



Chemistree Technology Inc.

**Condensed Interim Consolidated Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)**

For the three months ended September 30, 2021 and 2020

NOTICE OF NO AUDIT OR 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 the financial statements have not been reviewed by an auditor.

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 Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Financial Position (unaudited)

As at:	September 30, 2021	June 30, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 2,379,816	\$ 395,682
Receivables	73,584	71,391
Taxes receivable	40,327	32,898
Prepays and deposits	45,333	32,110
Net investment in sublease (Note 12)	117,039	148,462
Assets held for sale (Note 4)	-	1,620,323
	2,656,099	2,300,866
Non-current assets		
Investment (Note 16)	500,000	500,000
Property and equipment (Note 4)	919,005	942,569
Note receivable (Note 14)	-	-
	\$ 4,075,104	\$ 3,743,435
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 277,128	\$ 65,391
Lease liability (Note 12)	110,036	141,339
Interest payable (Note 5)	68,843	65,537
Convertible debentures (Note 8)	7,394,028	8,370,709
	7,850,035	8,642,976
Liabilities held for sale (Note 4)	-	65,665
Notes payable (Note 5)	443,959	443,959
	8,293,994	9,152,600
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	18,906,377	17,603,443
Equity reserves (Notes 7)	3,124,826	3,221,016
Deficit	(26,250,093)	(26,233,624)
	(4,218,890)	(5,409,165)
	\$ 4,075,104	\$ 3,743,435

Nature and continuance of operations (Note 1)

Commitments (Note 15)

Covid-19 pandemic (Note 17)

Events after the reporting period (Note 18)

Approved by the board on November 26, 2021:

Signed: "Karl Kottmeier"
Director

Signed: "Douglas Ford"
Director

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Comprehensive Loss (unaudited)

For the three months ended September 30,	2021	2020
Revenue (Note 3)	\$ -	\$ -
Cost of sales	-	-
Gross margin	\$ -	\$ -
Expenses		
Accretion and finance costs (Note 8)	435,141	450,879
Depreciation (Note 4)	23,564	26,865
Consulting	-	7,497
General and administrative (Note 6)	44,707	49,809
Insurance	1,252	1,282
Interest expense	6,609	10,301
Management fees (Note 6)	173,732	275,599
Professional fees	14,267	42,274
Transfer agent and regulatory fees	8,276	8,426
Total expenses	(707,548)	(872,932)
Foreign exchange gain (loss)	30,409	(22,573)
Interest income	50	11,788
Gain (loss) on sale of Asset	657,710	-
Gain on sublease (Note 12)	-	102,598
Other income	2,910	23,623
Loss and comprehensive loss	\$ (16,469)	\$ (757,496)
Basic and diluted loss per share	\$ (0.00)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	41,052,647	37,760,082

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

For the three months ended September 30,	2021	2020
OPERATING ACTIVITIES		
Loss for the period	\$ (16,469)	\$ (757,496)
Items not affecting cash:		
Depreciation	23,564	26,865
Accrual of interest receivable		(11,788)
Accrual of interest payable	3,306	3,339
Accretion of convertible debentures	230,063	210,305
Accretion of lease (net)	393	(6,513)
Foreign exchange	(3,906)	(3,582)
Gain on sub-lease		(102,598)
Gain on disposal of asset held-for-sale	(657,710)	-
Changes in non-cash working capital items:		
Receivables and prepaids	(22,845)	(68,225)
Accounts payable and accrued liabilities, and due to related parties	211,737	271,021
Cash used in operating activities	(231,867)	(438,672)
INVESTING ACTIVITIES		
Property and equipment purchases	-	(58,679)
Investment	-	(500,000)
Proceeds from sale of Property	2,216,095	-
Cash from (used) in investing activities	2,216,095	(558,679)
FINANCING ACTIVITIES		
Lease payments made	(37,863)	(40,071)
Lease payments received	37,769	83,341
Cash provided by (used in) financing activities	(94)	43,270
Change in cash and cash equivalents during the period	1,984,134	(954,081)
Cash and cash equivalents, beginning of period	395,682	3,247,533
Cash and cash equivalents, end of period	\$ 2,379,816	\$ 2,293,452
Cash paid for:		
Interest	\$ 7,852	\$ 1,089
Income taxes	\$ -	\$ -
Cash and cash equivalents comprises:	2021	2020
Cash	\$ 2,379,816	\$ 2,293,452
Cash equivalents	-	-
	\$ 2,379,816	\$ 2,293,452

Supplemental disclosure with respect to cash flows (Note 11)

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Changes in Equity (unaudited) For the three months ended September 30,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, June 30, 2020	37,714,430	\$ 17,207,845	\$ 3,273,842	\$ (21,699,646)	\$ (1,217,959)
Shares issued upon debenture conversions	100,000	47,243	(6,203)	-	41,040
Loss for the period	-	-	-	(757,496)	(757,496)
Balance, September 30, 2020	37,814,430	\$ 17,255,088	\$ 3,267,639	\$ (22,457,142)	\$ (1,934,415)
Balance, June 30, 2021	39,034,430	\$ 17,603,443	\$ 3,221,016	\$ (26,233,624)	\$ (5,409,165)
Shares issued upon debenture conversions	2,636,000	1,302,934	(96,190)	-	1,206,744
Loss for the period	-	-	-	(16,469)	(16,469)
Balance, September 30, 2021	41,670,430	\$ 18,906,377	\$ 3,124,826	\$ (26,250,093)	\$ (4,218,890)

Chemistree Technology Inc.

Notes to the Condensed interim consolidated financial statements (unaudited)

For the three months ended September 30, 2021 and 2020

(in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Chemistree Technology Inc. (the “Company”) was incorporated in the Province of British Columbia on March 14, 2008, under the Business Corporations Act of British Columbia. The name change to Chemistree Technology Inc. became effective August 3, 2017. The Company’s head office is located at Suite 204 - 998 Harbourside Drive, North Vancouver, British Columbia.

The Company is a Canadian investment company with holdings in the U.S. cannabis sector, real estate, and a consumer-targeted biotechnology venture. The Company operates through its wholly-owned subsidiaries American CHM Investments Inc., CHM Desert LLC and Chemistree Washington Ltd. (Note 2). The Company’s corporate strategy is to focus on opportunistic investments across a broad range of industries, and is seeking to invest in early stage, promising companies where it may be the lead investor and can additionally provide investees with advisory services, mentoring and access to the Company’s management expertise.

On October 30, 2020, the Company completed a previously announced internal review of its investment policy. Chemistree’s board of directors amended the Company’s investment policy (the “Investment Policy”) to broaden the investment mandate to include potential opportunities in the cannabis sector plus additional opportunities unrelated to the cannabis sector. Prior to broadening the mandate, the Company’s investment objectives were to seek opportunities in the cannabis sector, initially in the U.S. Pacific Northwest and California and potentially other jurisdictions where cannabis-related activities are permitted, and to achieve an acceptable rate of return by focusing on opportunities with attractive risk to reward profiles. In order to deploy the remaining investment capital with a more diversified approach, the amended Investment Policy includes, but is not limited to, other opportunities in the cannabis, health care, technology, biotechnology, medical technology or related consumer products fields. Investments by the Company are to be made in accordance with and are otherwise subject to the Investment Policy, which may be amended from time to time at the sole discretion of the Company without shareholder approval, unless required by applicable laws or CSE policies.

The ability of the Company to continue to operate as a going concern is dependent on its ability to generate profitable operations and positive cash flows. To date, the Company has generated limited revenues from operations and will require additional funds to meet ongoing obligations and investment objectives. Most significant in the near term are the convertible debentures, which come due on March 29, 2022. The Company does not have sufficient working capital to repay these debentures if they are not converted, and management and the Board of Directors are evaluating potential options for restructuring the terms of the debentures with the debenture holders (see Note 18). There are no guarantees that such an agreement will be achieved.

As at September 30, 2021, the Company had a working capital deficit of \$ 5,193,936 (June 30, 2021 year-end: \$6,342,110) and an accumulated deficit of \$26,250,093 (June 30, 2021 year-end: \$26,233,624). These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s future capital requirements will depend on many factors, including the operating and capital costs of locating, researching, developing, and acquiring investments that comply with its investment strategy. The Company’s anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations. The Company will depend almost exclusively on outside capital. Such outside capital may include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet ongoing obligations and operating objectives or, if the capital is available, that it will be on terms acceptable to the Company. These conditions and uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern. The issuances of additional

Chemistree Technology Inc.

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(in Canadian dollars)

equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, would increase the Company's liabilities and future cash commitments.

2. BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended June 30, 2021. The accounting policies applied in these unaudited condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of November 26, 2021, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements, and they are consistent with those disclosed in the annual financial statements.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on November 26, 2021.

Basis of Measurement

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

Principles of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and the following subsidiaries:

American CHM Investments Inc.	100%	Investment holding company
CHM Desert LLC	100% (indirect)	Investment holding company
Chemistree Washington Ltd.	100% (indirect)	Investment holding company

Chemistree Washington Ltd. ("Chemistree Washington"), was incorporated by the Company on October 17, 2017, to facilitate the Company's investment objectives in the Washington State cannabis sector. Effective July 17, 2018, the Company incorporated American CHM Investments Inc. ("American CHM"), under the laws of the State of Delaware. Effective July 18, 2018, American CHM incorporated CHM Desert LLC ("CHM Desert") as a wholly-owned subsidiary, under the laws of the State of California. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as those used in the preparation of the audited consolidated financial statements for the year ended June 30, 2021.

Chemistree Technology Inc.

Notes to the Condensed interim consolidated financial statements (unaudited)

For the three months ended September 30, 2021 and 2020

(in Canadian dollars)

Cash and cash equivalents

The Company considers all highly liquid instruments, generally with a maturity of three months or less at the time of issuance, to be cash equivalents.

Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements are discussed below:

Judgments:

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

Collectability of receivables

In order for management to determine expected credit losses in accordance with IFRS 9, we are required to make estimates based on historical information related to collections, in addition to taking the current condition of our customers credit quality into account.

Estimates:

Impairment and useful lives of long-lived assets

The Company assesses long-lived assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually. The assessment of any impairment is dependent upon estimates of recoverable amounts that take into account factors such as location and condition of the asset, economic and market conditions, the useful lives of assets, and their related salvage values. The estimated useful lives of equipment are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management must use its past experience with the same or similar assets, review engineering estimates and industry practices for similar pieces of equipment.

Valuation of investments

The Company recognizes and carries its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

Chemistree Technology Inc.

Notes to the Condensed interim consolidated financial statements (unaudited)

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Deferred income taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Basic and diluted loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

Financial assets:

Financial assets are classified at initial recognition as either: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Fair value through profit or loss – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities:

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Chemistree Technology Inc.

Notes to the Condensed interim consolidated financial statements (unaudited)

For the three months ended September 30, 2021 and 2020

(in Canadian dollars)

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest rate method.

The Company has classified its cash and cash equivalents and investment as fair value through profit and loss. Receivables and note receivable are classified as amortized cost. The Company's accounts payable and accrued liabilities, due to related parties, interest payable, convertible debentures, and notes payable are classified as other financial liabilities.

Revenue Recognition

The Company recognizes revenue when it is earned and realizable based on the following criteria: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed and determinable, and collectability is reasonably assured.

The Company applies the standards under IFRS 15, "Revenue from Contracts with a Customer". Revenues are recognized on a gross basis, when a service has been delivered, with the cost of obtaining the service being presented as cost of sales. When evaluating presentation of revenue, the Company looks at whether the transaction represents a principal or agency relationship. A party is considered a principal if:

- The entity has the primary responsibility for providing the services to the customer,
- The entity has latitude in establishing prices, either directly or indirectly,
- The entity bears the customer's credit risk on the receivable due from the customer.

The Company obtained revenue from providing consulting services at \$US 10,000 per month to the Washington Strategic Partner (Note 4). Due to a prolonged period of collection uncertainty, the Company determined that these arrangements no longer met revenue recognition criteria in the year ended June 30, 2021 and the current period.

Property and Equipment

Property and Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the cost of the item, less its estimated residual value, using the diminishing balance method over its expected period of use by the Company. Estimated useful lives are reviewed by management and adjusted if necessary. Depreciation does not apply to real property. The Company's equipment is depreciated at a rate of 10%.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period they are incurred.

Leases

The Company, on adoption of IFRS 16, recognized a lease liability and an investment in a sublease in relation to its commercial lease. In relation, this lease is measured as the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 10% as at July 1, 2019.

Right-of-use-assets:

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of

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right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over a time period based on the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities:

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets:

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Sub-leases:

When the Company subleases a right-of-use asset, the Company classifies the sublease as an operating lease if the head lease is a short-term lease. Otherwise, the sublease is classified as a finance lease. When the sublease is classified as a finance lease, the lessor derecognizes the right-of-use asset pertaining to the head lease that it transfers to the sublessee, at the commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and may use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in sublease, and also records income relating to variable lease payments not included in the measurement of the net investment in the lease.

Share Capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of equity reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital as share issue costs. Warrants issued to agents in connection with a financing are recorded at fair value and charged to share capital as a share issue cost an offsetting entry to equity reserves within shareholders' equity.

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Notes to the Condensed interim consolidated financial statements (unaudited)

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Assets held for sale

Non-current assets held for sale and disposal groups are presented separately in the current section of the statement of financial position when management is committed to immediately sell the asset or disposal group in its present condition, and this distribution is highly probable and expected to be completed within one year. Immediately before the initial classification of the asset and disposal groups as held for sale, the carrying amounts of the assets, or all the assets and liabilities in the disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

New Accounting Standards

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. PROPERTY AND EQUIPMENT

	Property \$	Equipment \$	Total \$
COST			
Balance, June 30, 2021	-	1,439,989	1,439,989
Balance, September 30, 2021	-	1,439,988	1,439,988
DEPRECIATION			
Balance, June 30, 2021	-	497,420	497,420
Depreciation	-	23,563	23,563
Balance, September 30, 2021	-	520,983	520,983
NET BOOK VALUE			
Balance, June 30, 2021	-	942,569	942,569
Balance, September 30, 2021	-	919,005	919,005

Washington Assets

Pursuant to a definitive asset purchase agreement (the "Washington Acquisition") between Chemistree Washington Ltd. ("Chemistree Washington") and Elite Holdings Inc. ("Elite"), on June 29, 2018 the Company acquired cultivation equipment for consideration of US\$1,000,000.

In addition to acquiring the Washington Assets, the Company entered into a Commercial Lease agreement effective July 1, 2018, with the landlord of the facility in which the Washington Assets are situated. The Commercial Lease agreement is for an initial term expiring on June 30, 2022, with an option to extend to June 30, 2026. Rent is payable to the landlord in the amount of USD \$10,025 per month (Note 12).

The Company sub-leases the Washington Assets to a Strategic Partner, as described in Note 12.

DHS Land

On August 7, 2018, through its wholly owned California subsidiary, CHM Desert LLC, the Company purchased 9.55 acres of vacant land in the city of Desert Hot Springs, Riverside County, California. Consideration for the purchase was US\$1,233,800 (CAD 1,620,323). The land was held for development purposes.

On July 22, 2021, the Company completed the sale of the DHS Land for gross proceeds of US\$1,957,000 (CAD 2,216,095). In conjunction with the sale, the Company negotiated a back-in option agreement with the purchaser, such that as the purchaser advances the construction of the project, renamed AMP Industrial Park, the Company has the unilateral option to acquire a new 16,460-square-foot cannabis production and processing building at a predetermined price.

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5. NOTES PAYABLE

Effective July 17, 2017, the Company issued unsecured Promissory Notes (the “Notes”) to arm’s length parties, and a former related party, for borrowings from those parties. The Notes mature on July 17, 2027, and bear interest at the Canadian prime rate plus 0.5% per annum, payable annually.

	Principal \$
Balance, June 30, 2020	443,959
Additions	-
Balance, June 30, 2021	443,959
Additions	-
Balance, September 30, 2021	443,959

As at September 30, 2021, accrued and unpaid interest on these Notes amounts to \$68,843 (2021 year-end \$ 65,537), which is presented as interest payable.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors and Officers.

During the periods ended September 30, 2021 and 2020, the Company entered into transactions with key management personnel and related parties as follows:

Related party	Nature of transactions
Pacific Equity Management Corp. (“PEMC”)	Management fees for services provided by CEO, CFO, VP Corporate Development, VP Finance, Accountant, Secretary, Administrator and all support staff; includes rent and shared office expenses. Rent and shared office expenses commenced under a separate agreement on July 1, 2017.
Contact Financial Corp. (“CFC”)	Investor relations and communication services commenced under separate agreement on July 10, 2018.
Black Label (“BL”)	Expenses incurred by a company in which a Director is the principal shareholder.
Sheldon Aberman (“Aberman”), director	Fees for services provided by a Director. Investment in ACS, a company of which he is an officer (Note 16)
Nicholas Zitelli (“Zitelli”), director	Investment in ACS, a company of which he is an officer (Note 16)

The aggregate value of transactions involving key management personnel were as follows:

	2021	2020
Management fees ⁽¹⁾	\$ 90,000	\$ 180,000

⁽¹⁾Until February 28, 2021, management fees were paid to PEMC, a company controlled by two officers of the Company for services provided by CEO, CFO, VP Corporate Development, Accountant, Secretary, Administrator and all support staff at the rate of \$60,000 per month. Effective March 1, 2021 the PEMC agreement was terminated by mutual consent; and under new agreements the CEO and President provides services at \$10,000 per month; the CFO/Secretary at \$10,000 per month; and the VP Corporate Development at \$10,000 per month. All of the March 1, 2021 agreements can be terminated by either party with six months’ notice.

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The aggregate value of transactions with other related parties were as follows:

	2021	2020
Rent (general and administrative) ⁽²⁾	\$ 7,500	\$ 7,500

⁽²⁾ For the period ended September 30, 2021, rent was paid to PEMC for office rent and other office services. The Company is required to pay \$2,500 per month to PEMC (2020: \$2,500 per month). The agreement with PEMC can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Marketing (general and administrative) ⁽³⁾ (Note 15)	\$ 10,800	\$ 18,000

⁽³⁾ For the period ended September 30, 2021, fees were paid to CFC for investor relations and communications services. The Company was required to pay \$6,000 per month until February 28, 2021. Effective March 1, 2021, the monthly amount was reduced to \$3,600.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Management fees ⁽⁴⁾	\$ 67,232	\$ 95,599

⁽⁴⁾ For the period ended September 30, 2021, management fees were paid to Aberman. The Company was required to pay \$US 24,000 per month until February 28 2021. Effective March 1, 2021, the monthly amount was reduced to US\$18,000 per month for third party consulting services. All of the March 1, 2021 agreements can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Consulting ⁽⁴⁾	\$ -	\$ -
Equipment additions ⁽⁴⁾	\$ -	\$ 31,046
Investment ⁽⁵⁾ (Note 16)	\$ -	\$ -

⁽⁴⁾ For the year ended June 30, 2020, expenditures were paid to BL for various categories.

⁽⁵⁾ Aberman and Zitelli were officers of ACS at the time of the investment.

Due to related parties include the following amounts:

	2021	2020
PEMC	\$ -	\$ 695

7. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized: Unlimited common shares without par value

b) Issued common shares

Period ended September 30, 2021:

The Company issued 2,636,000 common shares pursuant to the conversion of 1,318 convertible debentures representing \$1,318,000 in debt obligation of the Company. Upon this conversion, \$1,206,744 was reclassified from convertible debentures and \$96,190 from equity reserves to share capital.

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Year ended June 30, 2021:

The Company issued 720,000 common shares pursuant to the conversion of convertible debentures with a face value of \$360,000. Upon this conversion, \$335,598 was reclassified from convertible debentures and equity reserves to share capital. In addition, the Company issued 600,000 common shares pursuant to the exercise of stock options at \$0.06 per share.

c) Warrants:

	Warrants	Weighted Average Exercise Price \$
Balance, June 30, 2020	28,488,632	0.65
Expired - unexercised	(5,374,932)	0.50
Balance, June 30, 2021	23,113,700	0.69
Balance, September 30, 2021	23,113,700	0.69

As at September 30, 2021, the following warrants were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Remaining Contractual Life (in years)
21,639,500	\$0.70	March 29, 2022	0.49
1,474,200	\$0.50	March 29, 2022	0.49

d) Options:

The Company has a Stock Option Plan (the "Plan") that allows it to give to eligible persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals stock options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the market price prevailing on the date the stock option is granted less applicable discount, if any, permitted by the policies of the Canadian Securities Exchange and approved by the Board. The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time.

	Options	Weighted Average Exercise Price \$
Balance, June 30, 2020	3,700,000	0.27
Exercised	(600,000)	0.06
Expired	(50,000)	0.36
Balance, June 30, 2021	3,050,000	0.31
Balance, September 30, 2021	3,050,000	0.31

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As at September 30, 2021, the following stock options were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Remaining Contractual Life (in years)
750,000	\$0.10	June 7, 2022	0.68
250,000	\$0.41	July 11, 2023	1.78
1,200,000	\$0.60	April 5, 2024	2.52
850,000	\$0.06	April 9, 2025	3.53

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of the outstanding stock options is 2.29 years.

8. CONVERTIBLE DEBENTURE (See Note 18)

On March 29, 2019, the Company completed a short form prospectus offering in each of the provinces of Canada, other than Québec (the “Brokered Offering”) and a concurrent private placement (the “Concurrent Private Placement”) of 10% unsecured debenture units (the “Debenture Units”) of the Company, for total gross proceeds of \$10,830,000.

Pursuant to the Brokered Offering, which included the exercise of the over-allotment option in full, the Company issued an aggregate of 9,430 Debenture Units at a price of \$1,000 per Debenture Unit (the “Offering Price”) for aggregate gross proceeds of \$9,430,000. Each Debenture Unit consists of (i) one 10% unsecured convertible debenture of the Company in the principal amount of \$1,000 (each, a “Debenture”) with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2019 and maturing March 29, 2022 (such date, the “Maturity Date”), and (ii) 2,000 common share purchase warrants of the Company (each, a “Warrant”), each exercisable until the Maturity Date to purchase one common share of the Company (each, a “Warrant Share”) at an exercise price of \$0.70 per Warrant Share, subject to adjustment in certain events.

Concurrent with the Brokered Offering, the Company issued an aggregate of 1,400 Debenture Units at the Offering Price, for aggregate gross proceeds of \$1,400,000, on a private placement basis.

Each Debenture is convertible at the option of the holder of the Debenture (each, a “Debentureholder”) into common shares in the capital of the Company (the “Debenture Shares”) at any time prior to the earlier of (i) the last business day immediately preceding the Maturity Date, subject to Mandatory Conversion as defined in the Debenture Indenture, and (ii) the business day immediately preceding the date specified for redemption of the Debentures upon a Change of Control as defined in the Debenture Indenture, at a conversion price of \$0.50 per Debenture Share, subject to adjustment in certain events (the “Conversion Price”). Upon conversion, Debentureholders will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to and including the date of conversion.

In connection with the Brokered Offering, the Company: (i) paid the Agent a cash commission equal to 7.0% of the gross proceeds of the Offering; (ii) paid the Agent a corporate finance fee of \$156,000, of which \$75,000 was paid in cash and \$81,000 was satisfied through the issuance of 150,000 Common Shares; (iii) issued the Agent non-transferable broker warrants (the “Broker Warrants”) to purchase 1,320,200 units of the Company (the “Broker Units”) at an exercise price of \$0.50 per Broker Unit; and (iv) paid the Agent a fiscal advisory fee comprised of \$14,000 in cash and the issuance of 14,000 Broker Warrants.

Each Broker Unit consists of one common share of the Company (each, a “Broker Unit Share”) and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a “Broker Unit Warrant”). Each Broker Unit Warrant will be exercisable to acquire one common share of the Company (each, a “Broker Warrant Share”) at any time up until the Maturity Date at an exercise price of

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\$0.70 per Broker Warrant Share, subject to adjustment in certain events.

In connection with the Concurrent Private Placement, the Company: (i) paid certain finders (each, a "Finder") a cash commission equal to 7.0% of the gross proceeds; and (ii) issued to such Finders an aggregate of 140,000 Broker Warrants.

The Company recorded issuance costs of \$2,027,206 associated with the professional fees and financing costs incurred. The net proceeds were allocated first to the fair value of the convertible note, with the remaining \$790,394 and \$292,322 allocated to the equity component and deferred income tax liability, respectively. The fair value was determined by using an interest rate approximating the Company's market rate of interest for a similar debt instrument. The liability component of the debt is accreted to its face value over the term of the convertible debenture.

	Liability Component		Deferred income tax liability Component	Equity Component
	Face Value	Carrying Value		
Balance as at June 30, 2020	\$9,567,000	\$7,739,770	\$ -	\$700,772
converted	(360,000)	(306,772)	-	(28,828)
accretion	-	937,711	-	-
recovered	-	-	-	-
Balance as at June 30, 2021	\$9,207,000	\$8,370,709	\$ -	\$671,944
converted	(1,318,000)	(1,206,744)	-	(96,190)
accretion	-	230,063	-	-
recovered	-	-	-	-
Balance as at Sept.30, 2021	\$ 7,889,000	\$ 7,394,028	\$ -	\$ 575,754

Details of the convertible debenture classification are as follows:

	September 30, 2021
Proceeds from the issue of convertible debentures	\$ 10,830,000
Transaction costs	(2,027,206)
Equity component	(790,394)
Deferred income tax liability	(292,322)
Conversions	(2,424,755)
Accretion	2,098,705
Ending balance	\$ 7,394,028
Current portion	7,394,028
Non-current portion	\$ -

During the period ended September 30, 2021, the Company incurred \$ 205,077 [2020: \$240,575] in interest expense on the Convertible Debentures.

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital is

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comprised of the Company's shareholders' equity. There were no changes made to the Company's capital management approach during the periods presented.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

10. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENT AND RISK

a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, note receivable, investment, accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and convertible debenture.

b) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The carrying values of receivables, note receivable, accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and convertible debenture all approximate their fair values.

The fair value of the Investment is determined based on Level 3 inputs, described in Note 16.

c) Financial Risks

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk is \$2,493,727, consisting of cash and cash equivalents, receivables and taxes receivable. The Company limits its exposure to credit loss for cash and cash equivalents by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the Government of Canada. In management's opinion, the Company's credit risk related to these instruments, is low.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2021, the Company had a working capital deficit of \$5,193,936. Except for notes payable and convertible debentures, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade

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terms. As at September 30, 2021, the Company has insufficient working capital to discharge its existing financial obligations, refer to Note 1 for detail regarding going concern.

(iii) Interest Rate Risk

The Company is subject to interest rate risk as its cash and cash equivalents, notes payable bear interest at variable rates; and its convertible debentures at a fixed rate. The impact of a 1% change in interest rates would have an insignificant impact on the Company's profit or loss.

(iv) Foreign Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Amounts subject to currency risk are primarily cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in United States dollars. A 10% change in foreign exchange rates is expected to have a US\$ 7,000 impact on the Company's profit or loss.

(v) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. As at September 30, 2021 the Company is exposed to this risk with respect to its Investments. A 10% increase/decrease in the price of Investments would impact net loss by approximately \$50,000.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2021, the Company:

- Reclassified \$1,206,744 into share capital from convertible debentures and \$96,190 from equity reserves upon conversion of debentures (Note 8).

During the period ended September 30, 2020, the Company:

- Reclassified the loan receivable to note receivable in the amount of \$524,566.
- Reclassified \$47,243 into share capital from convertible debentures and \$6,203 from equity reserves upon conversion of debentures (Note 8).

12. LEASES

Investment in sublease

On July 1, 2020, the Company adopted IFRS 16, Leases. As a result, the Company recognized an investment in sublease on July 1, 2020 for its sub-lease of a facility in Washington described in Note 4, which was determined to meet classification as a finance lease. Set out below, are the carrying amounts of the Company's investment in sublease and the movements during the year:

	Investment in Sublease
	\$
As at June 30, 2020	299,210
Initial Direct Costs of Lease Amendment	221,322
Adjustment for increased sublease payments	102,598
Finance income	41,824
Lease payments received or accrued	(320,898)
Impairment	(148,161)

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Foreign exchange	(47,433)
As at June 30, 2021	148,462
Finance income	2,910
Lease payments received or accrued	(37,769)
Foreign exchange	3,436
As at September 30, 2021	117,039

On July 1, 2020, there was an increase in the sublease payment of USD10,850 per month for improvements on the assets being leased. The improvements, part of which were in property and equipment at year end and part of which were additions during the period, when recorded at estimated discounted cash flows resulted in a gain on sublease of \$102,598. At June 30, 2021, the Company reviewed the credit quality of the investment in sub-lease and recorded an impairment of \$148,161 based on historical collection rates.

Right-of-use assets and lease liabilities

On January 1, 2019, the Company adopted IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The Company has a Commercial Lease described in Note 4.

The Company has recorded these leases as a right-of-use assets and lease liability in the statement of financial position as at June 30, 2020. On July 1, 2019, the lease liability was measured at the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 10%, which is the Company's incremental borrowing rate.

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and movements during the period:

	Lease Liabilities
	\$
As at June 30, 2020	295,367
Interest accretion	22,017
Lease payments	(154,293)
Foreign exchange	(21,752)
As at June 30, 2021	141,339
Interest accretion	3,303
Lease payments	(37,863)
Foreign exchange	3,257
As at September 30, 2021	110,036

The Company's minimum undiscounted contractual lease payments are as follows:

Less than 1 year	USD90,225
1 to 2 years	Nil
2 to 5 years	Nil

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13. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the business investing in the United States cannabis sector. As at September 30, 2021 and 2020, with the exception of one investment (Note 16) held in Canada, all the Company's non-current assets were located in the United States.

14. NOTE RECEIVABLE

a) Arcata Loan

In November 2018, the Company entered into a strategic collaboration ("Arcata") with a Humboldt County-based cannabis processing company ("Processor") located in Arcata, California. Pursuant to the Collaboration Agreement, the Company agreed to loan the Processor US\$450,000 (the "Arcata Loan") by way of a secured note (hereafter, "Note"), for the purposes of the expanding the Processor's business, including to, among other things, purchase additional equipment and complete tenant improvements to the Processor's facility. The Note is secured by 50% of the equity of the Processor, bore interest at 6% per annum and matured on March 14, 2020. The Note is in default, the Processor has refused to retire the principal and interest and has blocked the Company from realizing on its security. As such and in accordance with the uncertain of collectability of the Note, in the year ended June 30, 2020, the Company recorded an impairment expense of \$685,429 to reduce the carrying value of the receivable to \$1, included within Receivables on the consolidated statement of financial position.

	Note Receivable \$
Balance, June 30, 2019	610,061
Accrued interest	25,311
FX translation	50,058
Impairment	(685,429)
Balance, June 30, 2021 and 2020	1

b) Promissory Note

On July 26, 2019, the Company loaned US\$351,000 to an arms' length borrower (the "Borrower") pursuant to a letter agreement and Promissory Note. The note is due on demand and bears interest at 10% per annum. The note is secured by a pledge of a separate loan agreement between the Borrower and Umbrella Industries USA, LLC dated as of April 11, 2019. Effective May 1, 2021 the Company extended the Note's maturity for one-year and has been granted asset-backed security for the debt obligation. As such and in accordance with the uncertain of collectability of the Note, in the year ended June 30, 2021, the Company recorded an impairment expense of \$514,478 to reduce the carrying value of the receivable to \$nil.

15. COMMITMENTS

Effective July 10, 2018, the Company entered into a consulting agreement with Contact Financial Corp. ("CFC") to provide investor relations and communication services.

As at September 30, 2021, the Company's commitments are as follows:

- CFC: \$3,600 per month for consulting
- CEO and President \$10,000 per month for management services

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- CFO and Secretary \$10,000 per month for management services
- VP Corporate Development \$10,000 per month for management services
- Accountant \$5,500 per month for accounting services
- PEMC \$2,500 per month for rent and office services
- CCO US\$18,000 for management services

Minimum commitments related to leases within the scope of IFRS 16 are disclosed in Note 12.

16. INVESTMENTS

- a) During the year ended June 30, 2021, the Company completed the first tranche of the investment into ImmuoFlex Therapeutics Inc. ("ImmunoFlex"). The definitive investment agreement includes Chemistree's initial common share purchase of \$500,000, together with Chemistree being granted a gross sales royalty on ImmunoFlex's North American sales. A further \$500,000 second tranche common share purchase is conditional on certain performance by ImmunoFlex or at the election of Chemistree. In addition, ImmunoFlex has now appointed Chemistree's Chief Financial Officer to ImmunoFlex's board of directors. Chemistree is also entitled to anti-dilution pre-emptive rights regarding its share ownership. ImmunoFlex's products are targeted at prevention and treatment of viruses and improving vaccine effectiveness by safely improving immunity biomarkers and enhancing the immune system as it actively responds to disease.
- b) During the previous year, the Company completed the acquisition of an interest in Applied Cannabis Sciences of New Jersey ("ACS"), a private company and New Jersey-based applicant for a medical, vertically integrated cannabis license. The investment is a 10% Preferred Membership Interest in ACS, a New Jersey limited liability company and is represented by ownership of ten Class A shares of ACS. The consideration for the investment was \$US 215,000 (equivalent to \$CAD 280,257). Concurrent with the investment, Chemistree's Chief Financial Officer was appointed CFO of ACS.

To date, there has been no valuation of ACS or its equity completed and no financial information made available. Management has determined to impair this investment as it has not changed since its initial acquisition because the application for the above-mentioned licenses in New Jersey remain in the processing queue. Absent any other information being available, the Investments fair value at June 30, 2021, is deemed to be \$nil.

17. COVID-19 PANDEMIC

During the previous year and ongoing in the current year, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

18. EVENTS AFTER THE REPORTING PERIOD

- a) 75 convertible debentures, representing \$75,000 in debt obligation of the Company were converted into 150,000 common shares.

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- b) The Company has filed Notice of an Extraordinary Meeting of Debentureholders (see Notes 1 and 8) to be held November 30, 2021 (the "Meeting"). At the Meeting, Debentureholders will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution, the full text of which is set forth in Appendix "A" to the Meeting's Circular, approving amendments (the "Debenture Amendments") to the trust indenture between the Company and Odyssey Trust Company ("Trustee") dated as of March 29, 2019 ("Indenture"), and authorizing Trustee to execute a supplemental trust indenture giving effect to the Debenture Amendments. The resolutions to be considered at the Meeting would amend the Debentures in the following two key areas:
- Subsequent to payment of the December 31, 2021 interest amount - which is intended to be paid in cash; allow the Company to choose whether to pay subsequent interest in cash or via the issuance of common shares; and
 - Extend the term of the convertible debentures by twenty-four (24) months to March 29, 2024.

All other terms of the Debentures under the Indenture will remain unchanged.