CONSOLIDATED FINANCIAL STATEMENTS

SWEET EARTH HOLDINGS CORPORATION

SWEET
EARTH

YEAR ENDED JUNE 30, 2022

(Expressed in Canadian dollars)

S H I M

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sweet Earth Holdings Corporation

Opinion
We have audited the accompanying consolidated financial statements of Sweet Earth Holdings Corporation (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The consolidated financial statements of the Company as at, and for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2021.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, included in Management's Discussion and Analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dong H. Shim.

"SHIM & Associates LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
October 28, 2022

SWEET EARTH HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at June 30, 2022 and 2021

		June 30, 2022	June 30, 2021
ASSETS		$	$
Cash		134,597	84,830
Receivables		3,644	42,505
Inventory	4	39,843	53,935
Prepaid expenses and deposits		66,566	20,108
Total current assets		244,650	201,378
Non-current assets			
Property and equipment	6	1,038,802	2,797,895
Goodwill	5	-	185,133
Total non-current assets		1,038,802	2,983,028
TOTAL ASSETS		1,283,452	3,184,406
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	917,892	966,561
Due to related parties	12	93,163	135,875
Bank loan payable	8	-	27,887
Current portion of lease liability	9	120,323	108,568
Total current liabilities		1,131,378	1,238,891
Non-current liabilities			
Lease liability	9	992,414	1,064,553
Total non-current liabilities		992,414	1,064,553
TOTAL LIABILIITES		2,123,792	2,303,444
SHARHOLDERS' EQUITY			
Share capital	10	13,495,891	12,291,184
Contributed surplus		903,062	639,254
Subscriptions received		-	55,000
Accumulated other comprehensive loss		(101,675)	(113,737)
Accumulated deficit		(15,137,618)	(11,990,739)
TOTAL SHAREHOLDERS' EQUITY		(840,340)	880,962
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,283,452	3,184,406

Nature and continuance of operations (Note 1)
Commitments (Note 11)

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
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the years ended June 30, 2022 and 2021

		Year Ended June 30, 2022	Year Ended June 30, 2021
		$	$
Sales		88,116	200,725
Cost of sales		(49,675)	(93,167)
Gross profit		38,441	107,558
Operating Expenses			
Depreciation		232,952	248,366
Interest on lease		66,531	61,685
Rent and operating leases		-	33,479
Expense recovery		-	(10,458)
Repairs and maintenance		-	11,529
Seeds, fertilizers and nutrients		-	13,116
Utilities		24,304	46,072
Wages, salaries, and contract labour		3,184	10,488
Operating costs		(326,971)	(414,277)
Administrative Expenses			
Advertising and promotion		16,111	135,883
Consulting fees	12	216,892	364,778
Interest on debentures and loans		-	26,386
Management fees	12	220,500	220,500
Marketing and investor relations		131,132	2,518,963
Office and general		107,390	81,633
Professional fees		100,429	107,384
Rent		-	9,358
Share-based compensation	10	263,808	393,332
Travel		9,157	1,314
		(1,065,419)	(3,859,531)
Loss before other items		(1,353,949)	(4,166,250)
Other items			
Write-down of inventory		(10,719)	(751,507)
Write-down of goodwill	5	(189,091)	-
Write-down of property and equipment	6	(1,621,603)	-
Bank loan forgiven	8	28,483	-
Net loss for the year		(3,146,879)	(4,917,757)
Other comprehensive income (loss)			
Currency translation gain (loss)		12,062	(130,016)
Comprehensive loss for the year		(3,134,817)	(5,047,773)
Basic and diluted loss per share		(0.14)	(0.39)
Weighted average number of shares outstanding		21,713,052	12,994,765

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

SWEET EARTH HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUIITY
(Expressed in Canadian dollars)
For the years ended June 30, 2022 and 2021

	Number of shares	Share capital	Reserves	Obligation to issue shares/ Subscriptions Received	Accumulated Deficit	Other Accumulated Comprehensive Income (Loss)	Shareholders' Equity (Deficiency)
Balance, June 30, 2020	16,050,369	7,747,603	615,173	-	(7,072,982)	16,279	1,306,073
Shares issue at $1.00/share	2,682,000	2,682,000	-	-	-	-	2,682,000
Shares issued on exercise of options	331,000	701,735	(370,735)	-	-	-	331,000
Share issuing costs paid in warrants	-	(1,484)	1,484	-	-	-	-
Share issuing cost paid in cash	-	(4,200)	-	-	-	-	(4,202)
Shares issued on exercise of warrants	936,280	1,165,530	-	-	-	-	1,165530
Share-based compensation	-	-	393,332	-	-	-	393,332
Share subscriptions received in advance	-	-	-	55,000	-	-	55,000
Net loss and comprehensive loss for the year	-	-	-	-	(4,917,757)	(130,016)	(5,047,773)
Balance, June 30, 2021	19,999,649	12,291,184	639,254	55,000	(11,990,739)	(113,737)	880,962
	-	-	-		-	-	
Shares issued at $0.50/share	2,424,000	1,212,000	-	(55,000)	-	-	1,157,000
Share issue costs		(7,293)	-	-	-	-	(7,293)
Share-based compensation	-	-	263,808	-	-	-	263,808
Net loss and comprehensive loss for the year	-	-	-	-	(3,146,879)	12,062	(3,134,817)
Balance, June 30, 2022	22,423,649	13,495,891	903,062	-	(15,137,618)	(101,675)	(609,379)

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

SWEET EARTH HOLDINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended June 30, 2022 and 2021

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
	$	$
Cash flows to operating activities		
Net loss for the year	(3,146,879)	(4,917,757)
Items not affecting cash		
Share-based compensation	263,808	393,332
Depreciation	232,952	248,366
Interest on lease	66,531	71,905
Loan forgiven	(28,483)	-
Loss on write-down of inventory	10,719	751,507
Loss on write-down of goodwill	189,091	-
Loss on write-down of property and equipment	1,621,603	-
Changes in non-cash working capital items		
Receivables	38,861	(38,042)
Due from or to related parties	(42,712)	(23,291)
Inventory	3,373	(42,378)
Prepaid expenses and deposits	(46,458)	435,257
Accounts payable and accrued liabilities	(48,669)	(448,542)
	(863,849)	(3,569,643)
Cash flows to investing activities		
Purchase of property and equipment	(19,155)	-
	(19,155)	-
Cash flows from financing activities		
Common shares issued for cash, net of cash issuing costs	1,149,707	2,263,800
Common shares issued for options exercised	-	331,000
Common shares issued for warrants exercised	-	1,165,530
Cash received on shares not issued	-	55,000
Lease payments	(118,428)	(170,542)
	1,031,279	3,644,788
Effect of foreign exchange rate changes on cash	(76,094)	(11,530)
Change in cash for the year	49,767	63,615
Cash, beginning of year	84,830	21,215
Cash, end of year	134,597	84,830

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these 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 British 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., and the effective as that date became a listed entity on the Canadian Securities Exchange ("CSE") under the ticker symbol SE.

These consolidated 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 year ended June 30, 2022, the Company incurred a loss of $3,146,879 (2021 - $4,917,757) and had an accumulated deficit of $15,137,618 (2021 - $11,990,739) These consolidated 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 consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of June 30, 2022.

The consolidated 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 October 28, 2022.

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. A fourth subsidiary company, Sweet Earth Colombia S.A.S was incorporated in Colombia, but to date, has had no operations.

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").

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

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 Black-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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Property 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. Property and equipment are 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.

Inventories

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.

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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Impairment of assets - (cont'd)

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.

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.

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.

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.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Prior period adjustments

When changes in accounting policies and correction of errors arise, the Company, where practical, restates previous year's results to reflect these changes. A revision to previous estimates is treated prospectively by including the adjustment in current operations. However, a change in the measurement basis applied in determining an estimate is treated as a change in accounting policy, not a change in accounting measurement.

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, 2022. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. INVENTORY

	June 30, 2022 $	June 30, 2021 $
Hemp seeds	-	11,050
Finished goods inventory	39,843	42,885
	39,843	53,935

5. 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.

During the year ended June 30, 2022, the Company recorded a foreign currency translation adjustment of $3,958 related to the goodwill and wrote-off $189,091.

(Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Building $	Computer $	Equipment $	Vehicle $	Leasehold Improvements $	Right to Use Assets $	Total $
Costs							
Balance, June 30, 2020	838,838	2,470	1,137,558	46,469	-	1,536,189	3,561,524
Additions	-	-	-	-	-	-	-
Foreign currency translation	(78,140)	-	(21,189)	(4,329)	-	(137,243)	(240,905)
Balance, June 30, 2021	760,694	2,470	1,116,369	42,140	-	1,398,946	3,320,619
Additions	-	-	-	-	19,155	22,414	41,569
Impairment	(776,959)	-	(1,120,779)	(43,041)	-	-	(1,940,779)
Foreign currency translation	16,265	-	4,410	901	-	41,506	63,082
Balance, June 30, 2022	-	2,470	-	-	19,155	1,462,866	1,484,491
Depreciation							
Balance, June 30, 2020	-	247	113,091	4,647	-	180,811	298,796
Additions	-	824	112,350	4,360	-	130,831	248,365
Translation	-	-	(3,099)	(579)	-	(20,759)	(24,437)
Balance, June 30, 2021	-	1,071	222,342	8,428	-	290,883	522,724
Additions	-	823	84,060	3,228	4,789	140,052	232,952
Impairment	-	-	(307,340)	(11,836)	-	-	(319,176)
Foreign currency translation	-	-	938	180	-	8,071	9,189
Balance, June 30, 2022	-	1,894	-	-	4,789	439,006	445,689
Net Book Value, June 30, 2021	760,694	1,399	894,027	33,712	-	1,108,063	2,797,895
Net Book Value, June 30, 2022	-	576	-	-	14,366	1,023,860	1,038,802

On June 30, 2022, the Company decided to write down the value of building, equipment and vehicles no longer in use. The net book value of assets written down was $1,621,603 (2021 – $nil).

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022	June 30, 2021
	$	$
Accounts payable	637,725	716,485
Accrued liabilities	280,167	250,076
	917,892	966,561

8. 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. On July 29, 2021, LLC received notice from the US Small Business Association that the loan has been forgiven and that no amount is owing.

9. 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 other contractual arrangement described in *Note 11 Commitments*. 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.

	June 30, 2022	June 30, 2021
	$	$
Lease liability consists of		
Equipment leases	50,071	88,570
Office leases	14,112	-
Agricultural property leases	1,048,554	1,084,551
	1,112,737	1,173,121
Less amounts due within one year	120,323	108,367
Long term portion	992,414	1,064,754

Future lease payments at June 30, 2022 are as follows:

	$
2023	184,205
2024	129,571
2025	111,303
2026	96,571
Thereafter,	1,232,541
Total lease payments	1,754,191
Less imputed interest	(641,454)
Total	1,112,737

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 22,423,649 shares issued and outstanding as at June 30, 2022. The transactions giving rise to these shares during the year from July 1, 2021 to June 30, 2022 were as follows:

- On October 15, 2021, 2,424,000 share units were issued at a price of $0.50 each for total gross proceeds of $1,212,000. 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 36 months from the date of closing at a price of $0.625 per share. The Company incurred share issue costs of $7,293.

The transactions giving rise to these shares during the year from July 1, 2020 to June 30, 2021 were as follows:

- On August 24, 2020, 2,682,000 share units were issued at a price of $1.00 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 $1.25 per share. The Company paid finder's fees of $4,200 cash and issued 4,200 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 $1,484 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%.
- During the year ended June 30, 2021, the Company issued 331,000 shares for options exercised at a price of $1.00 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 year ended June 30, 2021, the Company issued 19,280 shares for warrants exercised at a price of $1.00 per share for cash proceeds of $19,280.
- During the year ended June 30, 2021, the Company issued 917,000 shares for warrants exercised at a price of $1.25 per share for cash proceeds of $1,146,250

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)

10. SHARE CAPITAL – (CONT'D)

Stock Options (cont'd)

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

- 575,000 options were granted to directors and officers effective October 15, 2021. The option granted the recipient the right to purchase shares at a price of $0.50 for a period of 5 years. The cost of this grant as recorded in the statement of operations was $263,808 using the Black Scholes pricing model and inputs as follows: Expected life of options – 5 years; Annualized volatility – 154.06% Risk-free interest rate – .1.23%; and Dividend rate – 0%. The options vested upon grant.

- 389,000 options were granted to directors and officers effective July 1, 2020. The option granted the recipient the right to purchase shares at a price of $1.00 for a period of 5 years. The cost of this grant as recorded in the statement of operations was $393,332 using the Black Scholes pricing model and inputs as follows: Expected life of options – 5 years; Annualized volatility – 135.13% Risk-free interest rate – .38%; and Dividend rate – 0%. The options vested upon grant. 285,000 of these options were exercised during the year ended June 30, 2021.

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 June 30, 2022 is as follows:

Options	Number of shares	Exercise price	Expiry Date
25,000	25,000	$1.00	July 1, 2025
495,000	495,000	$0.50	October 15, 2027
520,000	520,000		

The average remaining life of the options is 4.2 years

The following is a summary of stock options transactions for the year ended June 30, 2022 and year ended June 30, 2021:

	Options Outstanding	Weighted Average Exercise Price
Balance, June 30, 2020, exercisable and outstanding	340,000	$ 1.25
Issued	389,000	$ 1.00
Exercised	(331,000)	$ 1.00
Balance, June 30, 2021, exercisable and outstanding	398,000	$ 1.00
Issued	575,000	$ 0.50
Cancelled	(453,000)	$ 1.09
Balance, June 30, 2022, exercisable and outstanding	520,000	$ 0.52

(Expressed in Canadian dollars)

10. SHARE CAPITAL – (CONT'D)

Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 2022 is as follows:

Warrants	Number of shares upon exercise	Exercise price	Expiry Date
2,424,000	2,424,000	$0.625	October 15, 2024

The weighted average life of the warrants is 2.3 years.

The following is a summary of warrant transactions for the year ended June 30, 2022 and the year ended June 30, 2021:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2020	41,905	$2.10
Issued with share units	2,682,000	$1.25
Granted to brokers	4,200	$1.25
Exercised	(19,280)	$1.00
Exercised	(917,000)	$1 25
Balance, June 30, 2021	1,791,825	$1.25
Issued	2,424,000	$0.625
Expired	(1,791,825)	$1.25
Balance, June 30, 2022	2,424,000	$0.625

Restricted Share Unit

The Company adopted a rolling restricted share unit plan (the "RSU Plan") effective November 18, 2021, to allow the Board, or an appointed committee of the Board, to grant restricted share units (the "Share Units") convertible to common shares to the Company's directors, officers, employees, or employees of any subsidiaries of the Company, or to any eligible consultants, or any eligible consultant companies, to a maximum of the number of common shares equal to 10% of the shares issued and outstanding from time to time.

At June 30, 2022, the Company did not have any Share Units issued and outstanding.

11. 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-use 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 $6,242 US 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. The lease has been recorded as a right-to-use asset.

(Expressed in Canadian dollars)

11. COMMITMENTS – (CONT'D)

d) Effective July 1, 2021, the Company leased office space in Vancouver, BC. The lease is for 30 months at $848 per month. The lease has been recorded as a right-to-use asset.

12. RELATED PARTY

The Company considers officers and members of the Board of Directors as related parties. Key Management costs for the year ended June 30, 2022 is $333,551 (2021 - $255,773). Payments and accruals were made to the following officers and directors, or to companies controlled by these officers and directors:

	For the Year Ended	
	June 30, 2022	June 30, 2021
	$	$
Management fees to CEO and director	126,000	126,000
Management fees to CFO and director	94,500	94,500
Consulting fees to directors	-	15,050
Share based compensation	113,051	20,223
Total	333,551	255,773

Due to related parties represents fees due to officers and directors at June 30, 2022 of $93,163 (June 30, 2021 – $135,875). The amounts are non-interest bearing, due on demand and bear no specific terms of repayment.

13. 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.

14. FINANCIAL RISK MANAGEMENT

International Financial Reporting Standards 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).

(Expressed in Canadian dollars)

14. FINANCIAL RISK MANAGEMENT – (CONT'D)

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 June 30, 2022, 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 June 30, 2022, the Company had a cash balance of $134,597 (June 30, 2021 - $84,830) to settle current liabilities of $1,131,378 (June 30, 2021 - $1,238,891). 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, 2022 and June 30, 2021 are as follows:

	USD	EUROS
June 30, 2021	$	$
Financial assets	2,907	8,009
Financial liabilities	1,617,142	18,054
June 30, 2022		
Financial assets	8,038	5,940
Financial Liabilities	1,445,982	107,241

(Expressed in Canadian dollars)

14. FINANCIAL RISK MANAGEMENT – (CONT'D)

Financial risks – (cont'd)

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.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended June 30, 2022, the significant non-cash transactions were as follows:

a) Property and equipment additions of $22,414 are included in lease liability.

During the year ended June 30, 2021, the significant non-cash transactions were as follows:

a) Financing expenses of $1,484 were recognized on the issue of brokers' warrants.

b) In connection with the exercise of options, $370,735 was transferred from reserves to share capital.

c) The Company settled convertible debentures $414,000 through issuance of shares.

16. SEGMENT INFORMATION

For the year ended June 30, 2022, the Company has one reportable segment, being the sale of hemp pre-roll and skin care products. In 2022, the Company had 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 year ended June 30, 2022 and year ended June 30, 2021 are as follows:

June 30, 2022	Canada $	USA $	Spain $
Building	-	-	-
Equipment	576	-	-
Leasehold improvements	14,366	-	-
Vehicle	-	-	-
Right-to-use assets	13,448	958,384	52,028
Goodwill	-	-	-
	28,390	958,384	52,028

June 30, 2021	Canada $	USA $	Spain $
Building	-	760,694	-
Equipment	733,014	162,412	-
Vehicle	-	33,712	-
Right-to-use assets	-	1,028,561	79,502
Goodwill	-	185,133	
	733,014	2,170,512	79,502

(Expressed in Canadian dollars)

17. INCOME TAXES

Income tax reconciliation

The Company's income tax provision differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 27% to the net loss before income taxes as follows:

,

	June 30, 2022	June 30, 2021
	$	$
Net loss for the year	(3,146,879)	(4,917,757)
Expected income tax recovery	(850,000)	(1,328,000)
Impact of different foreign statutory rates on earnings of subsidiaries	85,000	(17,000)
Non-deductible expenditures and other differences	126,200	97,000
Share issue cost and other deductions	(2,000)	(61,000)
Increase in unrecognized tax benefits	640,800	1,309,000
Income tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
		$
Canada		
Share issue costs	109,000	169,000
Equipment	247,000	48,000
Non-capital losses	2,551,000	2,294,000
USA		
Non-capital losses	600,000	580,000
Equipment	223,000	22,000
Spain		
Non-capital losses	22,000	18,000
Total deferred tax assets	3,752,000	3,111,200
Deferred tax assets not recognized	(3,752,000)	(3,111,200)
	-	-

(Expressed in Canadian dollars)

17. INCOME TAXES – (CONT'D)

As at June 30, 2022, the Company has Canadian accumulated a non-capital loss for income tax purposes of approximately $8,498,000 that may be applied to reduce future taxable income for Canadian income tax purposes.

The losses expire as follows:

Year	$
2039	1,441,000
2040	3,447,000
2041	3,610,000
2042	952,000

As at June 30, 2022, the Company has a USA accumulated non-capital loss for income tax purposes of approximately $2,856,000 that may be applied to reduce future taxable income for USA income tax purposes. The loss has no expiry date.

The Company's Spanish subsidiary has a tax loss of approximately $106,000 that may be carried forward indefinitely.