PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE NINE AND THREE MONTHS ENDED

MARCH 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

Contents

PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

As at	**March 31, 2021 $**	June 30, 2020 $
ASSETS		
Current assets		
Cash	**3,379,711**	134,395
Prepaid expenses (Note 5)	**426,264**	94,336
Accounts receivable and other receivables	**118,863**	177,295
Inventory (Note 6)	**305,130**	7,817
Due from related party (Note 13)	**400,000**	-
Short-term loan receivable (Note 9)	**-**	390,087
Total current assets	**4,629,968**	803,930
Long-term deposits (Note 9)	**160,255**	737,921
Property and equipment (Note 7)	**2,955,123**	2,365,843
Right-of-use asset (Note 14)	**2,162,801**	520,983
Total assets	**9,908,147**	4,428,677
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**523,626**	618,061
Due to related parties (Note 13)	**200**	18,361
Deferred revenue	**15,941**	-
Loan payable (Note 9)	**-**	1,711,016
Promissory note (Note 10)	**-**	1,944,199
Convertible debentures – short term (Note 11)	**-**	252,033
Lease liability – short term (Note 14)	**344,677**	102,601
Total current liabilities	**884,444**	4,646,271
Convertible debentures – long term (Note 11)	**-**	884,342
Lease liability – long term (Note 14)	**1,226,145**	426,117
Total liabilities	**2,110,589**	5,956,730
Shareholders' equity (deficiency)		
Share capital (Note 12)	**23,168,720**	1,480,000
Reserves (Note 12)	**5,979,020**	99,560
Deficit	**(21,350,182)**	(3,107,613)
Total shareholders' equity (deficiency)	**7,797,558**	(1,528,053)
Total liabilities and shareholders' equity (deficiency)	**9,908,147**	4,428,677

Approved and authorized for issuance by the Board of Directors on May 28, 2021:

/s/ Dwight Duncan
Name, Director

/s/ Sean Bromley
Name, Director

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

PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Revenue	**14,400**	**-**	**14,400**	-
Cost of goods sold	**7,019**	**-**	**7,019**	-
Gross Margin	**7,381**	**-**	**7,381**	-
Operating expenses				
Amortization (Notes 7 and 14)	**246,675**	-	**491,734**	-
Advertising and promotion	**1,818,168**	-	**3,531,703**	475
Consulting (Note 13)	**536,561**	145,598	**823,161**	288,680
Insurance	**10,326**	323	**21,960**	21,546
Interest and bank charges (Notes 10, 11 and 14)	**33,293**	20,481	**164,245**	50,769
Licenses	**11,764**	-	**34,764**	-
Office and administrative	**124,534**	5,442	**290,590**	29,738
Office and equipment rental	**8,049**	34,479	**41,883**	93,119
Professional fees	**123,641**	142,427	**357,893**	254,307
Repairs and maintenance	**25,470**	(32,279)	**27,231**	18,794
Salaries and benefits (Note 13)	**565,211**	188,694	**1,279,684**	239,603
Share-based compensation (Notes 12 and 13)	**2,608,339**	-	**7,416,672**	-
Shareholder information	**96,900**	-	**124,125**	-
Supplies	**8,548**	3,616	**38,906**	24,770
Utilities	**(4,556)**	5,674	**9,310**	14,736
Transfer agent and regulatory fees	**55,822**	-	**84,184**	-
Travel and entertainment	**8,397**	49,377	**25,605**	104,978
Total operating expenses	**6,277,142**	563,832	**14,763,650**	1,141,515
Other income				
Gain on forfeiture of interest (Notes 10 and 11)	**-**	-	**139,787**	22,940
Inventory wastage	**(50,839)**	-	**(50,839)**	-
Transaction cost (Note 9)	**-**	(1,000,000)	**-**	(1,000,000)
Listing expense (Note 4)	**-**	-	**(3,158,418)**	-
Write-off of loan receivable and deposits (Note 9)	**-**	-	**(427,087)**	-
Foreign exchange gain	**2,377**	-	**10,257**	-
Net loss and comprehensive loss for the period	**(6,318,223)**	(1,563,832)	**(18,242,569)**	(2,118,575)
Basic and diluted loss per share	**(0.08)**	(0.07)	**(0.34)**	(0.16)
Weighted average number of shares outstanding	**83,213,383**	21,333,000	**53,161,455**	13,011,962

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

PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited - Expressed in Canadian dollars)

	Share capital		Share-based Compensation		
	Number of shares	Amount $	Reserve $	Deficit $	Total $
Balance, June 30, 2019	7,999,875	480,000	-	(169,214)	310,786
Shares issued on conversion of debenture	13,333,125	1,000,000	-	-	1,000,000
Net loss and comprehensive loss for the period	-	-	-	(2,118,575)	(2,118,575)
Balance, March 31, 2020	21,333,000	1,480,000	-	(2,287,789)	(807,789)
Balance, June 30, 2020	21,333,000	1,480,000	99,560	(3,107,613)	(1,528,053)
Repurchase of common shares	(13,333,000)	(1,000,000)	-	-	(1,000,000)
Shares issued for conversion of debt	55,621,026	9,399,148	-	-	9,399,148
Share issuance cost - cash	-	(270,477)	-	-	(270,477)
Issuance of performance securities	-	-	3,566,429	-	3,566,429
Shares issued for reverse take-over	2,079,511	623,853	-	-	623,853
Finders' fee	5,000,000	1,500,000	-	-	1,500,000
Broker warrants issued for convertible debt financing	-	(105,129)	105,129	-	-
Shares issued for exercise of options	2,475,000	1,287,166	(544,666)	-	742,500
Shares issued for exercise of warrants	942,500	47,125	-	-	47,125
Shares issued for exercise of performance securities	5,069,000	1,607,899	(1,506,519)	-	101,380
Shares issued for services	1,200,000	720,000	-	-	720,000
Special warrant financing	-	-	8,532,223	-	8,532,223
Conversion of special warrants	16,895,491	8,532,223	(8,532,223)	-	-
Special warrant issuance costs - cash	-	(244,244)	-	-	(244,244)
Special warrant issuance costs - broker warrants	-	(408,844)	408,844	-	-
Share-based compensation	-	-	3,850,243	-	3,850,243
Net loss and comprehensive loss for the period	-	-	-	(18,242,569)	(18,242,569)
Balance, March 31, 2021	**97,282,528**	**23,168,720**	**5,979,020**	**(21,350,182)**	**7,797,558**

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

PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)
INTERIM CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Nine months ended March 31,	
	2021	2020
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(18,242,569)**	(2,118,575)
Non-cash items		
Amortization	**491,734**	-
Accrued interest	**78,463**	49,984
Share-based compensation	**7,416,672**	-
Shares issued for advertising services	**720,000**	-
Gain on forfeiture of interest	**(139,787)**	(22,940)
Write-off of loan receivable and deposits	**427,087**	-
Listing expense	**2,381,563**	-
Changes in non-cash operating working capital:		
Prepaid expenses	**(339,623)**	(8,276)
Accounts receivable and other receivables	**59,620**	(163,596)
Inventory	**(285,278)**	-
Accounts payable and accrued liabilities	**(363,766)**	175,041
Due to related parties	**(18,161)**	13,111
Deferred revenue	**15,941**	-
Net cash used in operating activities	**(7,798,104)**	(2,075,251)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(820,625)**	(1,365,586)
Cash received on acquisition of Big Sky Petroleum	**10,433**	-
Net cash used by investing activities	**(810,192)**	(1,365,586)
FINANCING ACTIVITIES		
Proceeds from loan payable	**-**	1,703,267
Loans receivable	**(400,000)**	(414,273)
Proceeds from promissory note	**-**	925,740
Proceeds from convertible debt	**3,408,405**	1,693,509
Lease liability payments	**(179,395)**	-
Proceeds received on Special Warrants financing	**8,287,979**	-
Proceeds from the exercise of options, warrants, and performance securities	**891,005**	-
Security deposit paid on commencement of lease	**(154,382)**	(514,994)
Net cash provided by financing activities	**11,853,612**	3,393,249
Change in cash	**3,245,316**	(47,588)
Cash, beginning of period	**134,395**	73,564
Cash, end of period	**3,379,711**	25,976

Supplemental cashflow information (Note 17)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Pure Extracts Technologies Corporation (formerly Big Sky Petroleum Corporation) (the "Company") was incorporated under the Canada Business Corporations Act on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the Business Corporations Act (British Columbia). Starting November 5, 2020, the Company's stock commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "PULL" (see Note 4). The principal and registered office of the Company is at 7341 Industrial Way, Pemberton, British Columbia, V0N 2K0.

The Company is in the business of the extraction and processing of cannabis and hemp as a third-party service to licensed producer for toll processing or white-label processing and for its own private label of products incorporating its full spectrum THC- and CBD-based extracted oils.

Pure Mushrooms Corp. ("Pure Mushrooms"), a wholly-owned subsidiary of the Company, was incorporated on January 27, 2021 under the laws of the province of British Columbia. On March 3, 2021, a dealer's license application was submitted to Health Canada for controlled substances. Once granted, Pure Mushrooms would be permitted to cultivate and/or purchase psychedelic mushrooms and extract and sell compounds such as psilocybin.

Reverse takeover
On October 20, 2020, the Company and Pure Extract Manufacturing Corp. ("Pure Manufacturing") entered into an agreement (the "Amalgamation Agreement") pursuant to which the Company acquired all of the issued and outstanding common shares of Pure Manufacturing (the "Acquisition" or the "RTO") for 2.666 common shares the Company for each common share of Pure Manufacturing which became a wholly-owned subsidiary of the Company. The Acquisition closed on October 28, 2020.

As a result of the Acquisition, the former shareholders of Pure Manufacturing acquired control of the Company and is deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the interim consolidated financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations of Pure Manufacturing. The Company's results of operations are those of Pure Manufacturing, with the Company's operations being included from October 28, 2020, the closing date of the Acquisition, onwards (Note 4).

These interim consolidated condensed financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the period ended March 31, 2021, the Company incurred a net loss of $18,242,569 (2020 - $2,118,575). As at March 31, 2021, the Company has working capital of $3,745,524 (June 30, 2020 – working capital deficiency of $3,842,341) and an accumulated deficit of $21,350,182 (June 30, 2020 - $3,107,613). Management is actively pursuing sources of equity and debt financing to meet the Company's liabilities and commitments as they come due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These interim consolidated condensed financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

At the time these interim consolidated condensed financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The production and sale of cannabis have been recognized as essential services across Canada and the Company's facilities in Pemberton BC remain operational. The Company has taken various measures to prioritize the health and safety of their employees, customers and partners, including: restricted work travel and site access; improved safety & hygiene; and the requirement of non-essential staff members to work remotely. Possible impact of COVID-19 on the Company's operational and financial performance are and not limited to ongoing supply disruptions for cannabis product related inventory, further restrictions and closures, lack of employees due to COVID-19 quarantine and illness time taken off work.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim consolidated condensed financial statements have been prepared on a historical cost basis except for certain financial instruments and using the accrual basis of accounting, except for cash flow information. These interim consolidated condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and International Accounting Standard 34, Interim Financial Reporting. These financial statements do not include all disclosures as required for annual financial statements and should be read in conjunction with the annual financial statements of Pure Manufacturing for the year ended June 30, 2020. Except as described in this Note 2, significant accounting policies have been consistently applied in the presentation of these interim consolidated condensed financial statements.

The interim consolidated condensed financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' (Pure Manufacturing and Pure Mushrooms) functional currency.

The interim consolidated condensed financial statements of the Company for the period ended March 31, 2021 were approved and authorized for issue by the Board of Directors on May 28, 2021.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim consolidated condensed financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from judgments made, relate to, but are not limited to, the following:

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Business combinations

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Control

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In the acquisition of Pure Manufacturing, it was determined that control resides with Pure Manufacturing as the former shareholders of Pure Manufacturing became the majority shareholders of the combined entity. As a result, the transaction was accounted for as a reverse takeover.

Property and equipment – useful lives

The Company estimates the useful lives and selects methods used to allocate amortization amounts of property and equipment on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

Research and development expenditures

Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at March 31, 2021 and June 30, 2020.

Impairment of receivables

The Company provides for doubtful debts by analyzing the historical default experience and current information available about a borrower's credit worthiness on an account by account basis. Uncertainty relates to the actual collectability of borrower balances that can vary from the Company's estimation. A loss allowance on the short-term loan receivable has been provided by the Company as at March 31, 2021 of $380,087 (June 30, 2020 - $Nil).

Share-based compensation

The fair value of stock options granted, and compensatory warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behaviour. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that vest.

Fair value of consideration in reverse take-over transaction

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised of common shares. Common shares were fair valued on the date of issuance. The Company applied IFRS 2 *Share-based Payment* in accounting for the Acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Right-of-use asset and lease liability

The right of use asset and lease liability is measured by discounting the future lease payments at the incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For right of use assets and lease liability, the Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Inventory

Inventory consists primarily of work in progress and raw materials. Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method of inventory costing. The net realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company’s distribution centers including product costs, inbound freight and duty. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company's revenue is generated from the sale of finished product to customers. These sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which is typically the date of shipment by the Company. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized. The revenue recorded is presented net of sales and other taxes the Company collect on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue.

Share-based Compensation

The Company has a stock option plan, described in Note 12 which grants stock options to the Company's directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of the options is measured using the Black-Scholes option pricing model and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit.

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair values

The Company's financial instruments classified as level 1 in the fair value hierarchy are cash, accounts payable and accrued liabilities, and due to and from related parties as their carrying values approximate the fair values due to the relatively short-term maturity of these instruments. The lease liability is classified as level 3.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, price risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash at March 31, 2021 in the amount of $3,379,711 (June 30, 2020 - $134,395), in order to meet short-term liabilities of $884,444 (June 30, 2020 - $4,646,271). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Liquidity risk (continued)

the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities. The Company's accounts payable and accrued liabilities are due within 90 days of March 31, 2021. The Company's undiscounted cash flow commitments on the leases are disclosed in note 15.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets which primarily is cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian-based financial institution. The carrying amount of financial assets represents the maximum credit exposure. Furthermore, the Company is exposed to credit risk associated with the due from related party. The amount receivable is collateralized by the related party's holdings in the company securities.

Foreign exchange rate risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company has minimal transactions in foreign currencies and is not exposed to significant foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their cash in bank. The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash, and equity comprised of issued share capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2020.

(Unaudited - Expressed in Canadian dollars)

4. REVERSE TAKEOVER

As described in Note 1, on October 28, 2020, the Company completed a reverse takeover ("RTO") with Pure Manufacturing which became a wholly owned subsidiary of the Company. In consideration for the RTO, the Company issued 2.666 common shares for each share of Pure Manufacturing for a total of 63,621,026 common shares of the Company to shareholders of Pure Manufacturing.

As a result of the RTO, the former shareholders of Pure Manufacturing acquired control of the Company, thereby constituting a reverse takeover of the Company. The RTO is considered a purchase of the Company's net assets by the shareholders of Pure Manufacturing.

The transaction is accounted for in accordance with guidance provided in IFRS 2 *Share-Based Payment* ("IFRS 2") and IFRS 3 *Business Combinations* ("IFRS 3"). As the Company did not qualify as a business according to the definition in IFRS 3, the Acquisition does not constitute a business combination; rather, it is treated as an issuance of shares by Pure Manufacturing for the net assets of the Company and the Company's listing status with Pure Manufacturing as the continuing entity.

In connection with the RTO, a finder's fee was paid through the issuance of 5,000,000 common shares for an aggregate fair value of $1,500,000 and the Company incurred additional transaction costs of $776,855.

In accordance with IFRS 2, the fair value of the share issuance was determined to be $0.30 per common share, based on the estimated fair value at the acquisition date.

A breakdown of the listing expense is as follows:

Consideration:		
Fair value of shares retained by former Big Sky Petroleum Corporation shareholders (2,079,511 shares at $0.30)	$	623,853
Fair value of shares issued to finders (5,000,000 shares at $0.30)		1,500,000
Transaction costs		776,855
Total consideration		2,900,708
Fair value of net identifiable assets of the Company:		
Cash		10,433
Accounts receivable and other receivables		1,188
Accounts payable and accrued liabilities		(269,331)
Total net assets		(257,710)
Listing expense	**$**	**3,158,418**

5. PREPAID EXPENSES

		March 31, 2021		**June 30, 2020**
Prepaid expenses	$	111,894	$	94,336
Deposits on inventory		314,370		-
	$	426,264	$	94,336

(Unaudited - Expressed in Canadian dollars)

6. INVENTORY

Inventory consisted of raw materials which include hemp, biomass and packaging and work in progress.

	March 31, 2021	June 30, 2020
Raw materials	$ 77,939	$ 7,817
Work in progress	227,191	-
	$ 305,130	$ 7,817

Included in inventory is capitalized amortization of $12,052 (2019 - $Nil).

7. PROPERTY AND EQUPMENT

	Leasehold Improvements $	Manufacturing Equipment $	Security Equipment $	Extraction Equipment $	Office furniture $	Total $
Cost						
As at June 30, 2019	285,525	480,000	35,786	–	-	801,311
Additions	1,302,865	137,774	118,893	5,000	-	1,564,532
As at June 30, 2020	1,588,390	617,774	154,679	5,000	-	2,365,843
Additions	175,528	155,627	9,223	478,116	2,130	820,624
As at March 31, 2021	**1,763,918**	**773,401**	**163,902**	**483,116**	**2,130**	**3,186,467**
Accumulated Amortization						
As at June 30, 2019	–	–	–	–	–	–
Amortization	–	–	–	–	–	–
As at June 30, 2020	–	–	–	–	–	–
Amortization	139,680	57,966	13,274	20,336	88	231,344
As at March 31, 2021	**139,680**	**57,966**	**13,274**	**20,336**	**88**	**231,344**
Net Book Value						
As at June 30, 2020	1,588,390	617,774	154,679	5,000	-	2,365,843
As at March 31, 2021	**1,624,238**	**715,435**	**150,628**	**462,780**	**2,041**	**2,955,123**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021 $	June 30, 2020 $
Accounts payable	**309,628**	533,939
Accrued professional fees	**213,998**	84,122
	523,626	618,061

9. LOAN RECEIVABLE AND LOAN PAYABLE

On December 4, 2019, Pure Manufacturing and 1205457 B.C. Ltd. ("Fundco"), a third-party lender which became a shareholder upon conversion of debenture (Note 11), entered into letter of agreement to assist Pure Manufacturing in providing financing and facilitating the Acquisition (Note 4). Under the terms of this amended agreement, Pure Manufacturing is responsible for all the costs and expenses incurred by Fundco in connection with its capital raising activities, the loans and facilitating the Acquisition, provided that any individual expense in excess of $50,000 and aggregate expenses in excess of $1 million will require prior approval from Pure Manufacturing. These costs and expenses shall relate to professional services, marketing services, financial advisory, roadshows, travel, advertising and administrative costs. In addition, Pure Manufacturing will also be responsible for fees payable to eligible finders engaged in connection with Fundco; the advances made by Fundco to a third party ("Third Party") for cannabis dispensary developments, which total $390,087 (including accrued interest of $22,814); and fees associated to hire a CEO.

Consequently, Pure Manufacturing recognized loans payable totaling to $1,711,016 as at June 30, 2020 which mainly relates to the transaction costs of $1,000,000, and a loan receivable of $367,273 of advances made to the Third Party with the option to purchase cannabis dispensaries. The loan payable bears no interest and is payable on demand. The loan advances to the Third Party bear an interest of 5% per annum, secured by all of the personal property of the Third Party.

On January 13, 2020, the Pure Manufacturing entered into an Asset Purchase Option Agreement ("Option Agreement") with the Third Party, whereby in exchange for 2,666,000 of common shares of Pure Manufacturing, the Third Party will grant Pure Manufacturing 100% interest in three cannabis dispensaries. In consideration for the Option Agreement, Pure Manufacturing paid the Third Party $47,000 (recorded in long-term deposits) which was offset against funds previously advanced to the Third Party. The common shares will be issued according to the following milestones:

(a) 1/3 on the grant date of a fully issued cannabis dispensary license for the applicable dispensary;
(b) 1/3 on the date the applicable dispensary location for the license begins its first day of commercial operations; and
(c) 1/3 upon the licensed dispensary generating at least $100,000 of revenue in any calendar month.

Pure Manufacturing will also pay the Third Party a royalty fee of $30,000 per month for each of the dispensaries that is in operation until the dispensary is acquired by Pure Manufacturing.

During the nine months ended March 31, 2021, the loan owing from the Third-Party has been called. Due to the uncertainty surrounding the collectability of the loan receivable and deposit, the loan and deposit have been fully provisioned for as at December 31, 2020 and an amount of $427,087 was written off. Additionally, the Option Agreement was terminated.

On October 28, 2020, pursuant to the RTO, Pure Manufacturing settled the loan payable of $1,701,016 to Fundco by issuing 5,670,036 shares of the Company at a fair value of $0.30 per share. The remaining $10,000 was repaid in cash.

10. PROMISSORY NOTE

On January 22, 2020, Pure Manufacturing entered into a Demand Grid Promissory Note ("Promissory Note") of up to $5,000,000 with Fundco. The loan bears interest at 5% per annum accrued annually, secured by a general security agreement over all Pure Manufacturing's assets and is payable on demand. On October 28, 2020, the promissory note was amended to a convertible promissory note and the principal was increased to $5,420,301. The debt is automatically convertible into common shares of Pure Manufacturing immediately prior to the RTO (Note 4) such that the holder of the convertible debenture will receive one share of the Company for each $0.30 of the debt principal. All accrued and unpaid interest will be forfeited.

(Unaudited - Expressed in Canadian dollars)

10. PROMISSORY NOTE (continued)

Balance, June 30, 2019	**$**	**-**
Advances		1,919,250
Interest expense		24,949
Balance at June 30, 2020	**$**	**1,944,199**
Advances		3,369,827
Interest expense		58,270
Converted to shares		(5,289,077)
Interest forgiven		(83,219)
Balance at March 31, 2021	**$**	**-**

On October 28, 2020, pursuant to the RTO, the balance of $5,289,077 was converted by issuing 17,630,256 shares of the Company and interest of $83,219 was forgiven.

11. CONVERTIBLE DEBENTURES

a) On May 7, 2019, Pure Manufacturing entered into a convertible debenture of $240,000 with Fundco, secured by a general security agreement over all the Pure Manufacturing's assets. The loan bears interest at 5% per annum accrued annually and is repayable on May 7, 2021. The debt is automatically convertible into common shares and warrants of the Company immediately prior to the RTO (Note 4) such that the holder of the promissory note will receive one share and one warrant (“Unit”) for each $0.02 of the debt principal. All accrued and unpaid interest will be forfeited. The warrants will be exercisable at $0.05 per share for a period of two years from the date of the closing of the transaction. On October 28, 2020, the balance of $240,000 was converted into 12,000,000 shares and 12,000,000 warrants at $0.02 per Unit and interest of $17,584 was forgiven.

b) On June 7, 2019, Pure Manufacturing entered into a convertible debenture with Fundco of up to $1,000,000, secured by a general security agreement over all Pure Manufacturing's assets. The loan bears interest at 5% per annum accrued annually and is repayable on June 7, 2021. The debt is automatically convertible into common shares of the Company immediately prior to the RTO (Note 4) such that the holder of the promissory note will receive one share of the Company for each $0.075 of the debt principal. All accrued and unpaid interest will be forfeited. On December 19, 2019, Pure Manufacturing issued 13,333,000 common shares to Fundco upon conversion of $1,000,000 principal loan amount and accrued interest of $22,940 was forgiven. On October 9, 2020, the 13,333,000 common shares were repurchased for consideration of $1,000,000, which was repaid through a convertible debenture (Notes 11d and 12).

c) On December 19, 2019, Pure Manufacturing entered into a convertible debenture with Fundco of up to $860,000, secured by a general security agreement over all Pure Manufacturing's assets. The loan bears interest at 5% per annum accrued annually and is repayable on December 19, 2021. The conversion terms on this loan results in the lender receiving one share of the Company for each $0.30 of principal debt and forfeiture of accrued and unpaid interest upon the RTO (Note 4). On October 28, 2020, pursuant to the RTO, the balance of $860,000 was converted into 2,866,667 common shares of the Company and interest of $36,874 was forgiven.

(Unaudited - Expressed in Canadian dollars)

11. CONVERTIBLE DEBENTURES (CONTINUED)

a) On October 9, 2020, Pure Manufacturing entered into a convertible debenture with Fundco of up to $1,309,055, secured by a general security agreement over all Pure Manufacturing's assets. The loan bears interest at 5% per annum accrued annually and is repayable on June 7, 2021. The debt is automatically convertible into common shares of the Company immediately prior to the RTO (Note 4) such that the holder of the convertible debenture will receive one share of the Company for each $0.075 of the debt principal. All accrued and unpaid interest will be forfeited. On October 28, 2020, pursuant to the RTO, the balance of $1,309,055 was converted into 17,454,067 common shares of the Company.

In connection with the Convertible Debentures, eligible finders received finders' fees in the aggregate amount of $270,477 and were issued an aggregate of 464,992 warrants (Note 12), exercisable for twenty four months from the issue date at a price of $0.50 per common share, subject to acceleration rights of the Company if the volume weighted average closing price of the common shares is greater than $1.00 for a period of 10 consecutive trading days.

Reconciliation of the convertible debentures are as follows:

Balance, June 30, 2019	**$**	**402,110**
Advances		1,700,000
Interest expense		57,205
Conversion into common shares		(1,000,000)
Interest expense forgiven		(22,940)
Balance at June 30, 2020	**$**	**1,136,375**
Advances		1,309,055
Interest expense		20,193
Conversion into common shares		(2,409,055)
Interest forgiven		(56,568)
Balance at March 31, 2021	**$**	**-**

12. SHARE CAPITAL

Authorized

The Company has authorized share capital of an unlimited number of common shares without par value.

On October 28, 2020, the Company completed the Acquisition, pursuant to which the Company acquired all of the issued and outstanding shares of Pure Manufacturing for 63,621,026 common shares of the Company in the reverse takeover transaction. Immediately following the Acquisition, there were 70,700,754 common shares of the Company issued and outstanding. As the financial statements are considered a continuance of the operations of Pure Manufacturing due to the reverse takeover, all of the share numbers, share prices, and exercise prices in these financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

Issued and outstanding

Nine months ended March 31, 2021:

On October 9, 2020, the Pure Manufacturing entered into a share repurchase agreement with Fundco, whereby the Pure Manufacturing repurchased 13,333,000 common shares of Pure Manufacturing from Fundco for a consideration of $1,000,000, which was repaid through a convertible promissory note (Note 11).

12. **SHARE CAPITAL** (CONTINUED)

On October 28, 2020, the Company issued 55,621,026 common shares for the settlement of $9,128,671 in debt pursuant to the RTO (Notes 9, 10 and 11).

On October 28, 2020, the Company issued 5,000,000 common shares for finders' fees with a fair value of $1,500,000 pursuant to the RTO.

On December 4, 2020, the Company issued 1,200,000 common shares with a fair value of $720,000 to a third party for advertising and marketing services.

On January 5, 2021 and January 21, 2021, the Company closed two tranches of a private placement of special warrants (the "Special Warrants") for a total of 16,895,491 Special Warrants at $0.505 per Special Warrant for gross proceeds of $8,532,223. The Special Warrants automatically convert to units upon the earlier of the receipt for a final prospectus qualifying the distribution of the units or May 21, 2021. The Special Warrants are recorded at their estimated fair value which is based on the amount of cash subscriptions received. In conjunction with the private placement of the Special Warrants, the Company paid finders' fees of $244,244 and granted 632,620 broker warrants. Each warrant will entitle the holder to acquire one common share at an exercise price of $0.65 for two years. The fair value of the broker warrants were estimated to be $408,844 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 250%, risk-free interest rate - 0.13% and an expected remaining life - 2.0 years.

On March 11, 2021, upon the receipt for a final prospectus qualifying the distribution of the units, the Special Warrants were deemed to be exercised and the Company issued 16,895,491 units. Each unit is comprised of one common share of the Company and one-half of a share purchase warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of $0.65 until May 21, 2023. Upon the conversion of the Special Warrants to units, no fair value was allocated to the attached purchase warrants.

During the nine months ended March 31, 2021, the Company issued 2,475,000 common shares for the exercise of options for proceeds of $742,500 which resulted in a transfer from share-based compensation reserve of $544,666.

During the nine months ended March 31, 2021, the Company issued 942,500 common shares for the exercise of warrants for proceeds of $47,125.

During the nine months ended March 31, 2021, the Company issued 5,069,000 common shares for the exercise of performance securities for proceeds of $101,380 which resulted in a transfer from share-based compensation reserve of $1,506,519.

<u>Nine months ended March 31, 2020</u>:

The Company issued 13,333,000 common shares at $0.075 per share upon conversion of convertible debenture as described in Note 10.

Stock options

On October 28, 2020, the Company has finalized its Stock Option Plan (the "Plan") which provides that the Committee or Board of Directors ("the Committee") of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants and contractors to the Company, non-transferable options to purchase common shares of the Company.

(Unaudited - Expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

Stock options (CONTINUED)

All options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan. The number of shares which will be available for purchase pursuant to an option will be equal to the number of shares as determined by the Committee from time to time, provided that the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares. If any option expires or otherwise terminates for any reason without having been exercised in full, the number of shares in respect of such expired or terminated option shall again be available for the purposes of granting options pursuant to the Plan. The grant date and the expiry date of an option shall be the dates fixed by the Committee at the time the option is granted and shall be set out in the option certificate issued in respect of such option. The exercise price shall also be determined by the Committee and set out in the option certificate issued in respect of the option and shall not be less than the market value of the shares for a particular grant date.

During the nine months ended March 31, 2021, share-based compensation in the amount of $3,850,243 (2020 - $Nil) was recognized on the issuance and vesting of stock options to directors, officers and consultants.

The continuity of stock options for the nine months ended March 31, 2021 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2020	**6,053,339**	**$0.10**
Granted	8,327,336	$0.46
Exercised	(2,475,000)	$0.30
Balance, March 31, 2021	**11,905,675**	**$0.30**

The following table summarizes the stock options outstanding and exercisable at March 31, 2021:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
39,999	39,999	$0.53	June 22, 2023
500,000	416,667	$0.02	December 30, 2024
850,000	690,625	$0.02	March 1, 2025
100,003	37,501	$0.075	May 30, 2022
33,333	33,333	$0.075	November 5, 2021
500,000	333,333	$0.075	June 16, 2025
4,063,340	3,301,464	$0.075	November 1, 2024
750,000	750,000	$0.075	October 28, 2025
200,000	33,332	$0.30	June 16, 2025
1,125,000	750,000	$0.30	October 28, 2025
215,000	40,000	$0.73	January 21, 2026
3,529,000	3,529,000	$0.73	January 21, 2023
11,905,675	**9,955,254**		

As at March 31, 2021, the weighted average remaining contractual life of all options outstanding was 3.28 years (2020 – N/A).

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted during the nine months ended March 31, 2021 with a weighted average fair value of $0.47 (2020 - $nil). The following weighted average assumptions were used:

(Unaudited - Expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

Stock options (CONTINUED)

	2021	2020
Dividend yield	**Nil**	N/A
Forfeiture rate	**Nil**	N/A
Annualized volatility	**212 %**	N/A
Risk-free interest rate	**0.35%**	N/A
Expected life	**3.56 years**	N/A

Warrants

The continuity of warrants for the nine months ended March 31, 2021 is summarized below:

	NUMBER OF WARRANTS	**WEIGHTED AVERAGE EXERCISE PRICE**
Balance, June 30, 2020	**-**	**-**
Granted	21,545,351	$0.30
Exercised	(942,500)	$0.05
Balance, March 31, 2021	**20,602,851**	**$0.31**

The following table summarizes the warrants outstanding and exercisable at March 31, 2021:

OUTSTANDING	**PRICE**	**EXPIRY DATE**
11,057,500	$0.05	October 28, 2022
464,992	$0.50	October 28, 2022
218,971	$0.65	January 5, 2023
413,649	$0.65	January 20, 2023
8,447,739	$0.65	March 11, 2023
20,602,851		

As at March 31, 2021, the weighted average remaining contractual life of all warrants was 1.74 years (2020 – N/A).

In connection with the Convertible Debentures, eligible finders were issued an aggregate of 464,992 warrants (Note 11), exercisable for twenty-four months from the issue date at a price of $0.50 per common share, subject to acceleration rights of the Company if the volume weighted average closing price of the common shares is greater than $1.00 for a period of 10 consecutive trading days. The fair value of the warrants was determined to be $105,129, estimated using the Black-Scholes option pricing model using the following assumptions:

	2021	2020
Dividend yield	**Nil**	N/A
Forfeiture rate	**Nil**	N/A
Annualized volatility	**184 %**	N/A
Risk-free interest rate	**0.16%**	N/A
Expected life	**2 years**	N/A

(Unaudited - Expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

Warrants (CONTINUED)

In connection with the Special Warrants, eligible finders were issued an aggregate of 632,620 warrants, exercisable for twenty-four months from the issue date at a price of $0.65 per common share, subject to acceleration rights of the Company if the volume weighted average closing price of the common shares is greater than $1.00 for a period of 10 consecutive trading days. The fair value of the warrants was determined to be $408,844, estimated using the Black-Scholes option pricing model using the following assumptions:

	2021	2020
Dividend yield	**Nil**	N/A
Forfeiture rate	**Nil**	N/A
Annualized volatility	**250 %**	N/A
Risk-free interest rate	**0.13%**	N/A
Expected life	**2 years**	N/A

Performance Securities

On October 16, 2020, the Company issued 12,000,000 Performance Securities due to a rights offering completed by Pure Manufacturing. Each of the Performance Securities was exercisable by the holder to purchase one common share of the Company at a price of $0.02 per share until October 16, 2025. The fair value of the Performance Securities was determined to be $3,566,429, estimated using the Black-Scholes option pricing model using the following assumptions:

	2020	2019
Dividend yield	**Nil**	N/A
Forfeiture rate	**Nil**	N/A
Annualized volatility	**181 %**	N/A
Risk-free interest rate	**0.32%**	N/A
Expected life	**5 years**	N/A

The continuity of performance securities for the nine months ended March 31, 2021 is summarized below:

	NUMBER OF PERFORMANCE SECURITIES	**WEIGHTED AVERAGE EXERCISE PRICE**
Balance, June 30, 2020	**-**	**-**
Granted	12,000,000	**$0.02**
Exercised	(5,069,000)	$0.02
Balance, March 31, 2021	**6,931,000**	**$0.02**

(Unaudited - Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. Except as disclosed elsewhere in the interim consolidated condensed financial statements, related party transactions for the nine months ended March 31, 2021 and 2020 are as follows:

a) Related party transactions with directors and former directors and companies and entities over which they have significant influence over

	Nine months ended March 31,	
	2021	2020
	$	$
Consulting fees	**59,750**	14,891
Salaries	**-**	22,204
Share-based compensation	**3,957,993**	-

b) Key management compensation

	Nine months ended March 31,	
	2021	2020
	$	$
Management salaries and short-term benefits	**575,000**	108,577
Consulting fees	**100,000**	11,168
Share-based compensation	**720,804**	–

As at March 31, 2021, the Company has an amount owing to the Chief Operating Officer of $200 (June 30, 2020 - $200). Included in accounts payable and accrued liabilities is an amount owing to the Chief Financial Officer of $1,435 (June 20, 2020 - $Nil), an amount owing to a legal firm affiliated with a director of the Company of $240,971 (June 30, 2020 - $Nil) and an amount owing to a former director and shareholder amounting to $Nil (June 30, 2020 – $18,161).

As at March 31, 2021, the Company has a loan receivable owing from the Chief Operating Officer of the Company in the amount of $400,000. The loan bears interest at 1% per annum and is due on demand.

(Unaudited - Expressed in Canadian dollars)

14. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for the headquarter office space in Pemberton, British Columbia. On April 30, 2020 upon entering into a lease, the Company recognized $538,948 for a right-of-use ("ROU") asset and $538,948 for a lease liability. This lease liability was measured using an incremental borrowing rate of 5%.

In April 2020, the lease agreement was amended to increase the size of the premises leased. Upon the additional space being made available for the Company's use in October 2020, the Company recognized $165,948 for a ROU asset and $165,948 for a lease liability. This lease liability was measured using an incremental borrowing rate of 5%.

During the year ended June 30,2020, the Company advanced $542,100 to Vitalis Extraction Technologies Inc. as a 50% deposit towards the purchase of extraction equipment which was recorded under long-term deposits account in the statement of financial position. The total purchase price is $1,084,200. During the nine months ended March 31, 2021, the Company entered into a lease agreement with a third party to lease the remaining 50% of the equipment. The Company has the option to purchase the equipment at the end of the term of the lease at the lesser of $54,210 or the fair value of the equipment at that time. Upon delivery of the equipment and commencement of the lease, the Company recognized $1,119,969 for a ROU asset and $577,869 for a lease liability. This lease liability was measured using the rate implicit in the lease of 15%.

Furthermore, during the nine months ended March 31, 2021, the Company entered into a lease agreement with a third party to lease an equipment. The Company recognized $628,343 for a ROU asset and $485,377 for a lease liability. The day one difference between the ROU asset and the lease liability pertains to prepayment of first year lease payment. The lease liability was measure using the incremental borrowing rate of 8%.

The continuity of the ROU asset and lease liability for the nine months ended March 31, 2021 and the year ended June 30, 2020 is as follows:

Right-of-use asset	Office	Equipment	Total
Lease, as at April 30, 2020	538,948	-	538,948
Amortization	(17,965)	-	(17,965)
As at June 30, 2020	520,983	-	520,983
Addition	165,948	1,748,312	1,914,260
Amortization	(98,946)	(173,496)	(272,442)
As at March 31, 2021	**587,985**	**1,574,816**	**2,162,801**

Lease liability			
Lease liability, as at April 30, 2020	538,948	-	538,948
Lease payments	(12,433)	-	(12,433)
Lease interest	2,203	-	2,203
As at June 30, 2020	**528,718**	**-**	**528,718**
Lease liability recognized	165,948	1,063,246	1,229,194
Lease payments	(103,396)	(167,041)	(270,437)
Lease interest	22,345	61,002	83,347
As at March 31, 2021	**613,615**	**957,207**	**1,570,822**
Current portion	179,715	164,962	344,677
Long-term portion	433,900	792,245	1,226,145
	613,615	**957,207**	**1,570,822**

(Unaudited - Expressed in Canadian dollars)

15. COMMITMENTS

The Company entered into a lease agreement for the headquarter office space on April 30, 2020 with an initial five-year term, a three-year equipment lease commencing July 16, 2020, and a six-year equipment lease commencing January 1, 2021 (Note 14).

Payments committed for the next six fiscal years are as follows:

Year	Amount $
2021	108,480
2022	508,530
2023	510,130
2024	349,619
2025	267,409
2026	127,409
	1,871,577

16. SEGMENTED INFORMATION

The Company has three operating segments, being the extraction and processing of cannabis and hemp, the development and commercialization of functional wellness products and psychedelic medicinal products, and its head office.

	Cannabis and Hemp	Functional Wellness	Head Office	Total
Revenue	$ 14,400	$ -	$ -	$ 14,400
Cost of sales	7,019	-	-	7,019
Amortization	491,734	-	-	491,734
Share-based compensation	78,153	-	7,338,519	7,416,672
Gain on forfeiture of interest	139,787	-	-	139,787
Listing expense	-	-	2,530,512	2,530,512
Provision for loan receivable	$ 427,087	$ -	$ -	$ 427,087
Segment assets	$ 6,171,428	$ 51,391	$ 3,685,328	$ 9.908,147
Segment liabilities	$ 1,752,948	$ 6,923	$ 350,718	$ 2,110,589
Capital Expenditures	$ 820,625	$ -	$ -	$ 820,625

The Company's long-term assets are located in Canada.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	$	$
Shares issued on conversion of debt	**9,399,148**	1,000,000
Broker warrants	**513,973**	-
Right of use asset additions	**1,914,260**	-
Broker warrants finders' fee	**408,844**	-
Prepaid applied to lease	**7,695**	-
Interest paid	**83,346**	-