CONSOLIDATED FINANCIAL STATEMENTS

SWEET EARTH HOLDINGS CORPORATION

SWEET
EARTH

Three Months Ended September 30, 2020

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

NOTICE OF NO AUDITOR REVIEW OF 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 interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements have been prepared by and are the responsibility of the management.

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

		September 30, 2020	June 30.2020
ASSETS		$	$
Cash		800,795	21,215
Miscellaneous taxes receivable		4,538	4,463
Inventory	5	2,291,281	2,347,173
Prepaid expenses and deposits		858,630	455,365
Total current assets		3,955,244	2,28,216
Non-current assets			
Plant and equipment		3,145,013	3,262,728
Goodwill	6	199,249	204,151
Total non-current assets		3,344,262	3,466,879
TOTAL ASSETS		7,299,506	6,295,095
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	1,098,322	1,448,858
Due to related parties	8	-	159,166
Bank loan payable	9	30,013	30,751
Convertible debentures payable	8, 10	-	414,322
Current portion of lease liability	11	152,886	147,324
Total current liabilities		1,281,221	2,200,421
Non-Current liabilities			
Lease liability	11	1,183,704	1,253,966
Total non-current liabilities		1,183,704	1,253,966
TOTAL LIABILIITES		2,464,925	3,454,387
SHARHOLDERS' EQUITY			
Share capital	12	10,423,920	7,747,603
Contributed surplus		616,656	615,173
Accumulated other comprehensive income (loss)		(58,065)	16,279
Accumulated deficit		(6,147,930)	(5,538,347)
TOTAL SHAREHOLDERS' EQUITY		4,834,581	2,840,708
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,299,506	6,295,095

Nature and continuance of operations (Note 1)
Commitments (Note 13)

On behalf of the Board:

"Peter Espig"   *"Chris Cooper"*

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

SWEET EARTH HOLDINGS CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		September 30, 2020	September 30, 2019
		$	$
Operating Expenses			
Depreciation		40,701	50,855
Interest on lease		16,140	10,978
Management supervision		29,972	47,861
Rent and operating leases		3,997	33,364
Repairs and maintenance		-	78,647
Seeds, fertilizers and nutrients		4,089	188,044
Utilities		7,402	21,202
Wages, salaries and contract labour		33,962	118,160
		136,263	549,111
Net realizable value of hemp biomass	5	-	498,256
Unrealized loss on growth of biological assets		136,263	50,855
Administrative Expenses			
Advertising and promotion		53,442	-
Consulting fees		133,802	331,266
Management fees	9	55,125	113,845
Marketing and investor relations		135,505	29,114
Office and general		57,262	20,577
Professional fees		38,064	35,491
Travel		120	44,521
		473,320	574,814
Net loss for the period		(609,583)	(625.669)
Other comprehensive income (loss)			
Currency translation gain (loss)		74,344	(9,814)
Comprehensive loss for the year		(683,927)	(635,483)
Basic and diluted loss per share		($0.01)	($0.01)
Weighted average number of shares outstanding		86,047,208	59,932,798

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

SWEET EARTH HOLDINGS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUIITY

(Expressed in Canadian dollars)

	Number of shares	**Share capital**	**Reserves**	**Obligation to issue shares**	**Share Subscriptions Receivable**	**Accumulated Deficit**	**Other Accumulated Comprehensive Income (Loss)**	**Shareholders' Equity (Deficiency)**
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	6,234,103	1,246,821	-		-	-	-	1,246,821
Share subscriptions received	-	-	-	-	173,000			173,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(625,669)	(9,814)	(635,483)
Balance, September 30, 2019	63,049,849	4,839,298	10,870	15	173,000	(2,823,977)	(33,198)	2,166,008
Shares issue at $0.20/share	1,065,000	213,000	-	-	(173,000)	-		40,000
Shares issue at $0.40/share	200,000	80,000	-	-	-	-		80,000
Share issuing cost paid in cash	-	(5,250)	-	-	-	-		(5,250)
Share issuing costs paid in warrants	-	(2,887)	2,887	-	-	-		-
Legal costs in connection with share issue		(46,986)				-		(46,986)
Share issue costs paid in shares	4,000,000	-				-		
Shares issued on reverse takeover transaction	11,137,033	2,227,407	-	(15)	-	-		2,227,392
Share-based compensation	-	-	884,436	-	-	-		884,436
Shares issued on exercise of options	800,000	443,020	(283,020)	-	-	-		160,000
Net loss and comprehensive loss for the year	-	-	-			(3,835,382)	49,477	(3,785,905)
Balance, June 30, 2020	80,251,882	7,747,603	615,173	-	-	(5,538,347)	16,279	2,840,708
				-	-			
Shares issue at $0.20/share	13,409,999	2,682,000		-	-			2,682,000
Share issuing costs paid in warrants		(1,483)	1,483	-	-			-
Share issuing cost paid in cash		(4,200)		-	-			(4,200)
Net loss and comprehensive loss for the year		-		-	-	(609,583)	(74,344)	(683,927)
Balance, September 30, 2020	93,661,881	10,423,920	616,656	-	-	(6,147,930)	(58,065)	4,834,581

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

SWEET EARTH HOLDINGS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
	$	$
Cash flows from (to) operating activities		
Net loss for the year	(609,583)	(625,669)
Items not affecting cash		
Depreciation	63,516	10,978
Interest on lease	15,140	50,917
		-
Changes in non-cash working capital items		
Due from or to related parties	(159,166)	5,500
Biological assets	-	(498,256)
Prepaid expenses and deposits	(403,265)	(47,202)
Accounts payable and accrued liabilities	(350,536)	(36,463)
	1,442,895	(1,140,195)
Cash flows to investing activities		
Equipment purchases	-	(464,902)
	-	(464,902)
Cash flows from (to) financing activities		
Common shares issued for cash, net of cash issuing costs	2,263,476	1,246,821
Subscriptions received in advance	-	173,000
Lease payments	(89,108)	(30,382)
	2,174,368	1,389,439
Effect of foreign exchange rate changes on cash	(48,106)	634
Change in cash for the year	-	(215,024)
	779,579	
Cash, beginning of year	21,215	352,004
Cash, end of year	800,794	136,980

Supplemental disclosure with respect to cash flows (Note 16)

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

1. NATURE AND CONTINUANCE OF OPERATIONS7

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.

The Company incorporated a company in Spain – Sweet Earth Holdings Corp, L.S. ("SE Spain") on December 26, 2018 but it didn't have any active operations until December 31, 2019 when a lease of 9 hectares became effective.

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 May 19, 2020, the Company completed a reverse takeover transaction ("RTO") of Seaway Energy Services Inc., the effective of which was to become a listed entity on the Canadian Securities Exchange ("CSE") under the ticker symbol SE.

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 three month period ended September 30, 2020, the Company incurred a loss of $609,583 (2019 - $625,669) and had an accumulated deficit of $6,147,930 (June 30, 2020 - $5,538,347) 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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, 2020. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2020.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these 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 November 30, 2020

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21.

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 and LLC., both domiciled in Oregon, USA and SE Spain, domiciled in Los Barrios Spain.

Use of estimates and judgments

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. The following are the critical estimates and judgments that management has made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

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) *Functional currency*

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21. An entity considers the following factors in determining the functional currency of entities under its control:

i) the currency that mainly influences sales prices for goods and services,

ii) the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services, and

iii) the currency that mainly influences labour, material and other costs of providing goods or services.

The Company has determined that the function currency of TSN and LLC is the US dollar and for SE Spain is the European dollar (the "Euro").

c) *Estimated useful life and residual value of equipment*

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

d) *Fair value of share-based payments*

The fair value of share-based payments is calculated using a Bloch Scholes option-pricing model. There are a number of estimates used in the calculation such as the future forfeiture rate, expected option life and the future price volatility of underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimate based on historical information and future forecasts.

e) *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.

f) Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged

g) *Convertible Debt*

The Company bifurcates proceeds from convertible debt into two components, a liability contract and a conversion feature that may or may not be equity. In the process of valuing the conversion feature, the Company must use judgment in estimating what the interest rate would be of a similar debenture, which is then used in calculating a present value calculation of future cash flows.

h) *Taxation*

The calculation of deferred taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse, the use of substantively enacted tax rates at the statements of financial position date and the likelihood of deferred tax assets being realized.

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 noted above. 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.

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.

Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the Statement of Operations at the time hemp is sold, except for realized fair value amounts included in inventory sold which is included as a separate line on the Statement of Operations. Inventory is measured at the lower of cost or net realizable value on the balance sheet.

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.

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, due to related parties, bank loan payable, convertible debentures payable and lease payable at amortized cost.

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.

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.

(Expressed in Canadian dollars)

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

3. New Standards, Amendments and Interpretations Not Yet Adopted or Effective

The Company has reviewed the impact of new and amended standards that are effective for annual periods beginning on or after July 1, 2020. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. Reverse Takeover Transaction ("RT0")

On May 19, 2020, the Company closed an agreement with Seaway Services Energy Inc. (Seaway"). Prior to the agreement, Seaway rolled back its shares on a 1 for 4 basis, reducing its outstanding shares to 11,137,033 shares. The Company and Seaway then exchanged their shares on a 1 for 1 basis with a subsidiary of Seaway. The resulting entity became the listed entity under the name of Sweet Earth Holdings Corporation wherein the original shareholders of the Company held 64,314,849 shares or 85.2% of the new entity and the Seaway shareholders received 11,137,033 shares or 14.8%.

The transaction was a reverse acquisition of Seaway. Since its operations did not meet the definition of a business under IFRS 3, the transaction did not qualify as a business combination and has been accounted for under IFRS 2. Accordingly, the transaction has been accounted for at the fair value of the consideration paid, being the equity instruments held by the shareholders of Seaway on closing date of the transaction. In exchange, the Company acquired the net assets of Seaway, recognized and measured at their acquisition date fair values. The difference between the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed represents the cost of the Company obtaining a listing on the exchange, which does not qualify for recognition as an asset and has therefore been expensed and is included in reverse acquisition transaction costs in the consolidated statements of loss and comprehensive loss. The results of Seaway are included in the consolidated financial statements of the Company from the date of the reverse acquisition.

The following represents the fair value of the nest assets acquired as a result of the reverse acquisition:

Fair value of 11,137,033 shares at a determined price of $0.20 per share	$2,227,407
Acquisition date fair value of assets acquired and liabilities assumed	1,080,799
Listing expense	$1,146,608

5. Inventory

	September 30, 2020	June 30, 2020
Hemp biomass	$ 2,279,530	$ 2,335,617
Seeds	11,750	11,556
	$ 2,291,281	$ 2,347,173

Hemp biomass represents the net realizable value for CBD hemp. The Company used the market approach in determining fair value. The Company used information generated by market transaction involving comparable assets.

(Expressed in Canadian dollars)

6. GOODWILL AND THE ACQUISITION OF TSN AGRICORP LTD. ("TSN") AND SWEET EARTH, LLC. ("LLC")

On August 10, 2018, TSN purchased 100% of the membership interest of 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.

The value of the goodwill represented the net liabilities of TSN and LLC at the November 18, 2018 plus the value of the consideration given of 3,000 common shares at $0.005 per share or $15.

The value at June 30, 2019 was the CDN equivalent of the net liabilities at an exchange rate of $1US to $1.3087 CDN plus $15 for the common shares not yet issued, shown as 'Obligation to issue shares' on the Statements of Financial Position. For June 30, 2020, the exchange rate used was $1US to $1.33671 CDN. As the Company completed the reverse takeover transaction and the 3,000 common shares were never issued, the Goodwill and the Obligation to issue shares were both reduced by $15.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	June 30,2020
Accounts payable	$ 825,077	$ 920,166
Accrued liabilities	253,420	331,619
Payroll liabilities	19,825	36,798
Interest on debentures payable	-	46,500
	$ 1,098,322	$ 1,335,083

8. RELATED PARTY BALANCES AND TRANSACTIONS

The Company considers officers and members of the Board of Directors as related parties. Key Management costs for the three months ended September 30, 2020 is $55,125 (2019 - $210,869). Payments and accruals were made to the following officers and directors, or to companies controlled by these officers and directors:

	For the three month period ended September 30, 2020	For the three month period ended September 30, 2019
CEO and director	$ 31,500	$ 90,173
CFO and director	23,625	15,750
Total	$ 55,125	$ 113,869

Included in Convertible Debentures Payable at September 30, 2020 is $nil (June 30, 2020 -$179,322) owing to officers and directors.

(Expressed in Canadian dollars)

10. BANK LOAN PAYABLE

The Company's US subsidiary, LLC., applied for and received a federal government small business administration bank loan under a program in support of relief from the Covid – 19 pandemic. The US government has indicated these loans will be forgiven if spent on qualified expenditures. However, the loan is still outstanding, the appropriate paperwork from the government has not yet been forwarded to the bank and, accordingly, the monies advanced have been recorded as a loan. The loan bears interest at 0.98% per annum.

11. CONVERTIBLE DEBENTURES PAYABLE

Effective March 31, 2020, the Company converted various loans totalling $489,322 and bearing interest at 10% per annum into debentures bearing interest at 15% per annum, secured by a lien on the hemp inventory and any revenue arising from its sale. The debentures were convertible into common shares at $0.40 per share and interest of $25,702 was recognized as an accrued liability at the time the debentures were issued. During the quarter subsequent to that time, management changed the term of the debentures so that interest was calculated at a flat 15% of the amount of the debenture. Furthermore, the investors were given the opportunity to roll the principal balance outstanding into a private placement offering at $0.20 per share. $75,000 of debentures was repaid in June 2020 and the balance was invested in the private place that closed subsequent to the year end. See *Note 20, Subsequent events*. Given that the terms of the debenture were significantly altered, the short-term nature of the loan, the effective interest rate of over 30% and the ultimate disposition of the debentures, no value was assigned to the conversion feature.

12. 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 two other contractual arrangement described in *Note 13(a) and (c) Commitments,* that relate to property leased for the cultivation of hemp. For the property in Oregon, USA, 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. For the property located in Cadiz, Spain, the Company utilized a discounted rate of 10% and a term of 5 years.

	September 30, 2020	June 30, 2020
Lease liability consists of		
Equipment leases	$ 124,990	$ 168,976
Agricultural property leases	1,211,600	1,232,314
	1,336,590	1,401,290
Less amounts due within one year	152,886	147,324
Long term portion	$ 1,183,704	$ 1,253,966

Future lease payments at September 30, 2020 are as follows:	
2021	$ 176,456
2022	189,223
2023	158,533
2024	132,217
2025	120,003
Thereafter,	1,311,047
Total lease payments	2,087,479
Less discount	$ 750,889
Principal balance of lease payments outstanding	$1,336,590

13. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 93,661,881 shares issued and outstanding as at September 30, 2020. The transactions giving rise to these shares during the three months were as follows:

- On August 24, 2020, 13,409,999 share units were issued at a price of $0.20 each for total gross proceeds of $2,682,000. Each unit comprised one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one additional share for a period of 12 months from the date of closing at a price of $0.25 per share. The Company paid finder's fees of $4,200 cash and issued 21,000 broker's warrants with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the warrants issued with the unit. The warrants were valued at $1,483 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used for the model were as follows: risk free interest rate – 0.25%, expected life – 1 years, dividend nil and annualized volatility – 111.22%.

At June 30, 2020, 80,251,882 shares were issued and outstanding. The transactions giving rise to these shares during year ended June 30, 2019 were as follows:

- 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 share units were issued at a price of $0.40 each for total gross proceeds of $55,000. Each unit comprised one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one additional share for a period of 24 months from the date of closing at a price of $0.60 per share. The Company paid finder's fees of $3,500 cash and issued 8,750 broker's warrants with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the warrants issued with the unit. The warrants were valued at $1,765 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used for the model were as follows: risk free interest rate – 1.67%, expected life – 2 years, dividend nil and annualized volatility – 162.6%.
- On February 26, 2020, 62,500 share units were issued at a price of $0.40 each for total gross proceeds of $25,000. Each unit comprised one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one additional share for a period of 24 months from the date of closing at a price of $0.60 per share. The Company paid finder's fees of $1,750 cash and issued 4,375 broker's warrants with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the warrants issued with the unit. The warrants were valued at $1,122 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used for the model were as follows: risk free interest rate – 1.37%, expected life – 2 years, dividend nil and annualized volatility – 146.6%.
- On May 19, 2020, as a result of the RTO agreement, (see Note 4) the Company issued 11,137,033 shares valued at $0.20 each, representing a gross value of $2,227,392. The Company issued 4,000,000 shares for finder's fees with respect to this transaction.
- On June 9, 2020, as a result of an option being exercised, the Company issued 800,000 shares at a price of $0.20 per share for cash proceeds of $160,000. The options were originally valued at $283,0120 and this amount was added to the value of the shares issued.

(Expressed in Canadian dollars)

Stock options

Upon approval of the Company's shareholders, the Company has adopted an incentive rolling stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan up to a maximum of 20% of the un-issued and outstanding shares of the Company at any time, less shares required to be reserved with respect to options granted by the Company prior to the implementation of the Plan. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the Exchange on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies.

The following stock options were granted in the past two years:

- 2,100,000 options were granted to directors and officers effective February 7, 2020. The option granted the recipient the right to purchase shares at a price of $0.20 for a period of 2 years. The cost of this grant as recorded in the statement of operations was $753,808 using the Black Scholes pricing model and inputs as follows: Expected life of warrants – 2 years; Annualized volatility – 127,7%; Risk-free interest rate – 1.34%; and, Dividend rate – 0%. The options vested upon grant. 800,000 of these options were exercised during the year.
- 400,000 options were granted to a consultant effective February 19, 2020. The option granted the recipient the right to purchase shares at a price of $0.20 for a period of 2 years. The cost of this grant as recorded in the statement of operations was $130,628 using the Black Scholes pricing model and inputs as follows: Expected life of warrants – 2 years; Annualized volatility – 117.27%; Risk-free interest rate – 1.36%; and, Dividend rate – 0%. The options vested upon grant.

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options which are fully transferable and freely traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. A summary of the status of the Company's outstanding stock options as at September 30, 2020 is as follows:

Options	Number of shares	Exercise price	Expiry Date
1,300	1,300	$0.20	February 7, 2022
400	400	$0.20	February 19, 2022
1,700	1,700		

The average remaining life of the options is 1.31 years

(Expressed in Canadian dollars)

Warrants

A summary of the status of the Company's outstanding warrants as at September 30, 2020 is as follows:

Warrants	Number of shares upon exercise	Exercise price	Expiry Date
86,400	86,400	$0.20	March 22, 2021
10,000	10,000	$0.20	May 1, 2021
77,500	77,500	$0.60	October 17, 2021
36,625	36,625	$0.60	February 26, 2022
13,430,999	13,430,999	$0.25	August 24, 2021
13,641,524	13,641,524	$0.25	

The weighted average life of the warrants is 0.88 years.
The following is a summary of warrant transactions for the period ended September 30, 2020 and June 30, 2020:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2019, exercisable and outstanding	94,400	$0.20
Issued with share units	100,000	$0.60
Granted to brokers	13,125	$0.60
Balance, June 30, 2020, exercisable and outstanding	209,525	$0.42
Issued with share units	13,409,999	$0.25
Granted to brokers	21,000	$0.25
Balance, September 30, 2020, exercisable	209,525	$0.42
Balance, September 30, 2020, outstanding	13,619,524	$0.25

14. COMMITMENTS

a) Upon the purchase of TSN, the Company took over a lease of 23 acres in Appleton Oregon at the rate of $48,000 US per year, paid annually at the beginning of each renewal period. Starting July 1, 2019, the Company recognized the lease as a right to own asset as the lease was renewable at the Company's option. In August, 2019, the lease was amended to include the use of buildings on the premises. Lease payments are now $6,242US per month.

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) Effective December 31, 2019, the Company leased property in Los Barrios, Spain that includes 9 hectares of irrigable land. The lease is for 5 years at €18,000 per year, increasing by 5% every year.

15. 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.

16. 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 September 30, 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.

(Expressed in Canadian dollars)

As at September 30, 2020, the Company had a cash balance of $800,795 (June 30, 2020 - $21,215) to settle current liabilities of $1,281,221 (June 30, 2020 - $2,200,421). So far, the Company's sole source of funding has been the issuance of equity securities. 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. The Canadian dollar equivalent of the amounts denominated in foreign currencies at June 30, 2020 and 2019 are as follows:

	USD	EUROS
September 30, 2020		
Financial assets	$ 7,866	$ 367
Financial liabilities	$ 1,849,625	$
June 30, 2020		
Financial assets	$ 1,288	$ 8,300
Financial liabilities	$ 2,227,397	$ 115,518

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.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three month period ended September 30, 2020, the significant non-cash transactions were as follows:

a) The Company purchased equipment on an instalment basis. As at September 30, 2020, $246,542 of the purchase price was unpaid and included in accounts payable ($251,884as at June 30, 2019).

b) Financing expenses of $1,483 were recognized on the issue of brokers’ warrants.

c) $414,322 in debentures was converted to common shares..

During the period ended September 30, 2019, the significant non-cash transactions were as follows:

a) The Company purchased equipment on an instalment basis. As at September 30, 2019, $507,191 of the purchase price was unpaid and included in accounts payable.

b) Seed inventory of $214,753 as of June 30, 2019 was capitalized to biological assets.

(Expressed in Canadian dollars)

18. SEGMENT INFORMATION

The Company has one reportable segment, being the cultivation and processing of hemp cannabidiol ("CBD") in the state of Oregon, USA and in Cadiz, Spain. The Company's non-current assets by geographic location for the years ended June 30, 2020 and 2019 are as follows:

September 30, 2020	Canada	USA	Spain
Building	$ -	$ 818,695	$ -
Equipment	802,034	192,167	-
Vehicle	-	39,684	-
Right to own assets	-	1,189,774	102,659
Goodwill	-	28,766	170,483
	$ 802,034	$ 2,269,085	$ 273,143

June 30, 2020	Canada	USA	Spain
Building	$ -	$ 838,838	$ -
Equipment	2,223	1,024,467	-
Vehicle	-	41,822	-
Right to own assets	-	1,248,481	106,897
Goodwill	-	204,151	-
	$ 2,223	$ 3,357,759	$ 106,897