CONSOLIDATED FINANCIAL STATEMENTS

SWEET EARTH HOLDINGS CORPORATION

SWEET
EARTH

Nine Months Ended March 31, 2021

(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)

		March 31, 2021	June 30.2020
ASSETS		$	$
Cash		191,256	21,215
Receivable		-	4,463
Inventory	5	2,160,064	2,347,173
Prepaid expenses and deposits		361,104	455,365
Total current assets		2,712,424	2,828,216
Non-current assets			
Plant and equipment		2,893,536	3,262,728
Goodwill	6	187,837	204,151
Total non-current assets		3,081,373	3,466,879
TOTAL ASSETS		5,793,797	6,295,095
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	1,075,713	1,448,858
Due to related parties	8	154,125	159,166
Bank loan payable	9	28,294	30,751
Convertible debentures payable	8, 11	-	414,322
Current portion of lease liability	12	108,349	147,324
Total current liabilities		1,366,481	2,200,421
Non-Current liabilities			
Lease liability	12	1,107,597	1,253,966
Total non-current liabilities		1,107,597	1,253,966
TOTAL LIABILIITES		2,474,078	3,454,387
SHARHOLDERS' EQUITY			
Share capital	13	11,892,567	7,747,603
Contributed surplus		637,707	615,173
Accumulated other comprehensive income (loss)		(164,515)	16,279
Accumulated deficit		(9,046,040)	(5,538,347)
TOTAL SHAREHOLDERS' EQUITY		3,319,719	2,840,708
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,793,797	6,295,095

Nature and continuance of operations (Note 1)
Commitments (Note 14)
Subsequent events (Note 19)

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)

		For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020	For the Nine Months Ended March 31, 2021	For the Nine Months Ended March 31, 2020
Operating Expenses		$	$	$	$
Depreciation		47,584	40,681	120,911	143,965
Interest on lease		21,516	16,101	53,470	43,586
Management supervision		40,331	30,153	99,623	76,360
Rent and operating eases		5,377	12,352	13,283	72,567
Repairs and maintenance		-	1,210	-	205,801
Seeds, fertilizers and nutrients		63,447	-	77,489	-
Utilities		7,614	34,303	37,391	149,702
Wages, salaries and contract labour		33,672	94,557	94,933	445,119
		219,543	229,357	497,102	1,137,100
Less amounts capitalized as biological asssets		-	(188,676)	-	(993,135)
Net realizable value of hemp biomass	5	219,543	40,681	497,102	143,965
Unrealized loss on growth of biological assets		219,543	40,681	497,102	143,965
Administrative Expenses					
Advertising and promotion		32,735	-	129,114	-
Consulting fees		103,464	26,239	278,177	449,590
Corporate development		-	4,438	-	180,321
Director fees	8	3,900	-	8,200	-
Management fees	8	54,765	78,075	165,015	274,781
Marketing and investor relations		967,636	10,225	1,792,169	66,262
Office and general		60,885	31,466	192,511	79,515
Professional fees		27,264	26,142	72,115	192,983
Share-based compensation		373,170	884,436	373,170	884,436
Travel		-	8	120	61,840
		1,623,819	1,060,759	3,010,591	2,189,728
Net loss for the period		3,507,693	(1,101,440)	3,507,693	(2,333,693)
Other comprehensive income (loss)					
Currency translation gain (loss)		164,515	-	164,515	-
Comprehensive loss for the year		(1,843,362)	(1,101,440)	3,672,208)	(2,333,693)
Basic and diluted loss per share		(0.02)	(0.02)	(0.04)	(0.04)
Weighted average number of shares outstanding		95,097,046	64,175,528	92,058,414	62,154,163

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	Debenture – equity portion	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 issued	7,499,103	1,539,821						1,539,821
Share issuing cost paid in cash		(5,250)						(5,250)
Share cost paid in warrants		(1,121)	1,121					-
Share-based compensation			884,436					884,436
Debenture – equity portion					4,803			4,803
Net loss and comprehensive loss for the period						(2,357,077)	23,384	(2,333,693)
Balance, March 31, 2020	64,314,849	5,125,927	896,427	15	4,803	(4,555,385)	-	1,471,787
Shares issued								
Share issue costs paid in shares	4,000,000							
Share issue costs paid in cash		(46,985)	-	-	-	-	-	(46,985)
Share costs paid in warrants		(1,766)	1,766	-	-	-	-	-
Shares issued on reverse takeover transaction	11,137,033	2,227,407		(15)				2,227,392
Share-based compensation			-					-
Shares issued on exercise of options	800,000	443,020	(283,020)					160,000
Debenture – equity portion					(4,803)			(4,803)
Net loss and comprehensive loss for the period						(982,962)	16,279	(966,683)
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 costs paid in warrants		(1,482)	1,482	-	-	-	-	-
Share issuing cost paid in cash		(4,202)		-	-	-	-	(4,202)
Shares issued on exercise of options	1,655,000	683,118	(352,118)	-	-	-	-	331,000
Shares issued on exercise of warrants	3,161,000	785,530		-	-	-	-	785,530
Share-based compensation	-	-	373,170	-	-	-	-	373,170
Net loss and comprehensive loss for the periodr	-	-	-	-	-	(3,507,693)	(180,794)	(3,688,487)
Balance, March 31, 2021	98,477,881	11,892,567	637,707	-	-	(9,046,040)	(164,515)	3,319,719

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 Nine Months Ended March 31, 2021	For the Nine Months Ended March 31, 2020
	$	$
Cash flows from (to) operating activities		
Net loss for the year	(3,507,693)	(2,333,693)
Items not affecting cash		
Depreciation	115,033	143,965
Share-based compensation	373,170	884,436
Interest on lease	53,470	45,586
Changes in non-cash working capital items		
Due from or to related parties	(5,041)	260,377
Accounts receivable	4,463	-
Inventory	-	(1,180,916)
Prepaid expenses and deposits	94,261	5,996
Accounts payable and accrued liabilities	(311,533)	316,142
	(3,183,870)	(1,858,107)
Cash flows to investing activities		
Equipment purchases	-	(679,996)
	-	(679,996)
Cash flows from (to) financing activities		
Common shares issued for cash, net of cash issuing costs	2,263,478	1,534,571
Common shares issued for options exercised	331,000	-
Common shares issued for warrants exercised	785,530	-
Loans from related party	-	124,322
Loans payable	-	590,000
Lease payments	(167,791)	(43,261)
	3,212,217	2,205,632
Effect of foreign exchange rate changes on cash	141,693	-
Change in cash for the period	170,040	(332,471)
Cash, beginning of period	21,215	352,004
Cash, end of period	191,255	19,533

Supplemental disclosure with respect to cash flows (Note 17)

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 Nine month period ended March 31, 2021, the Company incurred a loss of $3,507,693 (2019 **-** $1,241,265) and had an accumulated deficit of $9,046,040 (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 May 31, 2021

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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:

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.

(Expressed in Canadian dollars)

4. REVERSE TAKEOVER TRANSACTION ("RT0") (cont'd)

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

	March 31, 2021	June 30, 2020
Hemp biomass	$ 2,148,969	$ 2,335,617
Seeds	11,095	11,556
	$ 2,160,064	$ 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.

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.

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	June 30,2020
Accounts payable	$ 829,603	$ 1,033,941
Accrued liabilities	240,536	331,619
Payroll liabilities	5,574	36,798
Interest on debentures payable	-	46,500
	$ 1,075,713	$ 1,448,858

8. RELATED PARTY BALANCES AND TRANSACTIONS

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:

	For the nine month period ended March 31, 2021	For the nine month period ended March 31, 2020
CEO and director	$ 94,500	$138,271
CFO and director	70,875	97,750
Directors	8,200	77,892
Total	$165,375	$313,913

Payable to related parties for fees at March 31, 2021 is $154,125 (June 30, 2020 - $159,166).
Included in Convertible Debentures Payable at March 31, 2021 is $nil (June 30, 2020 -$179,322) owing to officers and directors.

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. 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.

(Expressed in Canadian dollars)

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.

		March 31, 2021		June 30, 2020
Lease liability consists of				
Equipment leases	$	115,493	$	168,976
Agricultural property leases		1,100,452		1,232,314
		1,215,946		1,401,290
Less amounts due within one year		108,349		147,324
Long term portion	$	1,107,597	$	1,253,966

Future lease payments at March 31, 2021 are as follows:

2021	$	49,178
2022		159299
2023		139,876
2024		123,756
2025		113,008
Thereafter,		1,330,583
Total lease payments		1,915,700
Less discount		699,754
Principal balance of lease payments outstanding	$	1,215,946

13. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 98,471,281 shares issued and outstanding as at March 31, 2021. The transactions giving rise to these shares during the nine 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 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%.

13. SHARE CAPITAL (CONT'D)

- .During the nine months ended March 31, 2021, the Company issued 1,655,000 shares for options exercised at a price of $0.20 per share for cash proceeds of $331,000. The options were originally valued at $352,118 and this amount was added to the value of the shares issued.
- During the nine months ended March 31, 2021, the Company issued 96,400 shares for warrants exercised at a price of $0.20 per share for cash proceeds of $19,280.
- During the nine months ended March 31, 2021, the Company issued 766,250 shares for warrants exercised at a price of $0.25 per share for cash proceeds of $766,250

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.

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.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONT'D)

Stock options (cont'd)

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 – 5 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 5 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.
- 1,945,000 options were granted to a consultants effective July 1, 2020. The option granted the recipient the right to purchase shares at a price of $0.20 for a period of 5 years. The cost of this grant as recorded in the statement of operations was $373,170 using the Black Scholes pricing model and inputs as follows: Expected life of warrants – 5 years; Annualized volatility – 120%; Risk-free interest rate – 0.38%; 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 March 31, 2021 is as follows:

	March 31, 2020, 2021		**June 30, 2020**	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period/year	1,700,000	$ 0.25	-	$ -
Granted	1,945,000	0.20	2,500,000	0.23
Exercised	(1,655,000)	(0.20)	(800,000)	(0.20)
Outstanding, end of the period/year	1,990,000	$ 0.24	1,700,000	$ 0.25

The following stock options were outstanding and exercisable at March 31, 2021:

Number of options outstanding	**Number of options exercisable**	**Exercise price ($)**	**Expiry date**
1,070,000	1,070,000	0.20	February 7, 2025
400,000	400,000	0.40	February 19, 2025
520,000	520,000	0.20	July 1, 2025
1,990,000	1,990,000		

The average remaining life of the options is 3.97 years

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONT'D)

Warrants

A summary of the status of the Company's outstanding warrants as at March 31, 2021 is as follows:

Warrants	Number of shares upon exercise	Exercise price	Expiry Date
77,500	77,500	$0.60	October 17, 2021
35,625	35,625	$0.60	February 26, 2022
10,365,999	10,365,999	$0.25	August 24, 2021
10,479,124	10,479,124		

The weighted average life of the warrants is 0.3 years.

The following is a summary of warrant transactions for the period ended March 31, 2021 and June 30, 2020:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2019, exercisable and outstanding	96,400	$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
Exercised	(3,161,400)	$0.25
Balance, March 31, 2021, exercisable and outstanding	10,479,124	$0.42

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 March 31, 2021, 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, 2021, the Company had a cash balance of $191,256 (June 30, 2020 - $21,215) to settle current liabilities of $1,366,480 (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.

(Expressed in Canadian dollars)

16. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risks (cont'd)

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 March 31, 2021and June 30, 2020 are as follows:

	USD	EUROS
March 31, 2021		
Financial assets	$ 9,084	$ -
Financial liabilities	$ 1,802,783	$ 8,674
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 nine month period ended March 31, 2021, the significant non-cash transactions were as follows:

a) The Company purchased equipment on an instalment basis. As at March 31, 2021, $232,432 of the purchase price was unpaid and included in accounts payable ($251,884 as at June 30, 2019).

b) Financing expenses of $1,482 were recognized on the issue of brokers' warrants.

c) In connection with the exercise of options, $352,118 was transferred from reserves to share capital.

d) The Company settled convertible debentures $414,322 through issuance of shares.

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) Certain items originating from the Company's subsidiary have been affected by translation.

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(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 March 31, 2021 and June 30, 2020 are as follows:

March 31, 2021	**Canada**	**USA**	**Spain**
Building	$ -	$ 771,803	$ -
Equipment	759,053	172,021	-
Vehicle	-	35,273	-
Right to own assets	-	1,069,857	85,529
Goodwill	-	27,118	160,719
	$ 759,053	$ 2,076,072	$ 246,247

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

19. SUBSEQUENT EVENTS

Subsequent to the quarter, common shares were issued for 1,420,000 warrants exercised at $0.20 for total proceeds of $284,000.