PURE EXTRACTS TECHNOLOGIES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

Contents

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PURE EXTRACTS TECHNOLOGIES CORP.

Opinion

We have audited the consolidated financial statements of Pure Extracts Technologies Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2022 and 2021;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 *Auditors' 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $5,240,058 during the year ended June 30, 2022 and, as of that date, the Company's working capital deficiency is $959,059. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 identified above 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.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

Auditors' 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 auditors' 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 skepticism 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 auditors' 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 auditors' 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.

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- 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 auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

October 28, 2022

PURE EXTRACTS TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at June 30,		**2022**		2021
ASSETS (Note 9)				
Current assets				
Cash	**$**	**110,780**	$	1,629,383
Prepaid expenses (Note 5)		**147,857**		248,529
Accounts receivable and other receivables		**187,207**		218,784
Inventory (Note 6)		**1,443,270**		720,192
Deferred costs		**32,112**		67,901
Due from related party (Note 11)		**275,774**		401,208
Total current assets		**2,197,000**		3,285,997
Long-term deposits (Note 12)		**162,133**		165,997
Property and equipment (Note 7)		**3,078,487**		2,772,628
Right-of-use assets (Note 12)		**884,056**		2,273,500
Total assets	**$**	**6,321,676**	$	8,498,122
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Notes 8 and 11)	**$**	**1,769,681**	$	589,573
Due to related parties (Note 11)		**200**		200
Deferred revenue		**189,460**		82,191
Loans payable (Note 9)		**965,000**		-
Lease liability – short term (Note 12)		**231,718**		345,275
Total current liabilities		**3,156,059**		1,017,239
Lease liability – long term (Note 12)		**681,501**		1,312,575
Total liabilities		**3,837,560**		2,329,814
Shareholders' equity				
Share capital (Note 10)		**24,858,106**		23,283,105
Obligation to issue shares (Note 10)		**99,000**		-
Reserves (Note 10)		**6,181,098**		6,686,058
Deficit		**(28,654,088)**		(23,800,855)
Total shareholders' equity		**2,484,116**		6,168,308
Total liabilities and shareholders' equity	**$**	**6,321,676**	$	8,498,122

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved and authorized for issuance by the Board of Directors on, October 28, 2022:

/s/ Dwight Duncan	*/s/ Sean Bromley*
Name, Director	Name, Director

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

PURE EXTRACTS TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the years ended June 30,	
	2022	2021
Revenue (Notes 9, 13 and 15)	**$ 1,228,622**	$ 102,113
Cost of goods sold	**1,100,440**	160,545
Gross Margin (Loss)	**128,182**	(58,432)
Operating expenses		
Amortization (Notes 7 and 12)	**750,660**	686,601
Advertising and promotion	**102,100**	3,747,222
Bad debt expense (Note 3)	**61,053**	-
Consulting (Note 11)	**668,929**	1,178,148
Insurance	**207,553**	60,673
Interest and bank charges (Notes 9 and12)	**148,807**	205,361
Inventory wastage (Note 6)	**165,696**	236,504
Licenses	**157,347**	36,870
Office and administrative	**291,531**	287,372
Office and equipment rental	**67,102**	55,930
Professional fees	**367,070**	486,941
Repairs and maintenance	**90,158**	28,870
Research and development	**-**	34,976
Salaries and benefits (Note 11)	**1,601,193**	1,625,320
Share-based compensation (Notes 10 and 11)	**426,133**	8,200,020
Shareholder information	**77,704**	170,314
Supplies	**294**	58,764
Utilities	**18,610**	11,133
Transfer agent and regulatory fees	**32,080**	84,184
Travel and entertainment	**133,132**	44,571
Total operating expenses	**5,367,152**	17,239,774
Other items		
Gain on forfeiture of interest (Note 9)	**-**	139,787
Gain on write-off of accounts payable	**753**	26,455
Impairment of property and equipment (Note 7)	**(32,969)**	-
Interest income	**2,766**	1,207
Listing expense (Note 4)	**-**	(3,158,418)
Recovery (impairment) of loan receivable and deposits (Note 9)	**50,000**	(427,087)
Loss on lease modification (Note 12)	**(9,457)**	-
Foreign exchange gain (loss)	**(12,181)**	23,020
Net loss and comprehensive loss for the year	**$ (5,240,058)**	$ (20,693,242)
Basic and diluted loss per share	**$ (0.05)**	$ (0.32)
Weighted average number of shares outstanding	102,794,753	64,107,846

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

PURE EXTRACTS TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share capital		Obligation to issue shares	Reserves	Deficit	Total
	Number of shares	Amount				
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	2,964,667	1,365,410	-	(586,185)	-	779,225
Shares issued for exercise of warrants	942,500	47,125	-	-	-	47,125
Shares issued for exercise of performance securities	5,136,500	1,644,040	-	(1,541,310)	-	102,730
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	-	-	-	4,633,591	-	4,633,591
Net loss and comprehensive loss for the year	-	-	-	-	(20,693,242)	(20,693,242)
Balance, June 30, 2021	97,839,695	$ 23,283,105	-	$ 6,686,058	$ (23,800,855)	$ 6,168,308
Shares issued for exercise of options	2,576,167	474,870	-	(254,796)	-	220,074
Shares issued for exercise of warrants	3,400,000	170,000	-	-	-	170,000
Shares issued for exercise of performance securities	2,281,500	723,697	-	(678,067)	-	45,630
Units issued to settle debt	2,752,448	206,434	-	-	-	206,434
Special warrant financing	-	-	-	445,275	-	445,275
Special warrant issuance costs – cash	-	-	-	(56,680)	-	(56,680)
Warrant exercise proceeds received	-	-	99,000	-	-	99,000
Share-based compensation	-	-	-	426,133	-	426,133
Fair value transfer on expiry and cancellation of options	-	-	-	(386,825)	386,825	-
Net loss and comprehensive loss for the year	-	-	-	-	(5,240,058)	(5,240,058)
Balance, June 30, 2022	**108,849,810**	**$ 24,858,106**	**$ 99,000**	**$ 6,181,098**	**$ (28,654,088)**	**$ 2,484,116**

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

PURE EXTRACTS TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the years ended June 30, 2022	2021
OPERATING ACTIVITIES		
Net loss for the year	**$ (5,240,058)**	$ (20,693,242)
Non-cash items		
Amortization	**750,660**	686,601
Modification of lease	**9,457**	-
Accrued interest	**(1,170)**	77,255
Share-based compensation	**426,133**	8,200,020
Shares issued for advertising services	**-**	720,000
Gain on forfeiture of interest	**-**	(139,787)
Gain on write-off of accounts payable	**(753)**	(26,455)
Impairment (recovery) of loan receivable and deposits	**(50,000)**	427,087
Listing expense	**-**	2,381,563
Impairment of property and equipment	**32,969**	-
Foreign exchange	**10,072**	-
Bad debt expense	**61,053**	-
Changes in non-cash operating working capital:		
Prepaid expenses	**100,672**	(154,193)
Accounts receivable and other receivables	**(31,072)**	(40,301)
Inventory	**(397,821)**	(608,123)
Deposits	**3,864**	-
Deferred costs	**35,789**	(67,901)
Accounts payable and accrued liabilities	**1,387,295**	(271,364)
Due to related parties	**-**	(18,161)
Deferred revenue	**107,269**	82,191
Net cash used in operating activities	**(2,795,641)**	(9,444,810)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(34,758)**	(801,210)
Cash received on acquisition of Big Sky Petroleum	**-**	10,433
Net cash used in investing activities	**(34,758)**	(790,777)
FINANCING ACTIVITIES		
Proceeds from loans payable	**975,000**	-
Loans receivable	**207,000**	(400,000)
Loans proceeds to related party	**(28,800)**	-
Proceeds from convertible debt, net of issuance cost	**-**	3,408,405
Lease liability payments	**(754,703)**	(278,842)
Down payment for leases	**-**	(55,905)
Proceeds received on special warrants financing, net of issuance cost	**388,595**	8,287,979
Proceeds from the exercise of options, warrants, and performance securities	**435,704**	929,080
Security deposit paid on commencement of lease	**-**	(160,142)
Proceeds received in advance of warrant exercise	**99,000**	-
Repayment of loan payable	**(10,000)**	-
Net cash provided by financing activities	**1,311,796**	11,730,575
Change in cash	**(1,518,603)**	1,494,988
Cash, beginning of year	**1,629,383**	134,395
Cash, end of year	**$ 110,780**	$ 1,629,383

Supplemental cashflow information (Note 16)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Pure Extracts Technologies Corp. (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". 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 Canada Business Corporation Act 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.

These consolidated 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 year ended June 30, 2022, the Company incurred a net loss of $5,240,058 (2021 - $20,693,242). As at June 30, 2022, the Company has a working capital deficit of $959,059 (2021 - working capital of $2,268,758) and an accumulated deficit of $29,040,913 (2021 - $23,800,855). 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 consolidated 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 consolidated 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 consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments recorded at fair value and using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As described in this Note 2, significant accounting policies have been consistently applied in the presentation of these consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (CONTINUED)

The consolidated financial statements of the Company for the year ended June 30, 2022 were approved and authorized for issue by the Board of Directors on October 28, 2022.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. Details of the Company's subsidiaries are as follows:

SUBSIDIARIES	OWNERSHIP PERCENTAGE	JURISDICTION OF INCORPORATION
Pure Manufacturing	100%	British Columbia, Canada
Pure Mushrooms	100%	British Columbia, Canada
Pure USA	100%	Michigan, United States

Inter-company balances and transactions are eliminated on consolidation.

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 consolidated 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.

The following are the judgments that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

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.

Right-of-use asset and lease liability

The 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Impairment of long-lived assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and right-of-use assets, when events or changes in circumstances indicate the assets may not be 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. The Company considers various factors including, but not limited to, the condition of its long-lived assets, economic factors that may impact the usability and value of the long-lived assets and any indications of obsolescence.

Income taxes

Income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These changes in estimates and assumptions could materially impact net income (loss).

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.

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.

Research and development expenditures

Costs to develop products 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 June 30, 2022 and 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

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.

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. During the year ended June 30, 2022, the Company recorded an allowance for doubtful accounts of $61,053 (2020 - $Nil) and wrote off a short-term loan receivable of $Nil (2021 - $427,087).

Revenue (Principal vs. Agent)

The Company has arrangements to process (toll), package, and label goods for its co-manufacturers.

When determining the appropriate basis for presenting revenue on either a gross or net basis, both the legal form and substance of the agreements between the Company and its co-manufacturers are reviewed to determine each party's perspective role in the transaction. Where the Company's role in a transaction is that of a principal, revenue is recognized on a gross basis. When the Company's role in a transaction is that of an agent, revenue is recognized on as net basis. In making this assessment, management considers whether the Company i) acts on behalf of the co-manufacturers in identifying the customer in certain arrangement, ii) controls the good or service being provided, iii) has primary responsibility for providing the goods and service to the customer, iv) has inventory risk before or after the customer order, and v) has discretion in establishing prices for the specified goods and services.

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 is comprised of common shares. Management estimates the fair value of common shares of the accounting acquiror on the date of issuance in accordance with IFRS 2 *Share-based Payment*.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Leases **-** *Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in leases where it is the lessee. As such, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Inventory

Inventory is valued at the lower of cost and net realizable value. Purchased inventory is carried at cost and is determined using the weighted average method. The capitalized cost for produced inventory includes the direct and indirect costs such as materials, labour and amortization expense on equipment involved in extracting and packaging. Net realizable value is determined with reference to the estimated selling price. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions.

Financial instruments

Financial assets

Initial recognition and measurement

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. Financial assets are initially recognized at fair value plus transaction costs directly attributable to the asset, except for transaction costs for financial assets measured at fair value through profit or loss which are expensed as incurred.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgment.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value included in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Subsequent measurement (CONTINUED)

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- The asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment

In relation to the impairment of financial assets, IFRS requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data, comprehensive income or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

The Company's financial instruments are accounted for as follows:

Financial Asset	
Cash	FVTPL
Accounts receivable and other receivables	Amortized cost
Due from related party	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost
Lease liability	Amortized cost

Property and equipment

Property and equipment is recorded at historical cost less related accumulated amortization and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The Company provides for amortization of property and equipment on a straight-line basis unless otherwise noted using the following annual rates:

Leasehold improvements	over lease term
Manufacturing equipment	over 5 years
Security equipment	over 5 years
Extraction equipment	over 5 years
Office furniture	over 5 years
Packaging equipment	over 5 years

Additions during the year are amortized on a pro-rated basis. No amortization is recorded until the assets are put into use.

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.

Revenue Recognition

Revenue is recognized upon the satisfaction of performance obligations. Performance obligations are satisfied at the point at which control of the promised goods or services are transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to receive for those goods and services.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (CONTINUED)

(a) Tolling revenue

The Company offers toll processing services whereby the Company manufactures their customers' final product from raw materials provided by the customers for an agreed upon fee. These arrangements 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 of the finished product by the Company once the service is complete. 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 collects on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue. Costs incurred in the process of manufacturing the final product are presented as deferred costs on the consolidated statement of financial position and expensed as cost of goods sold through the consolidated statement of loss and comprehensive loss when the associated revenue is recognized.

(b) Sale of cannabis and mushroom products

The Company generates revenue 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 collects on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

Proceeds received on the issuance of equity instruments that meet the definition of equity are presented in equity as reserves.

Incremental costs directly attributed to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds received on issue. Shares issued for non-monetary consideration are valued based on the fair value of the goods or services received unless the fair value of the shares are a more reliable measure.

Share-based Compensation

The Company has a stock option plan, described in Note 10, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based Compensation (CONTINUED)

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 recorded 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.

Impairment of long-lived assets

The carrying amount of the Company's long-lived assets (which includes property and equipment and right-of-use assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount; however, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments.

Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (CONTINUED)

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of operations and comprehensive loss in the period in which they are incurred.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a remaining lease term of 12 months or less and leases of low-value assets.

Foreign exchange

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined to be the Canadian dollar for all entities in the group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange (CONTINUED)

Foreign currency transaction and balances

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. The resulting foreign exchange gains or losses are recorded in profit or loss.

Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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 receivable and other receivables, accounts payable and accrued liabilities, and due to and from related parties and loans payable 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 significant, these risks are reviewed and monitored by the Board of Directors.

(Expressed in Canadian dollars)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Fair values (CONTINUED)

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 June 30, 2022 in the amount of $110,780 (2021 - $1,629,383), in order to meet short-term liabilities of $3,156,059 (2021 - $1,017,239). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to 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 and due to related parties are due within 90 days of June 30, 2022. The Company's loan payable is due within 12 months of June 30, 2022. The Company's undiscounted cash flow commitments on the leases are disclosed in Note 14.

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. During the year ended June 30, 2022, the Company recognized a recovery of a previously written off short-term loan receivable in the amount of $50,000 (2021 - loan receivable write-off of $427,087).

The Company has concentration of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. As at June 30, 2022, the Company has 69% (2021 - 100%) of its accounts receivable outstanding from four key customers.

The following table summarizes the amounts that make up accounts receivable:

		2022		2021
Accounts receivable	**$**	**98,760**	$	91,640
Allowance for doubtful accounts		**(61,053)**		-
Taxes receivable		**78,806**		127,144
Other receivable		**70,694**		-
	$	**187,207**	$	218,784

The following table summarizes the aging of accounts receivable as at June 30, 2022:

	Carrying amount	**Current**	**31 – 60 Days**	**61 – 90 Days**	**> 90 Days**
	$	**$**	**$**	**$**	**$**
Accounts receivable	98,760	36,831	19,165	-	42,764

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Fair values (CONTINUED)

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 and loans payable. 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 objective when managing capital is 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, 2021.

4. REVERSE TAKEOVER

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 as there were no substantive processes in place, the Acquisition did 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.

(Expressed in Canadian dollars)

4. REVERSE TAKEOVER (CONTINUED)

A breakdown of the listing expense is as follows:

Consideration:		
Fair value of shares given up by Pure Manufacturing (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

		2022		2021
Prepaid expenses	**$**	**114,179**	$	158,200
Deposits on inventory		**33,678**		90,329
	$	**147,857**	$	248,529

6. INVENTORY

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

		2022		2021
Raw materials	**$**	**34,004**	$	80,821
Work in progress		**1,409,266**		639,371
	$	**1,443,270**	$	720,192

Included in work in progress inventory is capitalized amortization of $325,257 (2021 - $104,254).

During the year ended June 30, 2022, $570,765 of inventory was expensed through cost of goods sold (2021 - $61,034) and $165,696 of inventory was expensed through inventory wastage (2021 - $236,504).

(Expressed in Canadian dollars)

7. PROPERTY AND EQUPMENT

	Leasehold Improvements	Manufacturing Equipment	Security Equipment	Extraction Equipment	Office furniture	Testing equipment	Packaging equipment	Total
Cost								
As at June 30, 2020	$ 1,588,390	$ 617,774	$ 154,679	$ 5,000	$ -	$ -	$ -	$2,365,843
Additions	178,470	95,070	10,503	478,116	6,082	32,969	-	801,210
As at June 30, 2021	1,766,860	712,844	165,182	483,116	6,082	32,969	-	3,167,053
Additions	17,144	7,021	2,165	-	2,926	-	10,650	39,906
Additions from lease buy-out	-	943,473	-	-	-	-	-	943,473
Impairment						(32,969)		(32,969)
Disposals	-	-	-	-	-	-	(5,235)	(5,235)
As at June 30, 2022	**$ 1,784,004**	**$ 1,663,338**	**$ 167,347**	**$ 483,116**	**$ 9,008**	**$ -**	**$ 5,415**	**$4,112,228**
Accumulated Amortization								
As at June 30, 2020	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Amortization	231,085	92,442	21,815	48,475	608	-	-	394,425
As at June 30, 2021	231,085	92,442	21,815	48,475	608	-	-	394,425
Amortization	356,730	150,490	33,324	96,624	1,606	-	629	639,403
Disposal	-	-	-	-	-	-	(87)	(87)
As at June 30, 2022	**$ 587,815**	**$ 242,932**	**$ 55,139**	**$ 145,099**	**$ 2,214**	**$ -**	**$ 542**	**$ 1,033,741**
Net Book Value								
As at June 30, 2021	$ 1,535,775	$ 620,402	$ 143,367	$ 434,641	$ 5,474	$ 32,969	$ -	$ 2,772,628
As at June 30, 2022	**$ 1,196,189**	**$ 1,420,406**	**$ 112,208**	**$ 338,017**	**$ 6,794**	**$ -**	**$ 4,873**	**$ 3,078,487**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable	**$ 1,671,834**	$ 423,019
Accrued professional fees	**97,847**	166,554
	$ 1,769,681	$ 589,573

9. LOAN RECEIVABLE AND PAYABLE

During the year-ended June 30, 2021, the loan owing from 1205457 B.C. Ltd. ("Fundco") had been called. Due to the uncertainty surrounding the collectability of the loan receivable and deposit, the loan and deposit have been fully provisioned for and an amount of $427,087 was impaired.

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 by a third-party to Fundco to reduce the amount owing to Pure Manufacturing during the year ended June 30, 2021.

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

On October 28, 2020, pursuant of the RTO, the convertible debentures balance of $2,409,055 was converted into 32,320,734 common shares and 12,000,000 warrants of the Company and interest of $56,568 was forgiven.

9. LOAN RECEIVABLE AND PAYABLE (CONTINUED)

During the year ended June 30, 2022, the Company entered into a credit facility with Pivot Financial I Limited Partnership ("the Creditor") for an aggregate amount of $1,225,000, available in two drawdowns: the first drawdown of $975,000 on the date of closing and a second drawdown in the amount of $250,000. The loan is subject to interest at 15% per annum and principal repayments of $10,000 are due monthly. The loan matures one year from the date of closing (June 13, 2023). The loan is secured by the Company's assets and revenues. During the year ended June 30, 2022, interest in the amount of $6,812 (2021 - $Nil) has been paid. As at June 30, 2022, the loan balance is $965,000 (2021 - $Nil).

10. 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 of 2,079,511 for 63,621,026 common shares of the Company in the RTO. Immediately following the Acquisition, there were 70,700,537 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 consolidated financial statements, prior to the RTO, have been adjusted, on a retroactive basis, to reflect this exchange.

Issued and outstanding

<u>Year-ended June 30, 2022:</u>

The Company issued 2,576,167 common shares pursuant to options exercised for proceeds of $220,074 which resulted in a transfer from share-based compensation reserve of $254,796.

The Company issued 3,400,000 common shares pursuant to the exercise of warrants for proceeds of $170,000.

The Company issued 2,281,500 common shares pursuant to the exercise of performance securities for proceeds of $45,630 which resulted in a transfer from share-based compensation reserve of $678,067.

The Company issued 2,752,448 units, comprised of one common share and one common share purchase warrant, at a fair value of $0.075 to settle debt in the amount of $206,434. Each common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.15 for a period of 24 months from the date of issuance.

The Company received $99,000 pursuant to warrant exercises. As at June 30, 2022, the common shares have yet to be issued (Note 17).

On March 7, 2022, the Company issued 5,937,001 special warrants at a price of $0.075 for gross proceeds of $445,275. The special warrants will automatically convert into one common share of the Company and one transferable common share purchase warrant on the date that is the earlier of i) the third business day after a receipt for a final prospectus qualifying the distribution of the shares and warrants issuable upon conversion of the special warrants, and ii) four months and one day after the closing date of the special warrant offering. Each common share purchase warrant issued upon conversion will entitle the holder to one additional common share of the Company at a price of $0.15 for a period of two years from the date of conversion of the special warrants. In connection with the special warrant financing, the Company issued 188,930 broker warrants (Note 10) and paid $56,680 in cash issuance costs.

10. SHARE CAPITAL (CONTINUED)

Issued and outstanding (CONTINUED)

Year-ended June 30, 2021:

On October 9, 2020, Pure Manufacturing entered into a share repurchase agreement with Fundco, whereby 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).

On October 28, 2020, the Company issued 55,621,026 common shares for the settlement of $9,399,148 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 into one common share of the Company and one transferrable common share purchase warrant upon the earlier of the receipt for a final prospectus qualifying the distribution of the units or May 21, 2021. In conjunction with the private placement of the Special Warrants, the Company paid finders' fees of $244,244 and granted 632,620 broker warrants (Note 10). Each warrant will entitle the holder to acquire one common share at an exercise price of $0.65 for two 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.

The Company issued 2,964,667 common shares for the exercise of options for proceeds of $779,225 which resulted in a transfer from share-based compensation reserve of $586,185.

The Company issued 942,500 common shares for the exercise of warrants for proceeds of $47,125.

The Company issued 5,136,500 common shares for the exercise of performance securities for proceeds of $102,730 which resulted in a transfer from share-based compensation reserve of $1,541,310.

Escrow Shares

As at June 30, 2022, the Company has 1,080,000 (2021 - 1,800,000) common shares held in escrow.

The terms of the release of common shares from escrow are as follows:
1) 10% of shares were released November 5, 2020;
2) 15% of shares were released May 5, 2021;
3) 15% of shares were released November 5, 2021;
4) 15% of shares were released May 5, 2022;
5) 15% of shares will be released November 5, 2022;
6) 15% of shares will be released May 5, 2023; and
7) 15% of shares will be released November 5, 2023.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (CONTINUED)

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.

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 year ended June 30, 2022, share-based compensation in the amount of $426,133 (2021 - $4,633,591) was recognized on the issuance and vesting of stock options to directors, officers and consultants.

The continuity of stock options is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2020	**6,053,339**	**$0.10**
Granted	11,192,336	$0.42
Exercised	(2,964,667)	$0.26
Balance, June 30, 2021	**14,281,008**	**$0.31**
Granted	4,225,000	$0.08
Exercised	(2,576,167)	$0.09
Expired	(133,336)	$0.08
Canceled	(563,500)	$0.66
Balance, June 30, 2022	**15,233,005**	**$0.26**

The weighted average share price of options exercised during the year was $0.37 (2021 - $0.56).

(Expressed in Canadian dollars)

10. SHARE CAPITAL (CONTINUED)

Stock options (CONTINUED)

The following table summarizes the stock options outstanding and exercisable as at June 30, 2022:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
3,035,500	3,035,500	$0.73	January 21, 2023
39,999	39,999	$0.53	June 22, 2023
2,420,000	2,420,000	$0.30	May 31, 2024
3,047,505	3,047,505	$0.075	November 1, 2024
4,175,000	4,175,000	$0.075	March 8, 2025
250,001	250,001	$0.075	June 16, 2025
200,000	200,000	$0.30	June 16, 2025
750,000	750,000	$0.075	October 28, 2025
1,100,000	1,100,000	$0.30	October 28, 2025
215,000	40,000	$0.73	January 21, 2026
15,233,005	**15,058,005**		

As at June 30, 2022, the weighted average remaining contractual life of all options outstanding was 2.13 (2021 - 2.99) years.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted during 2022 with a weighted average fair value of $0.08 (2021 - $0.41).

The following weighted average assumptions were used:

	2022	2021
Dividend yield	**Nil**	Nil
Forfeiture rate	**Nil**	Nil
Annualized volatility	**224%**	213%
Risk-free interest rate	**1.68%**	0.35%
Expected life	**3.01 years**	2.98 years

Warrants

The continuity of warrants is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2020	**-**	**-**
Granted	21,545,351	$0.31
Exercised	(942,500)	$0.05
Balance, June 30, 2021	**20,602,851**	**$0.32**
Granted	8,878,379	$0.15
Exercised	(3,400,000)	$0.05
Balance, June 30, 2022	**26,081,230**	**$0.31**

(Expressed in Canadian dollars)

10. SHARE CAPITAL (CONTINUED)

Warrants (CONTINUED)

The weighted average share price of warrants exercised during the year was $0.26 (2021 - $0.56).

The following table summarizes the warrants outstanding and exercisable at June 30, 2022:

OUTSTANDING	PRICE	EXPIRY DATE
7,657,500	$0.05	October 28, 2022
464,992	$0.05	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
8,878,379	$0.15	March 7, 2024
26,081,230		

As at June 30, 2022, the weighted average remaining contractual life of all warrants was 0.92 (2021 - 1.49) years.

For the year ended June 30, 2021, eligible finders were issued an aggregate of 464,992 warrants, exercisable for 24 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:

	2022	2021
Dividend yield	**N/A**	Nil
Forfeiture rate	**N/A**	Nil
Annualized volatility	**N/A**	184 %
Risk-free interest rate	**N/A**	0.16%
Expected life	**N/A**	2 years

In connection with the issuance of special warrants, eligible finders were issued an aggregate of 188,930 (2021 - 632,620) warrants, exercisable for 24 months from the issue date at a price of $0.15 (2021 - $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 $13,757 (2021 - $408,844), estimated using the Black-Scholes option pricing model using the following assumptions:

	2022	2021
Dividend yield	**Nil**	Nil
Forfeiture rate	**Nil**	Nil
Annualized volatility	**259 %**	250 %
Risk-free interest rate	**1.55%**	0.13%
Expected life	**2 years**	2 years

(Expressed in Canadian dollars)

10. SHARE CAPITAL (CONTINUED)

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:

	2022	2021
Dividend yield	**N/A**	**Nil**
Forfeiture rate	**N/A**	**Nil**
Annualized volatility	**N/A**	**181 %**
Risk-free interest rate	**N/A**	**0.32%**
Expected life	**N/A**	**5 years**

The continuity of performance securities is summarized below:

	NUMBER OF PERFORMANCE SECURITIES	**WEIGHTED AVERAGE EXERCISE PRICE**
Balance, June 30, 2020	**-**	**-**
Granted	12,000,000	$0.02
Exercised	(5,136,500)	$0.02
Balance, June 30, 2021	**6,863,500**	**$0.02**
Exercised	(2,281,500)	$0.02
Balance, June 30, 2022	**4,582,000**	**$0.02**

The weighted average share price of performance securities exercised during the year was $0.57 (2021 - $0.68)

As at June 30, 2022, the weighted average remaining contractual life of all performance securities was 3.30 (2021 - 4.30) years.

11. 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 fair value of the transactions. 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. In addition to transactions disclosed elsewhere in the consolidated financial statements, related party transactions for the years ended June 30, 2022 and 2021 are as follows:

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management Compensation (CONTINUED)

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

	2022	2021
	$	$
Consulting fees	**60,000**	79,750
Share-based compensation	**22,817**	3,982,309

b) Key management compensation:

	2022	2021
	$	$
Management salaries and short-term benefits	**620,000**	730,000
Consulting fees	**98,558**	134,000
Share-based compensation	**216,159**	1,349,540

As at June 30, 2022, the Company has an amount owing to the Chief Operating Officer of $200 (2021 - $200). Included in accounts payable and accrued liabilities is an amount owing to the Chief Executive Officer of $654 (2021 - $Nil), an amount owing to the Chief Financial Officer of $8,494 (2021 - $1,470), and an amount owing to a legal firm affiliated with a director of the Company of $365,252 (2021 - $191,773).

As at June 30, 2022, the Company also has a loan receivable owing from the Chief Operating Officer in the amount of $275,774 (2021 - $401,208). The loan bears interest at 1% per annum and is due on demand.

12. RIGHT-OF-USE ASSETS 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 $165,949 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 as a long-term deposit in the statement of financial position. The total purchase price is $1,084,200. During the year ended June 30, 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%.

During the year ended June 30, 2021, the Company entered into to lease agreement with a third party to lease extraction 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 measured using the incremental borrowing rate of 8%.

(Expressed in Canadian dollars)

12. RIGHT-OF-USE ASSET AND LEASE LIABILITY (CONTINUED)

During the year ended June 30, 2021, the Company paid $55,905 towards the purchase of extraction equipment. The total purchase price is $223,620. The Company entered into a lease agreement with a third party to lease the remainder 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 $16,771 or the fair value of the equipment at that time. Upon delivery of the equipment and commencement of the lease, the Company recognized $234,686 for a ROU asset and $178,781 for a lease liability. This lease liability was measured using the rate implicit in the lease of 15%.

In May 2022, the lease agreement with a third party to lease extraction equipment was amended to change the payment schedule from annual lease payments of $100,000 to semi-annual lease payments of $50,000. This change in the lease payment schedule extended the months of repayment by six months, which resulted in a lease reassessment and the Company recognizing a loss on lease reassessment of $9,457 in the consolidated statement of operations and comprehensive loss.

In June of 2022, the Company entered into early buyout agreements for two of its leases. The Company paid $461,733 in total to their lessors which included amounts for the remaining contractual lease payments, the fair market value of the equipment which was to originally be at the end of the lease, and sales tax, less any deposits previously paid. This payment is included under lease payments for the year ended June 30, 2022.

The continuity of the ROU asset and lease liability for the years ended June 30, 2022 and 2021 is as follows:

Right-of-use asset		Office		Equipment		Total
As at June 30, 2020	$	520,983	$	-	$	520,983
Addition		165,949		1,982,998		2,148,947
Amortization		(134,945)		(261,485)		(396,430)
As at June 30, 2021		**551,987**		**1,721,513**		**2,273,500**
Amortization		(143,996)		(292,518)		(436,514)
Lease buyout		-		(943,473)		(943,473)
Lease modification		-		(9,457)		(9,457)
As at June 30, 2022	**$**	**407,991**	**$**	**476,065**	**$**	**884,056**

Lease liability						
As at June 30, 2020	$	528,718	$	-	$	528,718
Lease liability recognized		165,948		1,242,027		1,407,975
Lease payments		(158,400)		(228,463)		(386,863)
Lease interest		31,915		89,565		121,480
Impact of foreign exchange		-		(13,460)		(13,460)
As at June 30, 2021		**568,181**		**1,089,669**		**1,657,850**
Lease payments		(158,400)		(731,531)		(889,931)
Lease interest		25,376		109,852		135,228
Impact of foreign exchange		-		10,072		10,072
As at June 30, 2022	**$**	**435,157**	**$**	**478,062**	**$**	**913,219**
Current portion	$	141,430	$	90,288	$	231,718
Long-term portion	$	293,727	$	387,774	$	681,501
	$	**435,157**	**$**	**478,062**	**$**	**913,219**

(Expressed in Canadian dollars)

13. ECONOMIC DEPENDENCE

During the year ended June 30, 2022, two key customers (2021 - two) contributed more than 10% to the Company's revenue for a total of $638,056 or 52% (2021 - $102,133 or 100%).

		2022		2021
Customer A	**$**	**511,848**	$	87,733
Customer B		**126,208**		14,400
	$	**638,056**	$	102,133

14. COMMITMENTS

The Company's commitments under its premises and equipment leases for the next five fiscal years are as follows (Note 12):

Year		Amount
2023	$	288,913
2024		296,913
2025		268,913
2026		128,913
2027		64,456
	$	1,048,108

15. 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 including psychedelic medicinal products, and its head office.

The following table shows the segment information for the year ended June 30, 2022:

		Cannabis and Hemp		**Functional Wellness**		**Head Office**		**Total**
Revenue	$	1,221,059	$	7,563	$	-	$	1,228,622
Cost of sales		1,092,797		7,643		-		1,100,440
Operating expenses		3,521,993		175,249		1,669,910		5,367,152
Segment assets	$	5,941,778	$	43,384	$	336,514	$	6,321,676
Segment liabilities	$	3,061,061	$	101,781	$	674,718	$	3,837,560
Capital Expenditures	$	34,670	$	-	$	-	$	34,670

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (CONTINUED)

The following table shows the segment information for the year ended June 30, 2021:

	Cannabis and Hemp	Functional Wellness	Head Office	Total
Revenue	$ 99,854	$ 2,259	$ -	$ 102,113
Cost of sales	158,763	1,782	-	160,545
Operating expenses	$ 4,688,798	32,530	12,518,446	17,239,774
Segment assets	$ 6,433,410	$ 32,291	$ 2,032,421	$ 8,498,122
Segment liabilities	$ 1,998,706	$ 4,475	$ 326,633	$ 2,329,814
Capital Expenditures	$ 801,210	$ -	$ -	$ 801,210

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Shares issued on settlement/conversion of debt	**$ 206,434**	$ 9,399,148
Broker warrants	**13,757**	513,973
Right-of-use asset additions	**-**	2,093,041
Lease buyouts and property and equipment additions	**943,473**	-
Prepaid applied to lease	**-**	7,695
Deposit on lease	**-**	55,905
Amortization capitalized to inventory	**325,257**	104,254
Interest paid	**$ 142,039**	$ -

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
Loss before income tax from continuing operations	**$ (5,240,058)**	$ (20,693,242)
Statutory tax rate	**27.00%**	27.00%
Expected income recovery	**(1,415,000)**	(5,587,000)
Change in statutory, foreign tax, foreign exchange rates and other	**(67,000)**	33,000
Permanent differences	**201,000**	3,187,000
Share issuance costs	**(15,000)**	(136,000)
Change in deferred tax assets not recognized	**1,296,000**	2,503,000
Total income tax expense (recovery)	**$ -**	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Property and equipment	1,085,000	No expiry date	$ 394,000	No expiry date
Share issue costs	354,000	2023 to 2026	412,000	2022 to 2025
Non-capital losses	21,607,000	2038 to 2042	$ 11,149,000	2026 to 2037

18. SUBSEQUENT EVENTS

- On July 8, 2022, 5,937,001 units were issued pursuant to the automatic conversion of special warrants. The units include one common share and one common share purchase warrant at an exercise price of $0.15 for a period of two years from the date of conversion.

- On August 16, 2022, 1,980,000 common shares were issued pursuant to the exercise of warrants for gross proceeds of $99,000. As at June 30, 2022, these proceeds were already received by the Company and included in obligation to issue shares.

- Subsequent to year-end on October 28, 2022, 6,142,492 warrants expired unexercised.