PURE EXTRACTS TECHNOLOGIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

MARCH 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED – PREPARED BY MANAGEMENT)

Contents

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

As at		**March 31, 2023**		June 30, 2022
ASSETS (Note 8)				
Current assets				
Cash	**$**	**71,693**	$	110,780
Prepaid expenses (Note 4)		**172,231**		147,857
Accounts receivable and other receivables (Note 3)		**50,256**		187,207
Inventory (Note 5)		**1,209,618**		1,443,270
Deferred costs		**2,533**		32,112
Due from related party (Note 10)		**277,806**		275,774
Total current assets		**1,784,137**		2,197,000
Long-term deposits		**162,133**		162,133
Property and equipment (Note 6)		**2,499,755**		3,078,487
Right-of-use asset (Note 11)		**704,649**		884,056
Total assets	**$**	**5,150,674**	$	6,321,676
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Notes 7 and 10)	**$**	**3,222,348**	$	1,769,681
Due to related parties (Note 10)		**200**		200
Deferred revenue		**38,677**		189,460
Loans payable (Note 8)		**1,328,554**		965,000
Lease liability – short term (Note 11)		**256,616**		231,718
Total current liabilities		**4,846,395**		3,156,059
Lease liability – long term (Note 11)		**537,874**		681,501
Total liabilities		**5,384,269**		3,837,560
Shareholders' (deficiency) equity				
Share capital (Note 9)		**25,402,381**		24,858,106
Obligation to issue shares (Note 9)		**-**		99,000
Reserves (Note 9)		**5,757,858**		6,181,098
Deficit		**(31,393,834)**		(28,654,088)
Total shareholders' (deficiency) equity		**(233,595)**		2,484,116
Total liabilities and shareholders' (deficiency) equity	**$**	**5,150,674**	$	6,321,676

Approved and authorized for issuance by the Board of Directors on May 30, 2023:

/s/ Dwight Duncan
Name, Director

/s/ Sean Bromley
Name, Director

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

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2023	2022	**2023**	2022
Revenue (Note 8)	$ **690,813**	181,168	$ **2,071,454**	$ 860,817
Cost of goods sold (Note 5)	**361,706**	245,868	**1,585,882**	733,275
Gross Margin	**329,107**	(64,700)	**485,572**	127,542
Operating expenses				
Amortization (Notes 6 and 11)	**188,856**	197,832	**564,910**	593,068
Advertising and promotion	**5,424**	25,500	**44,837**	99,884
Bad debt recovery (Note 3)	**(10,000)**	-	**(61,053)**	-
Commissions	**57,659**	74,928	**57,659**	74,928
Consulting (Note 10)	**109,533**	190,559	**233,202**	534,288
Insurance	**296**	24,182	**900**	107,323
Interest and bank charges (Notes 8 and 11)	**83,449**	35,426	**286,648**	113,047
Inventory wastage (Note 5)	**146,878**	18,259	**450,139**	104,452
Licenses	**29,081**	45,685	**(9,097)**	77,954
Office and administrative	**37,694**	64,839	**109,547**	238,349
Office and equipment rental	**13,913**	17,979	**43,179**	49,146
Professional fees	**30,535**	58,742	**144,678**	231,152
Repairs and maintenance	**47,133**	4,488	**108,561**	49,594
Salaries and benefits (Note 10)	**409,904**	397,198	**1,205,462**	1,212,224
Share-based compensation (Notes 9 and 10)	**3,122**	333,667	**22,035**	415,645
Shareholder information	**-**	8,733	**22,000**	70,204
Supplies	**5,745**	-	**5,745**	294
Utilities	**398**	669	**2,319**	16,243
Transfer agent and regulatory fees	**(249)**	(5,565)	**2,520**	28,131
Travel and entertainment	**1,313**	32,582	**11,188**	128,654
Total operating expenses	**1,160,684**	1,525,703	**3,245,379**	4,144,580
Other income				
Interest income	**671**	2,671	**2,201**	2,671
Recovery of loan receivable (Note 3)	**38,439**	-	**68,439**	-
Loss on debt settlement (Notes 11 and 12)	**-**	(13,762)	**-**	(13,762)
Gain on write-off of debt	**-**	753	**2,872**	753
Loss on write-off of prepaids (Note 4)	**(21,183)**	-	**(21,183)**	-
Write-off of loan receivable and deposits (Note 8)	**-**	50,000	**-**	50,000
Foreign exchange gain (loss)	**(2,129)**	7,143	**(32,268)**	(5,776)
Net loss and comprehensive loss for the period	$ **(815,779)**	(1,543,598)	$ **(2,739,746)**	$ (3,983,152)
Basic and diluted loss per share	$ **(0.01)**	(0.01)	$ **(0.02)**	$ (0.04)
Weighted average number of shares outstanding	**116,766,811**	106,450,515	**116,253,833**	102,794,753

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

PURE EXTRACTS TECHNOLOGIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
(Unaudited - Expressed in Canadian dollars)

	Share capital		Obligation to issue			
	Number of shares	Amount	shares	Reserves	Deficit	Total
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	2,169,000	688,012	-	(644,632)	-	43,380
Units issued to settle debt	2,752,448	220,196	-	-	-	220,196
Special warrant financing	-	445,275	-	-	-	445,275
Special warrant issuance costs – cash	-	(14,170)	-	-	-	(14,170)
Special warrant issuance costs – broker warrants	-	(13,757)	-	13,757	-	-
Share subscriptions received	-	-	99,000	-	-	99,000
Share-based compensation	-	-	-	415,646	-	415,646
Net loss and comprehensive loss for the period	-	-	-	-	(3,983,152)	(3,983,152)
Balance, March 31, 2022	108,737,310	$ 25,253,531	$ 99,000	$ 6,216,033	$ (27,784,007)	$ 3,784,557
Balance, June 30, 2022	108,849,810	$ 24,858,106	$ 99,000	$ 6,181,098	$ (28,654,088)	$ 2,484,116
Units issued on conversion of special warrants	5,937,001	445,275	-	(445,275)	-	-
Shares issued for exercise of warrants	1,980,000	99,000	(99,000)	-	-	-
Share-based compensation	-	-	-	22,035	-	22,035
Net loss and comprehensive loss for the period	-	-	-	-	(2,739,746)	(2,739,746)
Balance, March 31, 2023	**116,766,811**	**$ 25,402,381**	**$ -**	**$ 5,757,858**	**$ (31,393,834)**	**$ (233,595)**

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

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

	Nine month period ended March 31,	
	2023	2022
OPERATING ACTIVITIES		
Net loss for the period	**$ (2,739,746)**	$ (3,983,152)
Non-cash items		
Amortization	**564,910**	593,068
Accrued interest	**100,851**	(2,671)
Bad debt recovery	**(61,053)**	-
Foreign exchange	**24,052**	4,078
Gain on write-off of debt	**(2,872)**	-
Loss on debt settlement	**-**	13,762
Recovery of loan receivable	**(68,439)**	-
Write-off of loan receivable and deposits	**-**	(50,000)
Shares issued for advertising services	**-**	37,867
Share-based compensation	**22,035**	415,645
Changes in non-cash operating working capital:		
Prepaid expenses	**(24,374)**	85,612
Accounts receivable and other receivables	**95,122**	1,003
Inventory	**467,845**	(319,412)
Deposits	**-**	(1,878)
Deferred costs	**29,579**	33,514
Accounts payable and accrued liabilities	**1,455,538**	790,756
Deferred revenue	**(150,783)**	118,984
Net cash provided by (used in) operating activities	**(287,335)**	(2,262,824)
INVESTING ACTIVITY		
Purchase of property and equipment	**(40,964)**	(27,650)
Net cash used in investing activity	**(40,964)**	(27,650)
FINANCING ACTIVITIES		
Proceeds from loan payable	**453,554**	50,000
Loans receivable	**68,439**	70,000
Lease liability payments	**(142,781)**	(234,590)
Repayment of loan payable	**(90,000)**	86,000
Proceeds received on Special Warrants financing	**-**	431,105
Proceeds from the exercise of options, warrants, and performance securities	**-**	404,655
Proceeds received in advance of warrant exercise	**-**	99,000
Net cash provided by financing activities	**289,212**	906,170
Change in cash	**(39,087)**	(1,384,304)
Cash, beginning of period	**110,780**	1,629,383
Cash, end of period	**$ 71,693**	$ 245,079

Supplemental cashflow information

	$	$
Shares issued on debt settlement	-	220,196
Interest paid	147,909	108,672
Taxes paid	-	-

(The accompanying notes are an integral part of these condensed interim 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 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.

These condensed interim 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 nine months ended March 31, 2023, the Company incurred a net loss of $2,739,746 (2021 - $3,983,152). As at March 31, 2023, the Company has working capital deficit of $3,062,258 (June 30, 2022 – $959,059) and an accumulated deficit of $31,393,834 (June 30, 2022 - $28,654,088). 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 condensed interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed interim consolidated 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 condensed interim consolidated 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 Extracts Technologies Corp. for the year ended June 30, 2022. As described in this Note 2, significant accounting policies have been consistently applied in the presentation of these condensed interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (CONTINUED)

The condensed interim 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.

The condensed interim consolidated financial statements of the Company for the three and nine months ended March 31, 2023 were approved and authorized for issue by the Board of Directors on May 30, 2023.

Basis of consolidation

These condensed interim 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 condensed interim 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 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)

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

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 considered various factors including, but not limited to, the condition of its long lived assets, economic factors that may impact the value of the long-lived assets and any indications of obsolescence.

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 three and nine months ended March 31, 2023, the Company recorded a bad debt recovery of $10,000 and $61,053 (2021 - $Nil and $Nil), respectively.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

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.

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.

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, 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 material, these risks are reviewed and monitored by the Board of Directors.

(Unaudited - Expressed in Canadian dollars)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (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 March 31, 2023 in the amount of $71,693 (June 30, 2022 - $110,780), in order to meet short-term liabilities of $4,846,394 (June 30, 2022 - $3,156,059). 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 March 31, 2023. The Company's loan payable is due within 12 months of March 31, 2023. The Company's undiscounted cash flow commitments on the leases are disclosed in Note 12.

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 three and nine months ended March 31, 2023, the Company recognized a recovery of a previously written off short-term loan receivable in the amount of $38,439 and $68,439 (2022 - $Nil and $Nil), respectively.

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 March 31, 2023, the Company has 97% (June 30, 2022 - 69%) of its accounts receivable outstanding from three key customers.

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

	March 31, 2023	June 30, 2022
Accounts receivable	**$ 44,827**	$ 98,760
Allowance for doubtful accounts	**-**	(61,053)
Taxes receivable	**5,429**	78,806
Other receivable	**-**	70,694
	$ 50,256	$ 187,207

The following table summarizes the aging of accounts receivable as at March 31, 2023:

	Carrying amount	**Current**	**31 – 60 Days**	**61 – 90 Days**	**> 90 Days**
	$	**$**	**$**	**$**	**$**
Accounts receivable	44,827	16,890	27,871	66	-

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.

(Unaudited - Expressed in Canadian dollars)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

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 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, 2022.

4. PREPAID EXPENSES

	March 31, 2023	June 30, 2022
Prepaid expenses	**$ 103,683**	$ 114,179
Deposits on inventory	**68,548**	33,678
	$ 172,231	$ 147,857

During the three and nine months ended March 31, 2023, the Company wrote off $21,183 worth of deposits on inventory (2022 - $Nil).

5. INVENTORY

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

	March 31, 2023	June 30, 2022
Raw materials	**$ 20,095**	$ 34,004
Work in progress	**1,189,523**	1,409,266
	$ 1,209,618	$ 1,443,270

Included in work in progress inventory is capitalized amortization of $234,193 (June 30, 2022 - $325,257).

During the three and nine months ended March 31, 2023, $166,603 and $824,816 of inventory was expensed through cost of goods sold (2022 - $254,208 and $556,188), respectively, and $146,878 and $450,139 of inventory was expensed through inventory wastage (2022 – $18,259 and $104,452), respectively.

(Unaudited - Expressed in Canadian dollars)

6. PROPERTY AND EQUPMENT

	Leasehold Improvements	Manufacturing Equipment	Security Equipment	Extraction Equipment	Office furniture	Testing equipment	Packaging equipment	Total
Cost								
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
Additions	-	40,000	-	-	963	-	-	40,963
As at March 31, 2023	**$ 1,784,004**	**$ 1,703,338**	**$ 167,347**	**$ 483,116**	**$ 9,971**	**$ -**	**$ 5,415**	**$ 4,153,191**
Accumulated Amortization								
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
Amortization	267,601	252,251	25,102	72,467	1,462	-	812	619,695
As at March 31, 2023	**$ 855,416**	**$ 495,183**	**$ 80,241**	**$ 217,566**	**$ 3,676**	**$ -**	**$ 1,354**	**$ 1,653,436**
Net Book Value								
As at June 30, 2022	$ 1,196,189	$ 1,420,406	$ 112,208	$ 338,017	$ 6,794	$ -	$ 4,873	$ 3,078,487
As at March 31, 2023	**$ 928,588**	**$ 1,208,155**	**$ 87,106**	**$ 265,550**	**$ 6,295**	**$ -**	**$ 4,061**	**$ 2,499,755**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	June 30, 2022
Accounts payable	**$ 3,219,417**	$ 1,671,834
Accrued professional fees	**2,930**	97,847
	$ 3,222,347	$ 1,769,681

8. LOAN PAYABLE

During the nine months ended March 31, 2023, the Company entered into a loan with PL Healthcare Management Ltd. for $450,000. The loan is unsecured and subject to interest at 8% per annum and matures on October 23, 2023. During the three and nine months ended March 31, 2023, interest in the amount of $3,554 has been recorded. As at March 31, 2023, the loan balance is $453,554.

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 three and nine months ended March 31, 2023, interest in the amount of $33,102 and $104,186 (2022 - $Nil and $Nil), respectively has been paid. As at March 31, 2023, the loan balance is $875,000 (June 30, 2022 - $965,000).

9. SHARE CAPITAL

Authorized

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

Issued and outstanding

<u>Nine months ended March 31, 2023:</u>

The Company issued 5,937,001 units pursuant to the automatic conversion of 5,937,001 special warrants and resulted in a transfer from share-based compensation reserve of $445,275. The units include one common share and one share purchase warrant at an exercise price of $0.15 for a period of two years from the date of conversion.

The Company issued 1,980,000 common shares pursuant to the exercise of warrants for gross proceeds of $99,000, which were received during the year ended June 30, 2022.

<u>Nine months ended March 31, 2022:</u>

During the nine months ended March 31, 2022, 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.

During the nine months ended March 31, 2022, the Company issued 3,400,000 common shares pursuant to the exercise of warrants for proceeds of $170,000.

During the nine months ended March 31, 2022, the Company issued 2,169,000 common shares pursuant to the exercise of performance securities for proceeds of $43,380 which resulted in a transfer from share-based compensation reserve of $644,632. As at March 31, 2022, proceeds of $28,800 was owed to the Company.

During the nine months ended March 31, 2022, the Company issued 2,752,448 units, comprised of one common share and one common share purchase warrant, at a deemed price 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 fair value of the units issued was $220,196, resulting in a loss of $13,762 being recognized.

During the nine months ended March 31,2022, the Company received $99,000 pursuant to warrant exercises.

Escrow Shares

As at March 31, 2023, the Company has 720,000 (June 30, 2022 – 1,080,000) common shares held in escrow.

The terms of the common shares held in 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 were 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.

(Unaudited - Expressed in Canadian dollars)

9. 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 three and nine month period ended March 31, 2023, share-based compensation in the amount of $3,122 and $22,035 (2022 - $333,667 and $415,645), respectively 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, 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**	**$0.27**
Expired	(3,035,500)	$0.73
Balance, March 31, 2023	**12,197,505**	**$0.16**

(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

Stock options (CONTINUED)

The following table summarizes the stock options outstanding and exercisable as at March 31, 2023:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATE
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
12,197,505	**12,022,505**		

As at March 31, 2023, the weighted average remaining contractual life of all options outstanding was 1.82 years (June 30, 2022 – 2.13).

Warrants

The continuity of warrants is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
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**
Exercised	(1,980,000)	$0.05
Expired	(15,222,851)	$0.42
Balance, March 31, 2023	**8,878,379**	**$0.15**

The weighted average share price of warrants exercised during the nine months ended March 31, 2023 was $0.05 (2022 - $0.02)

(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

Warrants (CONTINUED)

The following table summarizes the warrants outstanding and exercisable at March 31, 2023:

OUTSTANDING	PRICE	EXPIRY DATE
2,941,378	$0.15	March 7, 2024
5,937,001	$0.15	July 8, 2024
8,878,379		

As at March 31, 2023, the weighted average remaining contractual life of all warrants was 0.66 years (June 30, 2022 – 0.92 years).

Performance Securities

The continuity of performance securities is summarized below:

	NUMBER OF PERFORMANCE SECURITIES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2021	**6,863,500**	**$0.02**
Exercised	(2,281,500)	$0.02
Balance, June 30, 2022 and March 31, 2023	**4,582,000**	**$0.02**

As at March 31, 2023, the weighted average remaining contractual life of all performance securities was 2.55 (June 30, 2022 - 3.30) years.

10. 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.

(Unaudited - Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

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 condensed interim consolidated financial statements, related party transactions for the three and nine months ended March 31, 2023 and 2022 are as follows:

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

	Three months ended March 31,		Nine months ended March 31,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Consulting fees	**15,000**	15,000	**45,000**	45,000
Director fees	**16,500**	16,500	**49,500**	49,500
Share-based compensation	**-**	53,984	**-**	53,984
	31,500	85,484	**94,500**	148,484

b) Key management compensation:

	Three months ended March 31,		Nine months ended March 31,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Management salaries and short-term benefits	**155,000**	155,000	**465,000**	465,000
Consulting fees	**22,500**	13,942	**67,500**	76,058
Share-based compensation	**-**	166,583	**-**	184,992
	177,500	335,525	**532,500**	726,050

As at March 31, 2023, included in due to related parties, the Company has an amount owing to the Chief Operating Officer of $200 (June 30, 2022 - $200). Included in accounts payable and accrued liabilities is an amount owing to the Chief Executive Officer of $379 (June 30, 2022 - $654), an amount owing to the Chief Financial Officer of $2,143 (June 30, 2022 - $Nil), an amount owing to a director of $68,250 (June 30, 2022 - $21,000), amounts owing to corporations controlled by an officer of $83,875 (June 30, 2022 - $32,119), and an amount owing to a legal firm affiliated with a director of the Company of $359,615 (June 30, 2022 - $365,252).

As at March 31, 2023, the Company had $203,011 (June 30, 2022 - $Nil) in wages owed to the Chief Operating Officer, $211,821 (June 30, 2022 - $Nil) in wages owed to the Chief Executive Officer, $24,000 (June 30, 2022 - $Nil) in wages owed to an officer of the Company, and $16,500 (June 30, 2022 - $Nil) in director fees owed to a director of the Company.

As at March 31, 2023, the Company has a loan receivable owing from the Chief Operating Officer of the Company in the amount of $278,485 (June 30, 2022 - $275,774). The loan bears interest at 1% per annum and is due on demand.

11. 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 $165,949 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 under long-term deposits 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%.

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.

(Unaudited - Expressed in Canadian dollars)

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

The continuity of the ROU asset and lease liability for the nine months ended March 31, 2023 and the year ended June 30, 2022 is as follows:

Right-of-use asset		Office		Equipment		Total
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**
Amortization		(107,997)		(71,410)		(179,407)
As at March 31, 2023	**$**	**299,994**	**$**	**404,655**	**$**	**704,649**

Lease liability						
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**
Lease payments		(118,800)		(67,704)		(186,504)
Lease interest		14,588		29,135		43,723
Impact of foreign exchange		-		24,052		24,052
As at March 31, 2023	**$**	**330,945**	**$**	**463,545**	**$**	**794,490**
Current portion	$	154,141	$	102,475	$	256,616
Long-term portion	$	176,804	$	361,070	$	537,874
	$	**330,945**	**$**	**463,545**	**$**	**794,490**

12. COMMITMENTS

The Company’s commitments under its premises and equipment leases for the next five fiscal years are as follows (Note 11):

Year		Amount
2023	$	108,847
2024		303,295
2025		275,295
2026		135,295
2027		67,647
	$	890,379

(Unaudited - Expressed in Canadian dollars)

13. 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 three months ended March 31, 2023:

	Cannabis and Hemp	Functional Wellness	Head Office	Total
Revenue	$ 690,175	$ 638	$ -	$ 690,813
Cost of sales	$ 356,554	$ 5,152	$ -	$ 361,706
Operating expenses	$ 1,064,287	$ (503)	$ 96,900	$ 1,160,684

The following table shows the segment information for the nine months ended March 31, 2023:

	Cannabis and Hemp	Functional Wellness	Head Office	Total
Revenue	$ 2,068,239	$ 3,215	$ -	$ 2,071,454
Cost of sales	$ 1,578,099	$ 7,783	$ -	$ 1,585,882
Operating expenses	$ 2,942,478	$ (63,310)	$ 366,211	$ 3,245,379

The following table shows the segment information as at March 31, 2023:

	Cannabis and Hemp	Functional Wellness	Head Office	Total
Segment assets	$ 4,849,874	$ 14,530	$ 286,270	$ 5,150,674
Segment liabilities	$ 4,474,888	$ 31,945	$ 877,435	$ 5,384,268
Capital expenditures	$ 40,964	$ -	$ -	$ 40,964

The following table shows the segment information as at June 30, 2022:

	Cannabis and Hemp	Functional Wellness	Head Office	Total
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

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

14. SUBSEQUENT EVENTS

- On April 17, 2023, the Company incorporated a subsidiary, 1411062 BC Ltd., under the Business Corporations Act (British Columbia).

- On April 28, 2023, the Company entered into a definitive business combination agreement with PL Healthcare Management Ltd. ("PLM") and 1411062 BC Ltd. ("Subco"), pursuant to which the Company, PLM and Subco will complete a three-cornered amalgamation (the "Transaction"), where PLM will amalgamate with Subco to form one corporation ("Amalco"). The Company will issue five common shares for each issued and outstanding common share of PLM (of which there are currently 35,301,154). As consideration, the Company will receive one common share of Amalco for each common share issued. Amalco will become a wholly owned subsidiary of the Company. The Company will issue stock options to replace stock options to purchase common shares of PLM (of which there are currently 13,288,600 stock options outstanding exercisable at $0.10 per common share, expiring on April 1, 2028). In advance of closing the Transaction, the Company will consolidate its common shares on a basis of 1 post-consolidation share for 10 pre-consolidation share such that upon completion of the Transaction, it is expected that the existing shareholders of the Company will collectively hold approximately 6.2% of the common shares and the former shareholders of PLM will collectively hold approximately 93.8% of the common shares. The Company is still in the process of closing the three-cornered amalgamation.

- On May 2, 2023, the Company entered into a loan with PL Healthcare Management Ltd. for $50,000. The loan is subject to interest at 8% per annum and matures on October 23, 2023.