
CAPTOR CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED DECEMBER 31, 2022

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

CAPTOR CAPITAL CORP.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

| | As at December 31, 2022 | As at March 31, 2022 |
|--|--|-------------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 15,867,355 | \$ 20,318,036 |
| Amounts receivable and prepaid expenses (Note 4) | 10,151,306 | 3,187,818 |
| Inventory | 1,803,561 | 2,038,449 |
| Investments at fair value (Note 8) | 2,116,733 | 2,199,576 |
| | 29,938,955 | 27,743,879 |
| Non-current | | |
| Amounts receivable and prepaid expenses (Note 4) | 849,563 | 895,143 |
| Right-of-use assets (Note 5) | 6,516,884 | 7,178,662 |
| Property and equipment (Note 6) | 3,090,355 | 3,200,850 |
| Goodwill (Note 7) | 8,270,673 | 7,574,881 |
| Intangibles (Note 7) | 10,036,282 | 9,823,108 |
| | \$ 58,702,712 | \$ 56,416,523 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 17) | \$ 9,250,699 | \$ 6,799,132 |
| Loans and notes payable (Note 9(i)) | 169,179 | 156,088 |
| Promissory note payable (Note 9(ii)) | 52,062 | 221,548 |
| Lease liabilities (Note 10) | 1,271,310 | 1,066,886 |
| Income tax payable | 2,598,601 | 2,397,303 |
| | 13,341,851 | 10,640,957 |
| Non-current | | |
| Loans and notes payable (Note 9(i)) | 28,196 | 143,081 |
| Promissory note payable (Note 9(ii)) | 27,528 | 25,398 |
| Lease liabilities (Note 10) | 6,703,743 | 7,071,181 |
| Deferred tax liability | 2,338,298 | 2,157,368 |
| | 22,439,616 | 20,037,985 |
| Shareholders' Equity | | |
| Share capital (Note 11) | 116,143,585 | 116,143,585 |
| Contributed surplus | 32,512,168 | 32,512,168 |
| Accumulated other comprehensive loss | (3,579,782) | (3,319,724) |
| Deficit | (117,430,479) | (117,471,915) |
| | 27,645,492 | 27,864,114 |
| Non-controlling interest (Note 3) | 8,617,604 | 8,514,424 |
| | 36,263,096 | 36,378,538 |
| | \$ 58,702,712 | \$ 56,416,523 |

NATURE OF OPERATIONS (Note 1)

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

CAPTOR CAPITAL CORP.
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
Unaudited

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|--|-----------------------|---|-----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Sales, net of excise tax | \$ 10,874,550 | \$ 8,404,525 | \$ 32,671,400 | \$ 23,640,258 |
| Cost of sales | 6,344,404 | 4,970,339 | 20,007,049 | 15,026,243 |
| Gross profit | 4,530,146 | 3,434,186 | 12,664,351 | 8,614,015 |
| Expenses | | | | |
| General and administrative expenses (Note 15) | 4,742,326 | 4,252,365 | 14,321,717 | 12,855,439 |
| Foreign exchange (gain) loss | 408,283 | 1,201,157 | (2,372,599) | 1,223,494 |
| Interest income | (67,159) | (5,941) | (116,286) | (16,409) |
| Amortization of intangible assets (Note 7) | 210,343 | 196,082 | 610,659 | 746,375 |
| Total expenses | (5,293,793) | (5,643,663) | (12,443,491) | (14,808,899) |
| Net income (loss) for the period before other items: | (763,647) | (2,209,477) | 220,860 | (6,194,884) |
| Realized gain (loss) on investments at fair value | - | - | (410,848) | 347,742 |
| Unrealized gain (loss) on investments at fair value | (76,862) | (302,063) | 334,604 | (718,883) |
| Gain on sale of investment in associate | - | 61,804 | - | 61,804 |
| Loss on write-off of property and equipment (Note 6) | - | (123) | - | (28,580) |
| Net income (loss) for the period | (840,509) | (2,449,859) | 144,616 | (6,532,801) |
| Other comprehensive (loss) income | | | | |
| Items that may be reclassified subsequently: | | | | |
| Foreign currency translation adjustment | 344,812 | 764,475 | (260,058) | (4,146) |
| | 344,812 | 764,475 | (260,058) | (4,146) |
| Comprehensive loss for the period | \$ (495,697) | \$ (1,685,384) | \$ (115,442) | \$ (6,536,947) |
| Net loss attributable to: | | | | |
| Shareholders of the Company | \$ (956,932) | \$ (2,777,938) | \$ 41,436 | \$ (6,570,414) |
| Non-controlling interest | 116,423 | 328,079 | 103,180 | 37,613 |
| | \$ (840,509) | \$ (2,449,859) | \$ 144,616 | \$ (6,532,801) |
| Income (loss) per share - basic and diluted (Note 14) | \$ (0.02) | \$ (0.05) | \$ 0.00 | \$ (0.13) |

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

CAPTOR CAPITAL CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

| | Nine Months Ended December 31, | |
|---|-----------------------------------|----------------------|
| | 2022 | 2021 |
| Cash (used in) provided by: | | |
| Operating Activities | | |
| Net income (loss) for the period | \$ 144,616 | \$ (6,532,801) |
| Unrealized loss (gain) on investments at fair value | (334,604) | 718,883 |
| Realized loss (gain) on investments at fair value | 410,848 | (347,742) |
| Foreign exchange gain | (1,359,849) | (796,059) |
| Gain on sale of investment in associate | - | (61,804) |
| Loss on write-off of property and equipment | - | 28,580 |
| Depreciation and amortization | 2,260,199 | 2,249,776 |
| Accretion | 878,018 | 949,161 |
| Stock based compensation expense | - | 840,853 |
| Changes in non-cash working capital items: | | |
| Amounts receivable and prepaid expenses | (7,556,550) | (1,812,037) |
| Income tax payable | 310,322 | 1,504,619 |
| Accounts payable and accrued liabilities | 2,451,567 | 124,089 |
| Inventory | 234,888 | (675,772) |
| | (2,560,545) | (3,810,254) |
| Financing activities | | |
| Issue of common shares and units, net of issue costs | - | 12,267,631 |
| Lease payments | (1,697,701) | (1,716,521) |
| | (1,697,701) | 10,551,110 |
| Investing Activities | | |
| Purchase of property and equipment | (59,926) | (1,136,617) |
| Repayments of loans and notes payable | (305,324) | (228,382) |
| Proceeds from loan payable | - | 13,143 |
| Proceeds from sale of investments at fair value | 6,599 | 436,116 |
| Proceeds from sale of investment in associate | - | 61,804 |
| | (358,651) | (853,936) |
| Foreign exchange effect | 166,216 | (19,185) |
| Change in cash and cash equivalents | (4,616,897) | 5,886,920 |
| Cash and cash equivalents, beginning of period | 20,318,036 | 17,363,137 |
| Cash and cash equivalents, end of period | \$ 15,867,355 | \$ 23,230,872 |
| SUPPLEMENTAL INFORMATION: | | |
| Interest received | \$ 116,286 | \$ 16,409 |

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

CAPTOR CAPITAL CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****Unaudited**

| | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Non-controlling Interest | Total |
|--|--------------------------|--------------------------------|---|-------------------------|-------------------------------------|----------------------|
| Balance, March 31, 2021 | \$ 103,604,649 | \$ 29,528,620 | \$ (3,254,325) | \$ (103,021,501) | \$ 12,465,055 | \$ 39,322,498 |
| Common shares issued for private placement | 12,160,818 | - | - | - | - | 12,160,818 |
| Cost of issue | (32,687) | - | - | - | - | (32,687) |
| Common shares issued for exercise of options | 249,705 | (110,205) | - | - | - | 139,500 |
| Share based compensation | - | 840,853 | - | - | - | 840,853 |
| Net comprehensive loss for the period | - | - | (4,146) | (6,570,414) | 37,613 | (6,536,947) |
| Balance, December 31, 2021 | \$ 115,982,485 | \$ 30,259,268 | \$ (3,258,471) | \$ (109,591,915) | \$ 12,502,668 | \$ 45,894,035 |
| Balance, March 31, 2022 | \$ 116,143,585 | \$ 32,512,168 | \$ (3,319,724) | \$ (117,471,915) | \$ 8,514,424 | \$ 36,378,538 |
| Net comprehensive income for the period | - | - | (260,058) | 41,436 | 103,180 | (115,442) |
| Balance, December 31, 2022 | \$ 116,143,585 | \$ 32,512,168 | \$ (3,579,782) | \$ (117,430,479) | \$ 8,617,604 | \$ 36,263,096 |

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

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended December 31, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

1. NATURE OF OPERATIONS

Captor Capital Corp. (the "Company" or "Captor") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated September 26, 2003. On June 2, 2017, the Company changed its name from NWT Uranium Corp. to Captor Capital Corp. The Company also delisted its common shares from the TSX Venture Exchange (the "Exchange") on June 1, 2017. The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CPTR". The primary office is located at 4 King Street West, Suite 401, Toronto, Ontario, M5H 1B6, Canada.

The Company's principal business activity is the retail sale of cannabis products.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. In response, Captor has shifted its strategic approach and the manner in which it operates its business to continue providing affordable and high quality products to its customers, and ensure that its workplace and stores have appropriate measures in place to limit social interactions and enforce social distancing measures. The Company has also taken steps to alter its marketing methods, conserve cash, and align its overall strategic direction to preserve the health of its business.

The Company implemented certain initiatives in response to the impact of the COVID-19 pandemic. Such initiatives aim to allow the Company to continue offering affordable and high quality products in a safe environment, with additional measures in place to allow its customers to access its products while limiting social interactions, and enforcing social distancing measures throughout its retail stores. These initiatives have allowed the Company to initiated included: (i) increasing curbside pick-up and/or drive-thru options at all of its retail locations; (ii) expanding operate mostly uninterrupted and to implement its business continuity plan. Some of the measures that Captor home delivery services to customers; and (iii) enhancing its in-store safety and sanitation protocols. The Company has also increased its efforts to align labour costs with customer demand and reduce all non-essential operational expenses.

As of the issuance of this report, the Company's operations have not been significantly impacted as cannabis has been deemed an essential service in the state of California since March, 2020. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2022
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of March 1, 2023, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements for the year ended March 31, 2022, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2023 could result in restatement of these unaudited condensed interim consolidated financial statements.

(a) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2022 or later periods.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

3. NON- CONTROLLING INTEREST

The continuity of CRG's non-controlling interest at December 31, 2022 is as follows:

Company's ownership interest 51%

| | |
|--|---------------------|
| Balance, March 31, 2021 | \$ 12,465,055 |
| Share of loss for the year ended March 31, 2022 | (3,950,631) |
| Balance, March 31, 2022 | 8,514,424 |
| Share of loss for the period ended December 31, 2022 | 103,180 |
| Balance, December 31, 2022 | \$ 8,617,604 |

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2022
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

4. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

| | As at December 31, 2022 | As at March 31, 2022 |
|----------------------------------|-------------------------------|----------------------------|
| Sales tax receivable - Canada | \$ 300,748 | \$ 252,011 |
| Amounts receivable | 2,955,188 | 2,289,936 |
| Other receivables ⁽¹⁾ | 875,139 | 920,719 |
| Prepaid expenses and deposits | 809,531 | 620,295 |
| Deposit on transaction (note 19) | 6,060,263 | - |
| | 11,000,869 | 4,082,961 |
| Long-term other receivable | (849,563) | (895,143) |
| | \$ 10,151,306 | \$ 3,187,818 |

⁽¹⁾ During the nine months ended December 31, 2022, the Company deemed that \$nil (year ended March 31, 2022 - \$673,018) of receivables were uncollectible and wrote down receivables by that amount.

5. RIGHT-OF-USE ASSETS

| | |
|------------------------------------|---------------------|
| Balance - March 31, 2021 | \$ 8,874,328 |
| Additions | 89,610 |
| Amortization | (1,512,786) |
| Disposal | (221,989) |
| Impact of foreign exchange | (50,501) |
| Balance - March 31, 2022 | 7,178,662 |
| Amortization | (1,225,198) |
| Impact of foreign exchange | 563,420 |
| Balance - December 31, 2022 | \$ 6,516,884 |

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended December 31, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

6. PROPERTY AND EQUIPMENT

| Cost | Computer | Cannabis equipment | Leasehold improvements | Vehicles | Total |
|---------------------------------|-------------------|---------------------------|-------------------------------|-------------------|---------------------|
| At March 31, 2021 | \$ 93,746 | \$ 493,242 | \$ 2,313,395 | \$ 120,945 | \$ 3,021,328 |
| Additions during the year | 17,281 | 138,873 | 1,004,011 | 18,013 | 1,178,178 |
| Disposal | - | (281,120) | (28,676) | - | (309,796) |
| Impact of foreign exchange | (644) | 6,656 | (46,231) | (817) | (41,036) |
| At March 31, 2022 | 110,383 | 357,651 | 3,242,499 | 138,141 | 3,848,674 |
| Additions during the period | 3,479 | 5,311 | 51,136 | - | 59,926 |
| Impact of foreign exchange | 9,367 | 30,163 | 270,843 | 11,585 | 321,958 |
| At December 31, 2022 | \$ 123,229 | \$ 393,125 | \$ 3,564,478 | \$ 149,726 | \$ 4,230,558 |
| Accumulated depreciation | | | | | |
| At March 31, 2021 | \$ 29,398 | \$ 9,074 | \$ 18,077 | \$ 64,942 | \$ 121,491 |
| Depreciation expense | 32,614 | 30,699 | 383,797 | 37,357 | 484,467 |
| Impact of foreign exchange | (289) | (155) | 42,837 | (527) | 41,866 |
| At March 31, 2022 | 61,723 | 39,618 | 444,711 | 101,772 | 647,824 |
| Depreciation expense | 43,508 | 43,176 | 301,370 | 36,288 | 424,342 |
| Impact of foreign exchange | 6,549 | 4,684 | 47,124 | 9,680 | 68,037 |
| At December 31, 2022 | \$ 111,780 | \$ 87,478 | \$ 793,205 | \$ 147,740 | \$ 1,140,203 |
| Carrying value | | | | | |
| At March 31, 2022 | \$ 48,660 | \$ 318,033 | \$ 2,797,788 | \$ 36,369 | \$ 3,200,850 |
| At December 31, 2022 | \$ 11,449 | \$ 305,647 | \$ 2,771,273 | \$ 1,986 | \$ 3,090,355 |

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
 Three and Nine Months Ended December 31, 2022
 (Expressed in Canadian Dollars, unless otherwise indicated)
 (Unaudited)

7. GOODWILL AND INTANGIBLES

| Cost | Licenses | Customer relationship | Tradename | Total Intangibles | Total Goodwill |
|---------------------------------|---------------------|-----------------------|---------------------|----------------------|----------------------|
| At March 31, 2021 | \$ 8,221,330 | \$ 976,377 | \$ 2,922,624 | \$ 12,120,331 | \$ 12,672,838 |
| Impairment ⁽¹⁾ | - | - | - | - | (5,018,993) |
| Impact of foreign exchange | (51,649) | (6,134) | (18,361) | (76,144) | (78,964) |
| At March 31, 2022 | 8,169,681 | 970,243 | 2,904,263 | 12,044,187 | 7,574,881 |
| Impact of foreign exchange | 704,410 | 81,371 | 243,581 | 1,029,362 | 695,792 |
| At December 31, 2022 | \$ 8,874,091 | \$ 1,051,614 | \$ 3,147,844 | \$ 13,073,549 | \$ 8,270,673 |
| Accumulated amortization | | | | | |
| At March 31, 2021 | \$ - | \$ 499,776 | \$ 622,814 | \$ 1,122,590 | \$ - |
| Amortization | - | 194,669 | 914,411 | 1,109,080 | - |
| Impact of foreign exchange | - | (3,761) | (6,830) | (10,591) | - |
| At March 31, 2022 | - | 690,684 | 1,530,395 | 2,221,079 | - |
| Amortization | - | 152,920 | 457,739 | 610,659 | - |
| Impact of foreign exchange | - | 62,747 | 142,782 | 205,529 | - |
| At December 31, 2022 | \$ - | \$ 906,351 | \$ 2,130,916 | \$ 3,037,267 | \$ - |
| Carrying value | | | | | |
| At March 31, 2022 | \$ 8,169,681 | \$ 279,559 | \$ 1,373,868 | \$ 9,823,108 | \$ 7,574,881 |
| At December 31, 2022 | \$ 8,874,091 | \$ 145,263 | \$ 1,016,928 | \$ 10,036,282 | \$ 8,270,673 |

As of December 31, 2022, the Company performed its annual impairment tests for goodwill and intangible assets. The recoverable amount of all cash generating units was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years (with a terminal year thereafter);
- Terminal value of growth rate: The terminal growth rate of 3% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post tax discount rates were 13% to 25%.

⁽¹⁾ As at March 31, 2022, management determined goodwill was impaired by \$5,018,993. At the CGU level, the goodwill impairment was attributable to the Castorville and Santa Cruz business operations of \$4,408,000 and \$610,993, respectively.

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Notes to Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

8. INVESTMENTS AT FAIR VALUE

Other investments consist of shares held in publicly listed and private companies.

| | Level 1 | Level 1 | Level 3 | |
|----------------------------------|---------------------------|---------------------------------|----------------------------------|---------------------|
| | MedMen Enterprises (a) | Other investment (Public) | Other investment (Private) | Total |
| At March 31, 2021 | \$ 322,581 | \$ 850,801 | \$ 2,227,720 | \$ 3,401,102 |
| Additions (disposal) | - | 137,469 | - | 137,469 |
| Revaluation to fair market value | (189,340) | (766,085) | (383,570) | (1,338,995) |
| At March 31, 2022 | 133,241 | 222,185 | 1,844,150 | 2,199,576 |
| Revaluation to fair market value | (122,722) | (114,784) | 154,663 | (82,843) |
| At December 31, 2022 | \$ 10,519 | \$ 107,401 | \$ 1,998,813 | \$ 2,116,733 |

Within Level 3, the Company includes non-public company investments. The key assumptions used in the valuation of these instruments include the value at which a recent financing was done by the investee and company-specific information.

9. LOANS AND NOTES PAYABLE

(i) The Company entered into certain auto loans for the purchase of vehicles. The table below is a summary of the continuity of the auto loans:

| | Auto loans ⁽¹⁾ | Loan payable ⁽²⁾ | Total |
|------------------------------------|---------------------------|-----------------------------|-------------------|
| Balance - March 31, 2021 | \$ 47,391 | \$ - | \$ 47,391 |
| Addition | 13,143 | 313,176 | 326,319 |
| Repayments | (55,028) | (13,049) | (68,077) |
| Impact of foreign exchange | (5,506) | (958) | (6,464) |
| Balance - March 31, 2022 | - | 299,169 | 299,169 |
| Repayments | - | (123,006) | (123,006) |
| Impact of foreign exchange | - | 21,212 | 21,212 |
| Balance - December 31, 2022 | \$ - | \$ 197,375 | \$ 197,375 |
| Current portion | \$ - | \$ 169,179 | \$ 169,179 |
| Non-current portion | \$ - | \$ 28,196 | \$ 28,196 |

(1) The terms of the auto loans are as follows: principal: US\$57,658, annual interest rate: 5.84% - 6.19%, maturity: November 25, 2024 and annual repayment: US\$11,501 in monthly installments. As at December 31, 2022, the auto loans were repaid in full.

(2) The terms of the loan payable are as follows: principal: US\$249,821, no interest shall accrue on the principal, maturity: February 15, 2024 and annual repayment: US\$10,409 in monthly installments.

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended December 31, 2022 (Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

9. LOANS AND NOTES PAYABLE (Continued)

(ii) During the year ended March 31, 2019, the Company issued a promissory note payable to Chris Morganelli in the amount of US\$721,800 for the purchase of the Chai Santa Cruz store and issued a note payable to Salvatore Palma in the amount of US\$1,375,000 for the purchase of the Chai Monterey store. During the year ended March 31, 2021, the Company issued a promissory note payable to 9311 VDV L.P. in the amount of US\$342,483. The table below is a summary of the continuity of the promissory notes payable:

| | 9311 VDV L.P. |
|------------------------------------|----------------------|
| Balance - March 31, 2021 | \$ 430,672 |
| Repayments | (181,600) |
| Impact of foreign exchange | (2,126) |
| Balance - March 31, 2022 | 246,946 |
| Repayments | (182,318) |
| Impact of foreign exchange | 14,962 |
| Balance - December 31, 2022 | \$ 79,590 |
| Current portion | \$ 52,062 |
| Non-current portion | \$ 27,528 |

The terms of the note payable to 9311 VDV L.P. are as follows: principal: US\$342,483, no interest shall accrue on the principal, maturity: December 31, 2023 and repayment of the principal as prescribed by the lender.

10. LEASE LIABILITIES

At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 16%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

| | |
|------------------------------------|---------------------|
| Balance - March 31, 2021 | \$ 9,375,671 |
| Additions | 89,610 |
| Disposal | (253,054) |
| Accretion expense | 1,252,934 |
| Lease payments | (2,271,967) |
| Impact of foreign exchange | (55,127) |
| Balance - March 31, 2022 | 8,138,067 |
| Accretion expense | 878,018 |
| Lease payments | (1,697,701) |
| Impact of foreign exchange | 656,669 |
| Balance - December 31, 2022 | \$ 7,975,053 |
| Current portion | \$ 1,271,310 |
| Non-current portion | \$ 6,703,743 |

CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2022
(Expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

10. LEASE LIABILITIES (Continued)

Maturity analysis - contractual undiscounted cash flows

As at December 31, 2022

| | | |
|---|-----------|-------------------|
| Due less than one year | \$ | 2,326,153 |
| Due between one and two years | | 1,878,508 |
| Due between two and three years | | 1,846,074 |
| Due thereafter | | 5,998,659 |
| Total undiscounted lease obligations | \$ | 12,049,394 |

During the nine months ended December 31, 2022, the Company expensed \$36,000 (year ended March 31, 2022 - \$48,000) related to short-term leases.

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

| | Number of shares | Amount |
|--|-------------------|-----------------------|
| Balance, March 31, 2021 | 38,529,739 | \$ 103,604,649 |
| Common shares issued for private placement (i) | 12,800,861 | 12,160,818 |
| Cost of issue - cash | - | (32,687) |
| Common shares issued for exercise of options | 465,000 | 139,500 |
| Fair value of options exercised | - | 110,205 |
| Balance, December 31, 2021 | 51,795,600 | \$ 115,982,485 |
| Balance, March 31, 2022 and December 31, 2022 | 52,095,600 | \$ 116,143,585 |

(i) On April 30, 2021, the Company closed a non-brokered private placement of 12,800,861 units at a price of \$0.95 for gross proceeds of \$12,160,818. Each unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable to acquire one common share at an exercise price of \$1.20 per share for a period of 24 months from the closing.

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12. WARRANTS

The following table reflects the continuity of warrants for the periods presented:

| | Number of warrants | Weighted average exercise price |
|--|--------------------|---------------------------------|
| Balance, March 31, 2021 | - | \$ - |
| Issued (Note 11(b)(i)) | 6,400,431 | 1.20 |
| Balance, December 31, 2021 | 6,400,431 | \$ 1.20 |
| Balance, March 31, 2022 and December 31, 2022 | 6,400,431 | \$ 1.20 |

The Company had the following warrants outstanding at December 31, 2022:

| Expiry date | Number of warrants | Exercise price |
|----------------|--------------------|----------------|
| April 30, 2023 | 6,400,431 | \$ 1.20 |

13. STOCK OPTIONS

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is 10% of the issued and outstanding common shares of the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting term of the options is fixed by the Board of Directors of the Company at the time of grant and may vary from immediate vesting to up to 24 months.

The following table reflects the continuity of stock options for the periods presented:

| | Number of stock options | Weighted average exercise price |
|-----------------------------------|-------------------------|---------------------------------|
| Balance, March 31, 2021 | 1,975,000 | \$ 0.30 |
| Options granted (i) | 723,626 | 1.60 |
| Options exercised | (465,000) | 0.30 |
| Balance, December 31, 2021 | 2,233,626 | \$ 0.71 |
| Balance, March 31, 2022 | 4,733,626 | \$ 0.88 |
| Options cancelled | (75,000) | 0.30 |
| Balance, December 31, 2022 | 4,658,626 | \$ 0.89 |

(i) On August 3, 2021, the Company granted 723,626 stock options to directors. Each option entitles the holder to purchase one (1) common share at a price of \$1.60 per common share for a period of three (3) years from date of grant. 523,626 of the options vested immediately and the remaining 200,000 vested on October 1, 2021.

A value of \$840,853 was estimated for the 723,626 stock options on the date of grant with the following assumptions and inputs: share price of \$1.60; exercise price of \$1.60; expected dividend yield of 0%; expected volatility of 126% which is based on historical data; risk-free interest rate of 0.53%; and an expected average life of three years.

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13. STOCK OPTIONS (Continued)

The Company had the following stock options outstanding at December 31, 2022:

| Outstanding options | Exercisable options | Weighted average remaining contractual life (years) | Weighted average exercise price (\$) | Expiry date |
|---------------------|---------------------|---|--------------------------------------|------------------|
| 1,135,000 | 1,135,000 | 0.80 | 0.30 | October 19, 2023 |
| 723,626 | 723,626 | 1.59 | 1.60 | August 3, 2024 |
| 2,800,000 | 2,800,000 | 4.01 | 0.95 | January 4, 2027 |
| 4,658,626 | 4,658,626 | 2.85 | 0.89 | |

14. LOSS PER SHARE

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|----------------|-----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) for the period | \$ (840,509) | \$ (2,449,859) | \$ 144,616 | \$ (6,532,801) |
| Net income (loss) per share - basic and diluted | \$ (0.02) | \$ (0.05) | \$ 0.00 | \$ (0.13) |
| Weighted average number of shares outstanding - basic and diluted | 52,095,600 | 51,730,600 | 52,095,600 | 49,455,582 |

(i) Diluted loss per share does not include the effect of warrants and stock options as they are anti-dilutive.

15. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|--------------|-----------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Management and administrative services (Note 17) | \$ 170,968 | \$ 142,689 | \$ 471,992 | \$ 1,284,816 |
| Professional fees | 300,217 | 697,717 | 1,297,549 | 2,404,225 |
| Operational expenses | 3,317,108 | 2,311,050 | 9,844,228 | 5,724,814 |
| Travel expenses | 6,332 | 29,142 | 13,725 | 55,066 |
| Regulatory fees | 10,106 | 23,181 | 34,643 | 93,504 |
| Share based compensation (Note 13) | - | 232,400 | - | 840,853 |
| Interest and penalty | 130,406 | 1,914 | 132,022 | 7,966 |
| Depreciation | 137,962 | 122,844 | 424,342 | 342,848 |
| Accretion - lease liability | 292,930 | 310,626 | 878,018 | 949,161 |
| Amortization - right-of-use assets | 376,297 | 380,802 | 1,225,198 | 1,152,186 |
| | \$ 4,742,326 | \$ 4,252,365 | \$14,321,717 | \$12,855,439 |

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16. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

Operating segments

| As at December 31, 2022 | Corporate | Cannabis Operations | Total |
|--------------------------------|----------------------|--------------------------------|----------------------|
| Current assets | \$ 22,279,873 | \$ 7,659,082 | \$ 29,938,955 |
| Property and equipment | - | 3,090,355 | 3,090,355 |
| Other assets | - | 25,673,402 | 25,673,402 |
| Total assets | \$ 22,279,873 | \$ 36,422,839 | \$ 58,702,712 |

| As at March 31, 2022 | Corporate | Cannabis Operations | Total |
|-----------------------------|----------------------|--------------------------------|----------------------|
| Current assets | \$ 22,934,259 | \$ 4,809,620 | \$ 27,743,879 |
| Property and equipment | - | 3,200,850 | 3,200,850 |
| Other assets | - | 25,471,794 | 25,471,794 |
| Total assets | \$ 22,934,259 | \$ 33,482,264 | \$ 56,416,523 |

| Three Months Ended December 31, 2022 | Corporate | Cannabis Operations | Total |
|---|------------------|--------------------------------|---------------|
| Sales, net of excise tax | \$ - | \$ 10,874,550 | \$ 10,874,550 |
| Gross profit | - | 4,530,146 | 4,530,146 |
| Net (loss) income | (4,029,764) | 3,189,255 | (840,509) |

| Three Months Ended December 31, 2021 | Corporate | Cannabis Operations | Total |
|---|------------------|--------------------------------|--------------|
| Sales, net of excise tax | \$ - | \$ 8,404,525 | \$ 8,404,525 |
| Gross profit | - | 3,434,185 | 3,434,185 |
| Net (loss) income | (2,483,758) | 33,899 | (2,449,859) |

| Nine Months Ended December 31, 2022 | Corporate | Cannabis Operations | Total |
|--|------------------|--------------------------------|---------------|
| Sales, net of excise tax | \$ - | \$ 32,671,400 | \$ 32,671,400 |
| Gross profit | - | 12,664,351 | 12,664,351 |
| Net (loss) income | (1,775,663) | 1,631,047 | (144,616) |

| Nine Months Ended December 31, 2021 | Corporate | Cannabis Operations | Total |
|--|------------------|--------------------------------|---------------|
| Sales, net of excise tax | \$ - | \$ 23,640,258 | \$ 23,640,258 |
| Gross profit | - | 8,614,015 | 8,614,015 |
| Net loss | (6,027,400) | (505,401) | (6,532,801) |

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16. SEGMENTED INFORMATION (Continued)

Geographical segments

| As at December 31, 2022 | Canada | United States | Other | Total |
|--------------------------------|----------------------|----------------------|-------------------|----------------------|
| Current assets | \$ 21,829,395 | \$ 7,659,082 | \$ 450,478 | \$ 29,938,955 |
| Property and equipment | - | 3,090,355 | - | 3,090,355 |
| Other assets | - | 25,673,402 | - | 25,673,402 |
| Total assets | \$ 21,829,395 | \$ 36,422,839 | \$ 450,478 | \$ 58,702,712 |

| As at March 31, 2022 | Canada | United States | Other | Total |
|-----------------------------|----------------------|----------------------|-------------------|----------------------|
| Current assets | \$ 22,486,415 | \$ 4,809,620 | \$ 447,844 | \$ 27,743,879 |
| Property and equipment | - | 3,200,850 | - | 3,200,850 |
| Other assets | - | 25,471,794 | - | 25,471,794 |
| Total assets | \$ 22,486,415 | \$ 33,482,264 | \$ 447,844 | \$ 56,416,523 |

| Three Months Ended December 31, 2022 | Canada | United States | Other | Total |
|---|---------------|----------------------|--------------|---------------|
| Sales, net of excise tax | \$ - | \$ 10,874,550 | \$ - | \$ 10,874,550 |
| Gross profit | - | 4,530,146 | - | 4,530,146 |
| Net (loss) income | 1,627,195 | (2,470,337) | 2,633 | (840,509) |

| Three Months Ended December 31, 2021 | Canada | United States | Other | Total |
|---|---------------|----------------------|--------------|--------------|
| Sales, net of excise tax | \$ - | \$ 8,404,525 | \$ - | \$ 8,404,525 |
| Gross profit | - | 3,434,186 | - | 3,434,186 |
| Net loss | (2,166,459) | (276,727) | (6,673) | (2,449,859) |

| Nine Months Ended December 31, 2022 | Canada | United States | Other | Total |
|--|---------------|----------------------|--------------|---------------|
| Sales, net of excise tax | \$ - | \$ 32,671,400 | \$ - | \$ 32,671,400 |
| Gross profit | - | 12,664,351 | - | 12,664,351 |
| Net (loss) income | 1,300,526 | (1,158,543) | 2,633 | 144,616 |

| Nine Months Ended December 31, 2021 | Canada | United States | Other | Total |
|--|---------------|----------------------|--------------|---------------|
| Sales, net of excise tax | \$ - | \$ 23,640,258 | \$ - | \$ 23,640,258 |
| Gross profit | - | 8,614,015 | - | 8,614,015 |
| Net (loss) income | (5,138,290) | (1,454,562) | 60,051 | (6,532,801) |

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Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended December 31, 2022 (Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|-------------------|-----------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Directors fees and bonus (i) | \$ 95,484 | \$ 75,000 | \$ 286,508 | \$ 262,500 |
| Alegana Enterprises Ltd. ("Alegana") (ii) | 75,484 | 55,000 | 185,484 | 665,000 |
| Marrelli Support Services Inc ("MSSI") (iii) | 12,485 | 12,400 | 82,908 | 80,575 |
| Share based compensation | - | 232,400 | - | 840,853 |
| | \$ 183,453 | \$ 374,800 | \$ 554,900 | \$ 1,848,928 |

(i) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at December 31, 2022, is \$nil (March 31, 2022 - \$50,000) due to directors of the Company.

(ii) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company.

(iii) Mr. Jing Peng, the Chief Financial Officer ("CFO"), is a senior employee of MSSI. The management fees paid to MSSI relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company's assets. Included in accounts payable and accrued liabilities at December 31, 2022 is \$58,871 (March 31, 2022 - \$7,605) owing to MSSI.

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18. 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 to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

| As at December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Aggregate fair value |
|-----------------------------|--|---|--|-------------------------|
| Investments at fair value | \$ 117,920 | \$ - | \$ 1,998,813 | \$ 2,116,733 |
| As at March 31, 2022 | | | | |
| Investments at fair value | \$ 355,426 | \$ - | \$ 1,844,150 | \$ 2,199,576 |

(b) Fair values of financial assets and liabilities:

| | December 31, 2022 | | March 31, 2022 | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Amortized cost | | | | |
| Amounts receivable (i) | \$ 9,890,590 | \$ 9,890,590 | \$ 3,210,655 | \$ 3,210,655 |
| | \$ 9,890,590 | \$ 9,890,590 | \$ 3,210,655 | \$ 3,210,655 |
| FVTPL | | | | |
| Cash and cash equivalents | \$ 15,867,355 | \$ 15,867,355 | \$ 20,318,036 | \$ 20,318,036 |
| Investments at fair value | 2,116,733 | 2,116,733 | 2,199,576 | 2,199,576 |
| | \$ 17,984,088 | \$ 17,984,088 | \$ 22,517,612 | \$ 22,517,612 |
| Other financial liabilities | | | | |
| Accounts payable and accrued liabilities (i) | \$ 9,250,699 | \$ 9,250,699 | \$ 6,799,132 | \$ 6,799,132 |
| Promissory note payable | 79,590 | 79,590 | 246,946 | 246,946 |
| Loans and notes payable | 197,375 | 197,375 | 299,169 | 299,169 |
| | \$ 9,527,664 | \$ 9,527,664 | \$ 7,345,247 | \$ 7,345,247 |

(i) The carrying amounts of amounts receivable, accounts payable and accrued liabilities, promissory notes and loans and notes payable are reasonable approximation of their fair values due to their short-term nature.

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19. OTHER EVENT

On July 18, 2022, the Company announced that it has entered into a binding letter of intent (the “LOI”) dated July 15, 2022, with UK-based Rimstock Holdings Limited (“Rimstock”) in respect of a proposed business combination pursuant to which the Company will acquire 64.11% of Rimstock in exchange for share capital in the Company and cash considerations, which will result in the reverse takeover of Captor Capital by Rimstock (the “Transaction”).

It is currently contemplated that the Transaction will be effected by way of a share exchange of common shares of the Company for common shares of Rimstock (the “Share Exchange”). The resulting issuer that will exist upon completion of the Transaction (the “Resulting Issuer”) will change its business from cannabis to the electric and luxury vehicle industry. Upon closing of the Transaction (the “Closing”), it is expected that shareholders holding 64.11% of Rimstock will hold 72% of the issued and outstanding shares of the Resulting Issuer (the “Resulting Issuer Shares”) and current shareholders of Captor Capital will hold 28% of the issued and outstanding Resulting Issuer Shares (on a non-diluted basis).

The LOI contemplates that Captor and Rimstock will negotiate and enter into a definitive agreement in respect to the Transaction (the “Definitive Agreement”), pursuant to which it is anticipated that the Company will acquire 64.11% of Rimstock’s issued and outstanding share capital in exchange for the aggregate purchase price of USD \$31,745,208 (the “Purchase Price”), which shall be paid in the following amounts:

- USD \$22,245,208 in shares of the Company with a deemed value of CAD \$0.25 per share, due upon the Closing;
- USD \$7,000,000 in cash, which shall be reserved in the treasury of the Company for use by the Resulting Issuer as working capital; and
- USD \$2,500,000 in cash as a non-refundable deposit, which will be converted into shares of Rimstock at a fully-diluted valuation of USD \$49,520,000 upon the earlier of: (i) the Closing; or (ii) the expiration of the exclusivity period set out under the LOI, which is 180 days from the date of the LOI.

Any additional cash in the treasury of the Company as of the Closing in excess of USD \$7,000,000 (less transaction fees) will be credited to the benefit of the Issuer’s existing shareholders.