Condensed Interim Consolidated Financial Statements

Sweet Earth Holdings Corporation

SWEET
EARTH

Nine Months Ended March 31, 2020

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

SWEET EARTH HOLDINGS CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

		March 31, 2020		June 30, 2019
ASSETS				
Current assets				
Cash	$	19,533	$	352,004
Due from related party		-		60,837
Inventory (Note 4)		1,395,669		214,753
Prepaid expenses and deposits		27,522		33,518
Total current assets		1,442,724		661,112
Non-current assets				
Plant and equipment (Note 7)		3,087,828		1,905,844
Goodwill (Note 6)		195,500		195,500
Total non-current assets		3,283,328		2,101,344
TOTAL ASSETS	$	4,726,052	$	2,762,456
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	$	1,083,184	$	459,834
Due to related parties (Note 12)		199,540		-
Debenture – liability portion (Note 9)		484,519		-
Loan payables (Note 9)		225,000		-
Lease liability – current (Note 10)		90,201		96,197
Total current liabilities		2,082,444		556,031
Non-Current liabilities				
Lease liability (Note 10)		1,171,821		824,755
Total non-current liabilities		1,171,821		824,755
TOTAL LIABILIITES		3,254,265		1,380,786
SHARHOLDERS' EQUITY				
Share capital (Note 11)		5,125,927		3,592,477
Contributed surplus (Note 11)		896,427		10,870
Debenture – equity portion (Note 9)		4,803		-
Obligation to issue shares		15		15
Accumulated other comprehensive loss		-		(23,384)
Accumulated deficit		(4,555,385)		(2,198,308)
TOTAL SHAREHOLDERS' EQUITY		1,471,787		1,381,670
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	4,726,052	$	2,762,456

Nature and continuance of operations (Note 1)
Commitments (Note 13)
Subsequent events (Note 18)

On behalf of the Board:

"Peter Espig" *"Chris Cooper"*

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

SWEET EARTH HOLDINGS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Operating expenses				
Depreciation	$ 40,681	$ 40,261	$ 143,965	$ 46,400
Interest on lease	16,101	1,912	43,586	5,735
Management supervision (Note 12)	30,153	9,296	76,360	9,296
Repairs and maintenance	1,210	-	205,801	3,818
Rent and operating leases	12,352	5,646	72,567	10,460
Utilities	34,303	-	149,702	-
Wages, salaries and contract labour	94,557	63,787	445,119	63,787
	229,357	120,901	1,137,100	139,495
Amounts capitalized as biological assets	(188,676)	-	(993,135)	-
	40,681	120,901	143,965	139,495
Administrative expenses				
Consulting fees (Note 12)	26,239	231,194	449,590	250,308
Corporate development	4,438	49,602	180,321	249,602
Foreign change	(3,630)	-	(3,630)	-
Management fees (Note 12)	78,075	-	274,781	-
Marketing and promotion	10,225	19,761	66,262	32,261
Office and general	34,826	26,387	83,145	27,424
Professional fees	26,142	32,210	192,983	39,929
Share-based compensation (Note 12)	884,436	-	884,436	-
Travel	8	24,060	61,840	35,879
	1,060,759	383,214	2,189,728	635,403
Net loss for the period	(1,101,440)	(504,115)	(2,333,693)	(774,898)
Other comprehensive income				
Currency translation gain	-	-	-	(233)
Loss and comprehensive loss for the period	$ (1,101,440)	$ (504,115)	$ (2,333,693)	$ (775,131)
Basic and diluted loss per common share	$ (0.02)	$ -	$ (0.04)	$ -
Weighted average number of common shares outstanding	64,175,528	-	62,154,163	-

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

SWEET EARTH HOLDINGS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUIITY

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Obligation to issue shares	Subscription received in advance	Debenture – equity portion	Accumulated Deficit	Other Accumulated Comprehensive Loss	Shareholders' Equity (Deficiency)
Shares issued at incorporation June 13, 2018	1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Share returned	(1)	-	-	-	-	-	-	-	-
Share subscription received	-	-	-	-	1,215,720	-	-	-	1,215,720
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(775,131)	(233)	(775,364)
Balance, March 31, 2019	-	$ -	$ -	$ -	$ 1,215,720	$ -	$ (775,131)	$ (233)	$ 440,356
Balance, June 30, 2019	56,815,746	$ 3,592,477	$ 10,870	$ 15	$ -	$ -	$ (2,198,308)	$ (23,384)	$ 1,381,670
Shares issue at $0.20/share	7,299,103	1,459,821	-	-	-	-	-	-	1,459,821
Shares issue at $0.40/share	200,000	80,000	-	-	-	-	-	-	80,000
Share issuing cost paid in cash	-	(5,250)	-	-	-	-	-	-	(5,250)
Share issuing expenses paid in warrants	-	(1,121)	1,121	-	-	-	-	-	-
Share-based compensation	-	-	884,436	-	-	-	-	-	884,436
Debenture – equity portion	-	-	-	-	-	4,803	-	-	4,803
Impact of adopting IFRS 9 (Note 3)	-	-	-	-	-	-	(23,384)	23,384	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(2,333,693)	-	(2,333,693)
Balance, March 31, 2020	64,314,849	$ 5,125,927	$ 896,427	$ 15	$ -	$ 4,803	$ (4,555,385)	$ -	$ 1,471,787

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

SWEET EARTH HOLDINGS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the nine months ended March 31, 2020	2019
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the period	$ (2,333,693)	$ (775,131)
Items not affecting cash		
Depreciation	143,965	46,400
Share-based compensation	884,436	-
Interest on leases	45,586	5,735
Changes in non-cash working capital items:		
Inventory	(1,180,916)	-
Due to related party	260,377	-
Prepaid expenses	5,996	(46,715)
Accounts payable and accrued liabilities	316,142	79,049
	(1,858,107)	(690,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(679,996)	(585,616)
Cash received on purchase of TSN Agricorp. Ltd.	-	144,740
	(679,996)	(440,876)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued for cash	1,539,821	-
Share issuance costs	(5,250)	-
Share subscriptions received	-	1,215,720
Loans payable	590,000	-
Loans from related party	124,322	-
Lease payments	(43,261)	(14,943)
	2,205,632	1,200,777
Change in cash for the period	(332,471)	69,239
Cash, beginning of the period	352,004	-
Cash, end of the period	$ 19,533	$ 69,239

Supplemental disclosure with respect to cash flows (Note 16)

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

1. Nature and continuance of operations

Sweet Earth Holdings Corporation (the "Company") was incorporated as 1168061 B.C. Ltd. under the Province of Britich Columbia Business Company Act on June 13, 2018. The name was changed to Sweet Earth Holdings Corporation on July 26, 2018 to reflect the Company's strategic decision to focus the business on becoming a major hemp cannabidiol ("CBD") cultivator and processor.

The Company's registered office is located at Suite 1300 – 1030 West Georgia Street, Vancouver BC V6E 2Y3.

On November 18, 2018, the Company completed a share swap with TSN Agricorp Ltd. ("TSN"), the effect of which was to make TSN a wholly owned subsidiary of the Company. Earlier, on August 10, 2018, TSN had purchased 100% of membership interest of Sweet Earth, LLC ("LLC"). Both TSN and LLC are companies organized and existing in the state of Oregon, USA.

On January 9, 2019, the Company incorporated Sweet Earth Holdings Corp. S.L., a Spanish limited liability company, pursuant to the Ley de Sociedades de Capital, is a wholly owned subsidiary of the Company.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. For the nine months ended March 31 2020, the Company incurred a loss of $2,333,693 (2019 - $775,131) and has an accumulated deficit of $4,555,385. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company had no operations in the period from inception, June 13, 2018 to November 18, 2018.

2. Significant accounting policies

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Financial Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34, "Interim Financial Reporting." Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements were approved for issue by the Board of Directors on July 15, 2020.

2. Significant accounting policies (cont'd)

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended June 30, 2019. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2019.

Significant accounting judgments, estimates and assumptions
The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Management must make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

b) The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions the Company operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

c) The estimated useful lives and residual value of equipment

The calculation of depreciation involves estimates concerning the economic life and salvage value of equipment.

d) Leases

The Company applies judgement to determine whether an arrangement contains a lease. The evaluation requires the Company to determine whether a contract conveys the right to direct the use of an identified asset, the supplier has a substantive substitution right, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period and whether renewal options are reasonably certain of being exercised. For those arrangements considered to be a lease, further judgement is required to determine the lease term and the rate implicit in the lease.

e) Functional currency

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Basis of consolidation
These consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, (noted above) which are the entities over which Sweet Earth Holdings Ltd. has control. The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany balances and transactions were eliminated on consolidation. As noted above, the Company has three wholly owned subsidiaries - TSN Agricorp Ltd., Sweet Earth, LLC, and Sweet Earth Holdings S.L.

2. Significant accounting policies (cont'd)

Foreign current translation
Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction or at an average rate. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Non-monetary items are translated using the historical rate on the date of the transaction. Exchange gains or losses arising on foreign currency translation are reflected in the statement of loss for the period.

The functional currency of the Company's wholly owned subsidiaries is the US dollar. The asset and liabilities arising from these operations are translated at the period end exchange rate and related revenues and expenses at the average exchange rate for the period. Resulting translation adjustments are accumulated as a separate component of accumulated other comprehensive income/loss in the statement of shareholders' equity

Plant and Equipment
Equipment is initially recorded at cost. When the assets are put in use, they will be amortized over their estimated useful lives, using the methods and rates noted below. Once equipment has been amortized to a nominal net book value, the balances are written off. Plant and equipment is being depreciated on a straight-line basis at the following rates: Building – 20 years; Computer – 3 years, Equipment and Vehicle – 10 years. Right to use assets are being depreciated on a straight-line basis over the term of the lease.

Inventory
Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the standard costing method which is updated regularly to reflect current conditions and approximate cost based on the first-in, first-out costing method. Cost of inventory includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provisions for obsolete, slow moving or defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

Biological assets
While the Company's biological assets are within the scope of IAS 41, *Agriculture,* the direct and indirect cost of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, *Inventories.* They include the direct cost of seed and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred. Except for instances as noted below, biological assets are measured at the end of each reporting period at its fair value less costs to sell. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face the Statement of Operations.

Where biological assets cannot be reliably measured and for which alternative fair value measurements are determined to be clearly unreliable, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Goodwill
Acquisitions of subsidiaries are accounted for using the acquisition method The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Any excess of the fair value of the net assets acquired over the assumed consideration paid is recognized as a gain in the consolidated statements of operations. Goodwill is reviewed annually for impairment.

2. Significant accounting policies (cont'd)

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets
At the end of each reporting period the carrying amounts of the Company' assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Income taxes
Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income (loss)
Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders.

2. Significant accounting policies (cont'd)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

The Company follows IFRS 9, *Financial Instruments*, which applies uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The classification is based on two criteria: the Company's business objectives for managing the assets; and whether the financial instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

<u>Financial assets</u>

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss). Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

(i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.

(ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from other comprehensive income ("OCI") directly to Deficit.

(iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

The Company measures cash and accounts receivable at amortized cost.

(Expressed in Canadian dollars)

2. Significant accounting policies (cont'd)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

(i) FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).

(ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

The Company measures accounts payable and accrued liabilities and lease payable at amortized cost.

3. New standards, amendments and interpretations not yet adopted or effective

The Company has adopted the following accounting standards effective October 1, 2019,

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of August 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

The Company completed an assessment of its financial assets and liabilities as at August 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets and Liabilities	**Original classification (measurement) IAS 39**	**New classification and measurement IFRS 9**
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loan payable	Other financial liabilities (amortized cost)	Amortized cost

The company chose to adopt IFRS 9 on October 1, 2019 using the modified retrospective approach. Under this approach, the Company did not restate comparative historical periods, but rather recognized a cumulative adjustment to accumulated deficit of $23,384 and a cumulative adjustment to accumulated other comprehensive income of $23,384, as a result of reclassifying investment as available-for-sale under IAS 39 to FVTPL under IFRS 9.

4. Inventory

	March 31, 2020	June 30, 2019
Hemp inventory	$ 1,395,669	$ -
Seed inventory	-	214,753
	$ 1,395,669	$ 214 753

The hemp inventory as at March 31, 2020 included $993,135 in biological asset costs and $402,534 in material and direct supply costs.

(Expressed in Canadian dollars)

5. Biological assets

Biological assets represent cost of materials and operating costs incurred in the process of growing hemp for CBD production. During the nine months ended March 31, 2020, the Company incurred $1,018,518 in total costs, including depreciation of $143,965. As the selling values cannot be reliably measured and as alternative fair value measurements unreliable, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

6. Goodwill and the acquisition of TSN Agricorp Ltd. and Sweet Earth, LLC.

On August 10, 2018, TSN purchased 100% of the membership interest of Sweet Earth, LLC for $1. On August 27, 2018, TSN and the Company signed a letter of intent, whereby each company would exchange 3,000 of its registered and issued common shares for the other company's common shares. The 3,000 common shares of TSN represented 100% of their issued shares and, accordingly, the share exchange represented a purchase of TSN by the Company. The share exchange agreement was finalized on September 19, 2018 with an effective date of November 18, 2018.

At the time of purchase, the following are the identifiable assets and liabilities of TSN and LLC, translated into Canadian dollars at the exchange rate of $1US = $1.3087 CDN.

Cash	$	144,740
Right to use assets		956,514
Accrued liabilities		(17,106)
Lease liabilities		(956,083)
Advances from the Company		(323,550)
Net liabilities assumed	$	(195,485)
Allocated to Goodwill	$	195,485
Consideration – 3,000 common shares		15
Goodwill as at June 30, 2019 and March 31, 2020	$	195,500

The Company's shares were valued at $0.005, which was the per share value of shares issued for cash closest to the date of acquisition.

(Expressed in Canadian dollars)

7. Equipment

	Building	Computer	Equipment	Vehicle	Right to Use Assets	Total
As at March 31, 2020						
Costs						
Balance, June 30, 2019	$ 104,094	$ 2,470	$ 860,137	$ 44,496	$ 956,514	$ 1,967,711
Additions	709,446	-	211,793	-	404,710	1,325,949
Balance, March 31, 2020	$ 813,540	$ 2,470	$ 1,071,930	$ 44,496	$ 1,361,224	$ 3,293,660
Depreciation						
Balance, June 30, 2019	$ -	$ -	$ 3,324	$ 2,220	$ 56,323	$ 61,867
Additions	-	186	70,015	1,099	72,665	143,965
Balance, March 31, 2020	$ -	$ 186	$ 73,339	$ 3,319	$ 128,988	$ 205,832
Net Book Value March 31, 2020	$ 813,540	$ 2,284	$ 998,591	$ 41,177	$ 1,232,236	$ 3,087,828

	Building	Computer	Equipment	Vehicle	Right to Use Assets	Total
As at June 30, 2019						
Costs						
Opening balances	$ -	$ -	$ -	$ -	$ -	$ -
Additions	104,094	2,470	860,137	44,496	956,514	1,967,711
Balance, June 30, 2019	$ 104,094	$ 2,470	$ 860,137	$ 44,496	$ 956,514	$ 1,967,711
Depreciation						
Opening balances	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	-	3,324	2,220	56,323	61,867
Balance, June 30, 2019	$ -	$ -	$ 3,324	$ 2,220	$ 56,233	$ 61,867
Net Book Value June 30, 2019	$ 104,094	$ 2,470	$ 856,813	$ 42,276	$ 900,191	$ 1,905,884

8. Accounts payable and accrued liabilities

	March 31, 2020	June 30, 2019
Accounts payable	$ 1,050,714	$ 329,717
Accrued liabilities	289,716	118,607
Payroll liabilities	69,148	11,510
	$ 1,409,578	$ 459,834

(Expressed in Canadian dollars)

9. Debenture

During the period ended March 31, 2020, the Company:

i) received a non-interest bearing promissory note of $225,000 with no fixed terms of repayment.

ii) received a loan of $424,322 bearing interest at a rate of 10% per annum. On March 31, 2020, the loan was fully settled by converting into a debentures bearing interest at 15% per annum

On March 31, 2020, the Company issued convertible debentures totaling $489,322, of which $424,322 was from to the settlement of a loan. The convertible debentures are bearing interest at 15% per annum and secured by a security interest over the Company's hemp inventory and all revenues arising therefrom. The debentures are convertible into shares at a conversion price of $0.40 per share at the option of the subscriber. The debenture principal and interest are due 4 months after the issue date. Should the Company fail to sell a minimum of $300,000 of its inventory by July 31, 2020, then the principal and interest shall be repaid within 5 business days.

		Liability		*Equity*		*Total*
Balance of June 30, 2020	$	-	$	-	$	-
Issuance of convertible debenture		484,519		4,803		489,322
Balance of March 31, 2020	$	484,519	$	4,803	$	489,322

10. Lease liability

The Company has entered into two contractual arrangements that include right-to-use assets that relate to equipment used in its operations. Both arrangements have a zero-interest rate. The Company has another contractual arrangement described in *Note 13 Commitments*. The Company utilized a discounted rate of 5.95% and a term of 20 years to determine the value of this asset. In August, the terms of the lease were amended and treated as a new lease as the terms and scope were both changed.

		March 31, 2020		June 30, 2019
Lease liability consists of				
Equipment leases	$	175,671	$	217,278
Agricultural property lease		1,086,351		703,674
	$	1,262,022	$	920,952

Future lease payments at March 31, 2020 are as follows:

2020	$	153,903
2021		153,903
2022		153,903
2023		121,542
2024		98,427
Thereafter, with property lease use for a total of 18-1/2 years		1,237,511
Total lease payments		1,919,189
Discount		(657,167)
Payments on principal		1,262,022
Current principal payments		(90,201)
Long term portion	$	1,171,821

11. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 64,314,849 shares issued and outstanding as at March 31, 2020. The transactions giving rise to these shares during the period July 1, 2019 to March 31, 2020 were as follows:

Issued share capital

- On August 15, 2019, 6,234,103 shares were issued at a price of $0.20 each for total proceeds of $1,246,820.
- On October 2, 2019, 865,000 shares were issued at a price of $0.20 each for total proceeds of $173,000.
- On October 15, 2019, 200,000 shares were issued at a price of $0.20 each for total proceeds of $40,000.
- On October 17, 2019, 137,500 units were issued at a price of $0.40 each for total proceeds of $55,000. Each units comprise of one common shares and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.60, expiring on October 17, 2021. In connection to the financing, finder's fees of $3,500 were paid.
- On February 26, 2020, 62,500 units were issued at a price of $0.40 each for total proceeds of $25,000. Each units comprise of one common shares and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.60, expiring on February 26, 2022. In connection to the financing, finder's fees of $1,750 were paid and 4,375 broker's warrants valued at $1,121 were issued. Each broker's warrant exercisable to acquire one common share of the Company at an exercise price of $0.60, expiring on February 26, 2022.

At June 30, 2019, 56,815,746 shares were issued and outstanding. The transactions giving rise to these shares during the period from inception June 13, 2018 to June 30, 2019 were as follows:

- On incorporation, June 13, 2018 – 1 share was issued at $1.00.
- On January 31, 2019, 17,800,000 shares were issued at a price of $0.005 and the share issued at incorporation was returned and cancelled.
- On March 4, 2019, 8,600,000 shares were issued at a price of $0.02 each.
- On March 5, 2019, 16,500,000 shares were issued at a price of $0.05 each.
- On March 22, 2019, 1,080,000 shares were issued at a price of $0.20 each.
- On April 11, 2019, 11,610,746 shares were issued at a price of $0.20 each.
- On May 1, 2019, 1,225,000 shares were issued at a price of $0.20 each.

Finder's costs of $215,768 and legal fees of $10,913 were incurred on the shares issued on April 11, 2019. $17,280 in Finder's fees were paid on the shares issued on March 22, 2019 and $2,000 in finder's fees were paid on the shares issued May 1, 2019. $19,841 in legal fees were incurred for all share issuances.

On November 18, 2018, the Company incurred an obligation to issue 3,000 common shares on the acquisition of TSN Agricorp Ltd. as describe above in Note 6.

(Expressed in Canadian dollars)

11. Share Capital (cont'd)

Warrants

During the period ended March 31, 2020, the Company issued 4,375 finder's warrants for the February 26, 2020. Each warrant allows the holder to purchase one common share at a price of $0.60 for a period of 2 years from the date of the issuance. The Company used the Black Scholes Option Model to value the warrants at $1,121 using the following assumptions: Expected life of warrants – 2 years; annualized Volatility – 146.60%; Risk-free interest rate – 1.37%; and, Dividend rate – 0%.

During the year ended June 30, 2020, the Company issued 86,400 finder's warrants for the March 22, 2019 issuance and 10,000 finder's warrants for the May 1, 2019 issuance. Each warrant allows the holder to purchase one common share at a price of $0.20 for a period of 2 years from the date of the issuance. The Company used the Black Scholes Option Model to value the warrants at $10,870 using the following assumptions: Expected life of warrants – 2 years; annualized Volatility – 153.27%; Risk-free interest rate – 1.64%; and, Dividend rate – 0%.

The weighted average life of the warrants is 1.47 years.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at June 13, 2018	-	$ -
Granted	96,400	0.20
Balance at June 30, 2019	96,400	0.20
Granted	35,625	0.60
Balance at March 31, 2020	**132,025**	**$ 0.31**

As at March 31, 2020, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price
March 22, 2021	86,400	$0.20
May 1, 2021	10,000	$0.20
February 26, 2022	31,250	$0.60
February 26, 2022	4,375	$0.60
	132,025	

Options

The Company has a 20% rolling stock option plan in place which was ratified by the Board in January 2020 (the "Plan).

The Sweet Earth Option Plan was administered by the Board or if appointed, by a special committee of directors appointed from time to time by the Board. The aggregate number of common shares that was reserved for issuance under options granted in accordance with the terms of the Sweet Earth Option Plan did not exceed 20% of Sweet Earth's issued and outstanding common shares at the time of grant.

11. Share Capital (cont'd)

Options (cont'd)

The number of common shares subject to an option granted to "Persons" or "Entities" (as such terms are defined in the Plan) was determined by the Board, but no Person or Entity was granted an option that exceeded the maximum number of shares permitted by any stock exchange on which the common shares were then listed or by any other regulatory authority having jurisdiction.

The exercise price for purchase of the common shares underlying each option was determined by the Board, provided however, that the exercise price was not less than the minimum price permitted by the Exchange. Subject to any applicable approvals required by the Exchange, the Board had the absolute discretion to suspend or terminate the Plan; and, subject to any required Exchange approval, the Board could also amend or revise the terms of the Sweet Earth Option Plan provided that no such amendment or revision resulted in a material adverse change to the terms of any options granted under the Sweet Earth Option Plan, unless shareholder approval was obtained for such amendments or revisions.

The maximum term of any option granted under the Plan was ten years from the date the option was granted. Notwithstanding the above, options expired 90 days after an individual ceased to qualify as an executive, employee, or consultant under the Plan for any reason other than death, subject to extension at the discretion of the Board. Options granted to a Person or Entity that provided investor relations activities expired 90 days after the Peron or Entity ceased to provide investor relations services to Sweet Earth, subject to the individual otherwise qualifying under the Sweet Earth Option Plan. In the event of the death of an Executive, Employee, or Consultant, options previously granted to the Executive, Employee, or Consultant were exercisable by their estate for one year from the date of death if and to the extent that such option had vested and was exercisable at the date of death.

Pursuant to the Company's practice respecting restrictions on trading, there were a number of periods each year during which directors, officers and certain employees were precluded from trading in Sweet Earth's securities. These periods were referred to as "black-out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to the public. The Sweet Earth Option Plan included provisions that should an option expiration date fall within a black out period or immediately following a black-out period, the expiration date automatically extended for ten business days following the end of the black-out period.

The Plan also provided for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the common shares of Sweet Earth; and included provisions related to withholding tax obligations of Sweet Earth on exercise of options.

Sweet Earth directors could, at their discretion at the time of any grant, impose a schedule over which period of time an option would vest and become exercisable.

(Expressed in Canadian dollars)

11. Share Capital (cont'd)

Options (cont'd)

During the period ended March 31, 2020, the Company:

i) issued 2,100,000 stock options to officers and directors of the Company, exercisable at $0.20 per option, expiring February 7, 2025. The options vested immediately. The Company used the Black Scholes Option Model to value the options at $753,808 using the following assumptions: Expected life of warrants – 5 years; annualized Volatility – 127.66%; Risk-free interest rate – 1.34%; and, Dividend rate – 0%.

ii) issued 400,000 stock options to a consultant of the Company, exercisable at $0.40 per option, expiring February 19, 2025. The options vested immediately. The Company used the Black Scholes Option Model to value the options at $130,628 using the following assumptions: Expected life of warrants – 5 years; annualized Volatility – 127.24%; Risk-free interest rate – 1.36%; and, Dividend rate – 0%.

The weighted average life of the options is 4.88 years.

Options transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at June 13, 2018 and June 30, 2019	-	$ -
Granted	2,500,000	0.23
Balance at March 31, 2020	**2,500,000**	**$ 0.23**

As at March 31, 2020, the following options were outstanding:

Expiry date	Number of options	Exercisable	Exercise price
February 7, 2025	2,100,000*	2,100,000	$0.20
February 19, 2025	400,000	400,000	$0.40
	2,500,000	**2,500,000**	

* 800,000 stock options subsequently exercised

12. Related party transactions and balances

As at March 31, 2020, $199,540 (June 30, 2019 – due from $60,837) is due to directors and officers of the Company. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

As at March 31, 2020, $124,322 (June 30, 2019 - $Nil) is due to a director of the Company as a loan payable. was converted to a convertible debenture (Note 9).

The Company considers officers and members of the Board of Directors as related parties. Payments and accruals were made to the following officers and directors, or to companies controlled by these officers and directors were allocated as follows, according to the services provided:

(Expressed in Canadian dollars)

12. Related party transactions and balances (cont'd)

For the period ended March 31, 2020	Management fees	Consulting fees	Supervisory fees	Share-based compensation
CEO and director	$ 55,549	-	-	$ 287,166
CFO and director	46,250	-	-	143,582
Former CEO and director	117,206	$ -	$ -	143,582
Directors	55,776	19,002	76,360	179,478
Total	$ 274,781	$ 19,002	$ 76,360	$ 753,808

13. Commitments

a) At the beginning of the period, the Company leased 23 acres on a yearly basis at the rate of $48,000 US per year, paid annually at the beginning of each renewal period. During the period, the lease was amended to include use of buildings on the premises. Lease payments are now $6,242US per month. The lease is renewable at the Company's option and has been classified as a right-to-use asset.

b) The Company leases property that includes 60 acres of farmable land that is leased on a monthly basis at $6,250 US per month. The lease is renewable with both parties' approval required in order to so do. Accordingly, this lease has not been classified as a right-to-use asset.

c) On April 1, 2019, the Company entered into an amalgamation agreement with Seaway Energy Services Inc. ("Seaway"), a Company listed on the TSX Venture Exchange. Under the terms of the Agreement, 1199900 B.C Ltd., a wholly owned subsidiary of Seaway, and the Company will amalgamate and continue as one corporation ("Amalco"). In conjunction with the amalgamation, the Company will receive shares of Seaway on a 1:1 proportion of the number of shares of Seaway outstanding at the date of closing. Additionally, in conjunction with the amalgamation, Amalco will apply to delist from the TSXV and apply to list on the Canadian Stock Exchange ("CSE"). Subsequent to March 31 2020, Seaway consolidated its shares on the basis of 1 post-consolidation share for every 2.5 pre-consolidation shares (Note 18). The transaction was completed on May 15, 2020.

14. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to pursue the Company's objectives. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's approach to the management of capital did not change during the nine months ended March 31, 2020.

15. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risks

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At March 31, 2020, management considers the Company’s exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at March 31, 2020, the Company had a cash balance of $19,533 (June 30, 2019 - $352,004) to settle current liabilities of $2,082,444 (June 30, 2019 - $556,031). So far, the Company's sole source of funding has been the issuance of equity securities for cash through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At March 31, 2020, the Company had lease payables of $961,350 in US dollars. A 10% fluctuation in the exchange rate would affect operations by approximately $96,000.

15. Financial risk management (continued)

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company is not currently subject to price risk as it is not listed on a public stock exchange.

16. Supplemental disclosure with respect to cash flows

During the period ended March 31, 2020, the significant non-cash transactions were as follows:

a) The Company purchased equipment on an instalment basis. As at March 31, 2020, $240,055 of the purchase price was unpaid and included in accounts payable ($319,082 as at June 30, 2019).

b) Included in accounts payable are $307,208 of costs allocated to building.

c) The Company converted $489,322 of loans payable to convertible debenture, of which $484,519 was allocated as liability portion and $4803 was allocated as equity portion.

d) The Company granted 4,375 broker's warrants with a fair value of $1,211.

During the year ended June 30, 2019, the significant non-cash transactions were as follows:

a) The Company entered into an agreement to issue 3,000 common shares for 100% of the issued and outstanding common shares of TSN. The $15 value attributable to these shares comprises part of Goodwill.

b) The Company purchased equipment on an instalment basis. As at June 30, 2019, $319,082 of the purchase price was unpaid and included in accounts payable.

c) When the Company purchased TSN, it received $956,514 in right to use assets, and assumed $17,105 in accrued liabilities and $956,083 in lease liabilities.

17. Segment information

The Company has one reportable segment, being the cultivation and processing of hemp cannabidiol ("CBD") in the state of Oregon, USA.

18. Subsequent events

Subsequent to March 31, 2020, the Company:

i) received 75,451,882 common shares pursuant to the completion of the amalgamation transaction with Seaway. In connection to the transaction, the Company issued an additional 4,000,000 common shares as transaction costs.

ii) issued 1,945,000 stock options to consultants and directors of the Company, exercisable at $0.20 per option, expiring June 26, 2023. The options vested immediately.

iii) issued 800,000 common shares pursuant to exercise of options for gross proceeds of $160,000.