CONSOLIDATED FINANCIAL STATEMENTS

SWEET EARTH HOLDINGS CORPORATION

YEAR ENDED JUNE 30, 2023

(Expressed in Canadian dollars)

SHIM

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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, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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, 2023 and 2022, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audits 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.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended June 30, 2023. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

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
November 22, 2023

SWEET EARTH HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2023 and 2022
(Expressed in Canadian dollars)

		June 30, 2023	June 30, 2022
ASSETS		$	$
Cash		155,048	134,597
Receivables		-	3,644
Inventory	4	-	39,843
Prepaid expenses and deposits		-	66,566
Total current assets		155,048	244,650
Non-current assets			
Property and equipment	6	12,464	1,038,802
TOTAL ASSETS		167,512	1,283,452
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	603,358	917,892
Due to related parties	11	7,500	93,163
Loan payable	8	25,000	-
Current portion of lease liabilities	9	4,940	120,323
Total current liabilities		640,798	1,131,378
Non-current liabilities			
Lease liabilities	9	-	992,414
TOTAL LIABILIITES		640,798	2,123,792
SHARHOLDERS' DEFICIENCY			
Share capital	10	13,995,891	13,495,891
Contributed surplus		903,062	903,062
Accumulated other comprehensive loss		(116,755)	(101,675)
Accumulated deficit		(15,255,484)	(15,137,618)
TOTAL SHAREHOLDERS' DEFICIENCY		(473,286)	(840,340)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		167,512	1,283,452

Nature and continuance of operations (Note 1)
Contingency (Note 17)

On behalf of the Board:

"Robert Dubeau" *"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
For the years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

		Year Ended June 30, 2023	Year Ended June 30, 2022
		$	$
Sales		42,254	88,116
Cost of sales		(11,954)	(66,157)
Gross profit		30,300	21,959
Operating Expenses			
Depreciation	6	117,311	232,952
Interest on lease		44,074	66,531
Repairs and maintenance		670	-
Utilities		25,080	24,304
Wages and Salaries		-	3,184
		187,135	326,971
Administrative Expenses			
Advertising and promotion		-	16,111
Consulting fees		101,983	216,892
Management fees	11	35,360	220,500
Marketing and investor relations		22,310	131,132
Office and general		102,310	90,908
Professional fees		77,093	100,429
Share based compensation	10	-	263,808
Travel		5,895	9,157
		344,951	1,048,937
Loss before other items		(501,786)	(1,353,949)
Other items			
Loss on impairment of inventory	4	(41,424)	(10,719)
Loss on impairment of goodwill	5	-	(189,091)
Loss on impairment of property and equipment	6	(905,253)	(1,621,603)
Gain on termination of lease liabilities	9	998,599	-
Gain on extinguishment of accounts payable	7	264,060	-
Gain on deconsolidation of a subsidiary		67,938	-
Bank loan forgiven		-	28,483
Net loss for the year		(117,866)	(3,146,879)
Other comprehensive income (loss)			
Currency translation gain (loss)		(15,080)	12,062
Comprehensive loss for the year		(132,946)	(3,134,817)
Basic and diluted loss per share		(0.04)	(1.16)
Weighted average number of shares outstanding		3,296,092	2,714,131

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

SWEET EARTH HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	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, 2021	2,499,941	12,291,184	639,254	55,000	(11,990,739)	(113,737)	880,962
	-	-	-		-	-	
Shares issued for cash	303,000	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	2,802,941	13,495,891	903,062	-	(15,137,618)	(101,675)	(840,340)
Shares issued for cash	10,000,000	500,000	-		-	-	500,000
Net loss and comprehensive loss for the year	-	-	-	-	(117,866)	(15,080)	(132,946)
Balance, June 30, 2023	12,802,941	13,995,891	903,062	-	(15,255,484)	(116,755)	(473,286)

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

SWEET EARTH HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Year Ended June 30, 2023	Year Ended June 30, 2022
	$	$
Cash flows to operating activities		
Net loss for the year	(117,866)	(3,146,879)
Items not affecting cash		
Share based compensation	-	263,808
Depreciation	117,311	232,952
Interest on lease	44,074	66,531
Accrued interest	16,544	-
Loan forgiven	-	(28,483)
Loss on impairment of inventory	41,424	10,719
Loss on impairment of goodwill	-	189,091
Loss on impairment of property and equipment	905,253	1,621,603
Gain on termination of lease liabilities	(998,599)	-
Gain on extinguishment of accounts payable	(264,060)	-
Gain on deconsolidation of a subsidiary	(67,938)	-
Changes in non-cash working capital items		
Receivables	(543)	38,861
Due from or to related parties	(85,663)	(42,712)
Inventory	-	3,373
Prepaid expenses and deposits	66,566	(46,458)
Accounts payable and accrued liabilities	(148,207)	(48,669)
	(491,704)	(886,263)
Cash flows from investing activities		
Purchase of property and equipment	-	(19,155)
	-	(19,155)
Cash flows from financing activities		
Cash received from issuance of shares	500,000	1,149,707
Loan received	25,000	-
Lease payments	-	(118,428)
	525,000	1,031,279
Effect of foreign exchange rate changes on cash	(12,845)	(76,094)
Change in cash for the year	20,451	49,767
Cash, beginning of year	134,597	84,830
Cash, end of year	155,048	134,597

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. SE Spain was dissolved on December 28, 2022.

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, 2023, the Company incurred a loss of $117,866 (2022 - $3,146,879) and had an accumulated deficit of $15,255,484 (June 30, 2022 - $15,137,618). 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, 2023.

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 November 22, 2023.

Basis of consolidation

These consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, (Note 1) 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. SE Spain was dissolved on December 28, 2022, and, as a result, was deconsolidated as of December 28, 2022, resulting in a gain of $67,938. 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 consolidated 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 consolidated 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. The functional currency of SE Spain was Euro.

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

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

d) *Fair value of share-based payments*

The fair value of share-based payments is calculated using a 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.

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

e) *Leases*

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

f) 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.

Revenue Recognition

The Company provided its customers with skin care products and pre-roll through three online ordering platforms. Revenue from provision of the above products are measured by applying the five steps below:

1) Establishing a price for products for sale online;
2) Customers use online website to place order for products;
3) Order processed and paid for online using a payment processing platform;
4) Payment to Company is sent when goods are shipped; and
5) Revenue is recognized when the Company receives deposit of funds in bank account. Revenue is recognized from the sale of products that depicts the transfer of the goods to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those products.

Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees, and others providing similar service.

The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed.

The movement in cumulative expense is recognized in the consolidated statement of income with a corresponding entry within equity, against the reserve for equity settled share-based transactions.

Inventories

Inventory is measured at the lower of cost or net realizable value on the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Foreign current translation

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

The functional currency of the Company's wholly owned subsidiaries is 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.

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 instruments (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, loan payable at amortized cost.

Provisions

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

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

Impairment of assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

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.

Prior year reclassification

Certain costs for the prior year ended June 30, 2022 have been reclassified as cost of sales to conform to the current year presentation.

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, 2023. It does not expect the impact on the financial statements to be material, although additional disclosure may be required.

4. INVENTORY

Finished goods inventory at June 30, 2023 was $nil (June 30, 2022 - $39,843). During the year ended June 30, 2023, the Company recorded a foreign currency translation adjustment of $1,581 related to inventory and wrote-off of $41,424 (2022 - $10,719).

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, 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
Impairment	-	-	-	-	-	(1,389,392)	(1,389,392)
Deconsolidation of SE Spain	-	-	-	-	-	(111,427)	(111,427)
Foreign currency translation	-	-	-	-	-	60,367	60,367
Balance, June 30, 2023	-	2,470	-	-	19,155	22,414	44,039
Depreciation							
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
Additions	-	576	-	-	6,385	110,350	117,311
Impairment	-	-	-	-	-	(484,139)	(484,139)
Deconsolidation of SE Spain					-	(66,676)	(66,676)
Foreign currency translation	-	-	-	-	-	19,390	19,390
Balance, June 30, 2023	-	2,470	-	-	11,174	17,931	31,575
Net Book Value, June 30, 2022	-	576	-	-	14,366	1,023,860	1,038,802
Net Book Value, June 30, 2023	-	-	-	-	7,981	4,483	12,464

On June 30, 2023 and 2022, the Company decided to write down the value of building, equipment, vehicles and the right-to-use assets no longer in use. The net book value of assets written down was $905,253 (2022 - $1,621,603).

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2023	June 30, 2022
	$	$
Accounts payable	530,879	637,725
Accrued liabilities	72,479	280,167
	603,358	917,892

During the year ended June 30, 2023, the Company recognized a gain on the extinguishment of accounts payable of $264,060 (2022 - $nil).

8. LOAN PAYABLE

On April 10, 2023, the Company entered into an agreement with Commodity Partners Inc. for a loan of $25,000. The funds were advanced on April 14, 2023. The loan is non-interest bearing, due on demand and bears no specific terms of repayment.

9. LEASE LIABILITIES

b) Equipment leases

The Company 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 and the leases ended in May 2023.

Agricultural leases

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 2019, the terms of the lease were amended and treated as a new lease as the terms and scope were both changed and on December 19, 2022, two months notice was given to terminate the lease in February 2023. As result, the Company recorded a gain on termination of lease liabilities of $998,599.

Property located in Cadiz, Spain, the Company entered into a lease on January 1, 2020, for a term of 5 years. A discounted rate of 10% was used to determine the value of this asset. The lease was deemed terminated due to the dissolution of SE Spain (Note 1).

Office leases

On July 1, 2021, the Company leased office space in Vancouver, BC. The lease is for 30 months at $848 per month.

	June 30, 2023	June 30, 2022
	$	$
Lease liability consists of		
Equipment leases	-	50,071
Office leases	4,940	14,112
Agricultural property leases	-	1,048,554
	-	1,112,737
Less amounts due within one year	4,940	120,323
Long term portion	-	992,414

(Expressed in Canadian dollars)

9. LEASE LIABILITIES – (CONT'D)

Future lease payments at June 30, 2023 are as follows:

	$
2024	5,085
Less imputed interest	(145)
Total	4,940

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There are 12,802,941 shares issued and outstanding as at June 30, 2023 (2,802,941 shares issued and outstanding as at June 30, 2022)

The transactions during the year from July 1, 2022 to June 30, 2023 were as follows:

- On April 25, 2023, the Company consolidated its common shares on an eight to one basis. All figures have been retroactively adjusted to reflect the share consolidation for all periods presented.
- On June 12, 2023, 10,000,000 share units were issued at a price of $0.05 each for total gross proceeds of $500,000. Each unit comprised one common share and one common share purchase warrant entitling the holder to purchase one additional share for a period of 24 months from the date of closing at a price of $0.10 per share.

The transactions during the year from July 1, 2021 to June 30, 2022 were as follows:

- On October 15, 2021, 303,000 share units were issued at a price of $4.00 each for total gross proceeds of $1,212,000. 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 36 months from the date of closing at a price of $5.00 per share. The Company incurred share issue costs of $7,293.

Stock options

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

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

- 71,875 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 $4.00 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.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – (CONT'D)

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.

At June 30, 2023, there were no stock options outstanding and 65,000 stock options were exercisable and outstanding at June 30, 2022.

Stock Options (cont'd)

The following is a summary of stock options transactions for the years ended June 30, 2023 and 2022:

	Options Outstanding	Weighted Average Exercise Price
Balance, June 30, 2021, exercisable and outstanding	49,750	$ 8.00
Issued	71,875	$ 4.00
Cancelled	(56,625)	$ 8.72
Balance, June 30, 2022, exercisable and outstanding	65,000	$ 4.16
Cancelled	(65,000)	$ 4.16
Balance, June 30, 2023, exercisable and outstanding	-	$ -

Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 2023 is as follows:

Warrants	Number of shares upon exercise	Exercise price	Expiry Date
303,000	303,000	$5.00	October 15, 2024
10,000,000	10,000,000	$0.10	June 12, 2025

The weighted average life of the warrants is 1.93 years.

The following is a summary of warrant transactions for the years ended June 30, 2023 and 2022:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, June 30, 2021	223,978	$10.00
Issued	303,000	$5.00
Expired	(223,978)	$10.00
Balance, June 30, 2022	303,000	$5.00
Issued	10,000,000	$0.10
Balance, June 30, 2023	10,303,000	$0.24

(Expressed in Canadian dollars)

10. SHARE CAPITAL – (CONT'D)

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, 2023, the Company did not have any Share Units issued and outstanding.

11. RELATED PARTIES

The Company considers officers and members of the Board of Directors as related parties. Key Management costs for the year ended June 30, 2023 is $35,360 (2022 - $333,551). 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, 2023	June 30, 2022
	$	$
Management fees to former CEO and former director	17,610	126,000
Management fees to CFO and director	17,750	94,500
Share based compensation	-	113,051
Total	35,360	333,551

Due to related parties represents fees due to officers and directors at June 30, 2023 of $7,500 (June 30, 2022 – $93,163). The amounts are non-interest bearing, due on demand and bear no specific terms of repayment.

12. 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.

(Expressed in Canadian dollars)

13. SEGMENT INFORMATION

For the years ended June 30, 2023 and 2022, the Company has one reportable segment, being the sale of hemp pre-roll products and skin care products. The Company's non-current assets by geographic location for the years ended June 30, 2023 and 2022 are as follows:

June 30, 2023	Canada $	USA $	Spain $
Equipment	-	-	-
Leasehold improvements	7,981	-	-
Right-to-use assets	4,483	-	-
	12,464	-	-

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

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).

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, 2023, 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, 2023, the Company had a cash balance of $155,048 (June 30, 2022 - $134,597) to settle current liabilities of $640,798 (June 30, 2022 - $1,131,378). 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)

14. FINANCIAL RISK MANAGEMENT – (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 June 30, 2023 and 2022 are as follows:

	USD	EUROS
June 30, 2023	$	$
Financial assets	-	-
Financial liabilities	392,108	-
June 30, 2022		
Financial assets	8,038	5,940
Financial Liabilities	1,445,982	107,241

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, 2023, the significant non-cash transactions were as follows:

a) Included in accounts payable is $142,325 of lease payments payable.

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

a) Plant and equipment additions of $22,414 are included in lease liabilities.

(Expressed in Canadian dollars)

16. 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, 2023	June 30, 2022
	$	$
Net loss for the year	(117,866)	(3,146,879)
Expected income tax recovery	(32,000)	(850,000)
Impact of different foreign statutory rates on earnings of subsidiaries	7,000	85,000
Non-deductible expenditures and other differences	(36,000)	126,200
Deferred tax assets derecognized	25,000	-
Share issue cost and other deductions	-	(2,000)
Increase in unrecognized tax benefits	36,000	640,800
Income tax recovery	-	-

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

	2023	**2022**
Canada		
Share issue costs	48,000	109,000
Equipment	249,000	247,000
Non-capital losses	2,631,000	2,551,000
USA		
Non-capital losses	638,000	600,000
Equipment	222,000	223,000
Spain		
Non-capital losses	-	22,000
Total deferred tax assets	3,788,000	3,752,000
Deferred tax assets not recognized	(3,788,000)	(3,752,000)
	-	-

As at June 30, 2023, the Company has Canadian accumulated a non-capital loss for income tax purpose of approximately $9,743,000 (2022 - $9,450,000) and has U.S. accumulated net operating loss for income tax purposes of approximately $3,037,000 (2022 - $2,856,000) that may be applied to reduce future taxable income for income tax purposes. The losses expire as follows:

	Canada	USA
Year	$	$
2039	1,441,000	706,000
2040	3,447,000	607,000
2041	3,610,000	1,448,000
2042	952,000	95,000
2043	293,000	181,000

17. CONTINGENCY

During the year ended June 30, 2023, the Company wrote off certain accounts payable that have been outstanding for several years without any claims from the past vendor. The Company's position is that these accounts payable are no longer due; however, there can be no guarantee that the vendor will not file a claim against the Company in the future. In such an event, the Company will defend its position that these liabilities are not payable. As at June 30, 2023, no claim has been made against the Company in regards to the accounts payable that have been written off during the year.