ended December 31,	
		2021	2020	2021	2020
Consulting fees	\$	45,749	\$ 89,148	\$ 111,844	\$ 191,348
Administration		-	16,833	-	54,381
Wages		138,750	48,052	374,750	93,429
Share-based payments		105,077	412,215	307,567	495,214
Total compensation	\$	289,576	\$ 566,248	\$ 794,161	\$ 834,372

Included in trade and other payables are amounts due to current and former officers, directors, and related parties for fees and expenses of \$173,322 (June 30, 2021 – \$362,553) (Note 9). During the six months ended December 31, 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 six months ended December 31, 2021, the Company declared a grant of \$100,000 performance bonus payable to a related party. As at December 31, 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).

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**16. LOSS PER SHARE**

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Continuing operations				
Net loss	\$ (5,900,467)	\$ (3,080,089)	\$ (797,179)	\$ (4,996,882)
Weighted average number of common shares	457,716,622	295,235,931	449,572,000	266,189,296
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.02)
Discontinued operations				
Net income/(loss)	\$ 1,525	\$ (282,938)	\$ (33,013)	\$ (1,345,285)
Weighted average number of common shares	457,716,622	295,235,931	449,572,000	266,189,296
Basic and diluted loss per share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)

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**17. DISCONTINUED OPERATIONS**

The results of the operations of Medical Clinics and Island Green Cure (cultivation segment), presented as discontinued operations for the three and six months ended December 31, 2021 and 2020, were as follows:

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Revenue from clinic services	\$ -	\$ 61,155	\$ -	\$ 196,977
Cost of Sales				
Doctor and coaching fees	-	(9,841)	-	(44,133)
Gross profit	-	51,314	-	152,844
Expenses				
General and administrative	\$ (3,201)	\$ 85,366	\$ 30,513	\$ 158,771
Salary, wages, and benefits	570	20,456	1,394	68,656
Depreciation and amortization	-	11,700	-	25,477
Income/(loss) before other items	2,631	(66,208)	(31,907)	(100,060)
Other items				
Impairment of goodwill	-	-	-	(973,050)
Impairment of intangible assets	-	-	-	(51,925)
Impairment of property and equipment	-	(16,040)	-	(16,040)
Financing costs	-	(2,751)	-	(6,271)
Loss on derecognition of lease agreements	-	(197,939)	-	(197,939)
Income tax expense	(1,106)	-	(1,106)	-
Income/(loss) for the period	\$ 1,525	\$ (282,938)	\$ (33,013)	\$ (1,345,285)

Cash flows from discontinued operations for the three and six months ended December 31, 2021 and 2020 were as follows:

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Net income/(loss) from discontinued operations	\$ 1,525	\$ (282,938)	\$ (33,013)	\$ (1,345,285)
Items not affecting cash:				
Depreciation and amortization	-	11,700	-	25,478
Loss on derecognition of lease agreements	-	197,939	-	197,939
Impairment of goodwill	-	-	-	973,050
Impairment of intangible assets	-	-	-	51,925
Impairment of property and equipment	-	16,040	-	16,040
Changes in non-cash working capital items:				
Trade and accounts receivable	(45)	40,353	36,271	6,775
Trade and other payables	(3,139)	29,163	(4,599)	29,506
Prepaid expense	-	22,227	-	44,524
Net cash provided by/(used in) discontinued operations	\$ (1,659)	\$ 34,484	\$ (1,341)	\$ (48)

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18. SEGMENT REPORTING

Six months ended December 31, 2021					
Operating Segments	Retail Cannabis	Corporate	Patient Counselling	Cannabis Cultivation	Total
Revenue	\$ 9,055,341	-	-	-	\$ 9,055,341
Cost of sales	(5,674,061)	-	-	-	(5,674,061)
Gross Profit	3,381,280	-	-	-	3,381,280
Expenses					
General and administrative	504,195	1,176,467	(1,170)	-	1,679,492
Salary, wages, and benefits	1,477,191	1,086,378	-	-	2,563,569
Depreciation and amortization	1,345,435	607,271	-	-	1,952,706
Share-based payments	-	475,922	-	-	475,922
Income/(loss) before other items	54,459	(3,346,038)	1,170	-	(3,290,409)
Other items	(4,145,867)	6,639,097	-	-	2,493,230
Income/(loss) from continuing operations	(4,091,408)	3,293,059	1,170	-	(797,179)
Total assets	\$ 13,537,943	6,046,350	1,527	15,064	\$ 19,600,884
Total liabilities	\$ (9,709,325)	(12,515,199)	(190,795)	-	\$ (22,415,319)

Six months ended December 31, 2020					
Operating Segments	Retail Cannabis	Corporate	Patient Counselling	Cannabis Cultivation	Total
Revenue	\$ 12,062,938	-	-	-	\$ 12,062,938
Cost of sales	(7,730,638)	-	-	-	(7,730,638)
Gross Profit	4,332,300	-	-	-	4,332,300
Expenses					
General and administrative	505,261	1,424,350	-	-	1,929,611
Salary, wages, and benefits	1,252,854	899,547	-	-	2,152,401
Depreciation and amortization	1,119,162	91,074	-	-	1,210,236
Share-based payments	-	559,067	-	-	559,067
Income/(loss) before other items	1,455,023	(2,974,038)	-	-	(1,519,015)
Other items	(94,945)	(3,382,921)	-	-	(3,477,866)
Income/(loss) from continuing operations	1,360,078	(6,356,960)	-	-	(4,996,882)
Total assets	\$ 9,133,177	28,987,186	84,111	54,229	\$ 38,258,703
Total liabilities	\$ (23,036,839)	(13,037,388)	(224,075)	-	\$ (36,298,302)

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**19. SUPPLEMENTAL CASH FLOW INFORMATION**

During the six months ended December 31, 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 3,476,923 common shares of the Company for the total value of \$224,000 (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 \$312,876 (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 six months ended December 31, 2021.

During the six months ended December 31, 2021, the Company paid interest of \$303,291 (December 31, 2020 - \$881,525) and income taxes of \$3,324 (December 31, 2020 - \$Nil).

20. COMMITMENTS*Leases*

The Company has entered into arrangements for office and retail spaces. As at December 31, 2021, minimum lease payments in relation to these commitments are payable as follows:

	December 31, 2021	June 30, 2021
Not later than 1 year	\$ 2,283,578	\$ 2,242,435
Later than 1 year and not later than 5 years	5,879,009	6,251,330
Later than 5 years and not later than 10 years	3,429,956	3,996,975
Total lease commitments	\$ 11,592,543	\$ 12,490,740

As at December 31, 2021, the Company had \$369,293 (June 30, 2021 - \$639,775) in lease deposits of which \$Nil (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 \$196,215 (June 30, 2021 - \$160,790) which were classified as current as at December 31, 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 is included in short-term government assistance payable as at December 31, 2021 on the consolidated statements of financial position (June 30, 2021 - \$40,000 was classified as short-term and \$240,000 as long-term liability). Subsequent to December 31, 2021, the repayment deadline to qualify for partial loan forgiveness has been extended from December 31, 2022 to December 31, 2023.

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21. GOVERNMENT ASSISTANCE (cont'd)

As part of the Phivida acquisition in 2020, the Company assumed a deferred payment loan of \$165,321 (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 December 31, 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.

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 six months ended December 31, 2021, the Company was eligible for \$53,102 in CEWS (December 31, 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 the Company received a Statement of Claim from a non-related party, for damages of \$1,093,098 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.

23. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair values:

- Level 1 – quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).
- Level 3 – inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

The carrying values of cash, short-term investments, trade and accounts receivable, trade and other payables, notes payable, and government assistance liability approximate fair value due to their short-term nature.

The fair value of lease liabilities and convertible debentures are determined by using discounted cash flows based on the expected amounts and timing of the cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

The provision for restructuring fee liability consists of present values of restructuring fee payments (Note 11). Management measured this provision in accordance with Level 3 of the fair value hierarchy. In assessing the value attributed to the provision for restructuring fee, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the revenue from net sales of the product. The cash flows derived from the Company's five-year strategic plan are based on managements' expectations of market growth, industry reports and trends, and past performances. These projections are inherently uncertain due to the evolving impact of the COVID-19 pandemic.

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23. FAIR VALUE MEASUREMENTS (cont'd)

The discounted cash flow model included projections surrounding revenue, discount rates, and growth rates. The discount rates used to calculate the present value of restructuring fee payments reflect specific risks of the Company and market conditions and the mid-range was estimated at 20.7%. For the six months ended December 31, 2021, changes in these assumptions resulted in \$467,074 decrease in fair value of the liability. As at December 31, 2021 the fair market value of provision for restructuring fee was \$1,233,303, of which \$200,266 is classified as short-term provision liability and \$108,807 classified as trade and other payables.

There were no transfers between fair value levels during the year.