



Chemistree Technology Inc.

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

For the three months ended December 31, 2022 and 2021

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:	December 31, 2022	June 30, 2022
ASSETS		
Current		
Cash	\$ 883,368	\$ 1,040,501
Taxes receivable	16,924	15,034
Prepays and deposits	52,380	4,542
Assets held for sale (Note 4)	-	943,498
	952,672	2,003,575
Non-current assets		
Investments (Note 15)	491,661	73,081
	\$ 1,444,333	\$ 2,076,656
LIABILITIES		
Current		
Accounts payable and accrued liabilities	47,128	67,824
Liabilities held for sale (Note 4)	-	298,935
Interest payable (Note 5)	92,804	79,686
	139,932	446,445
Convertible debentures (Note 8)	7,112,094	7,150,159
Notes payable (Note 5)	443,959	443,959
	7,556,053	8,040,563
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	19,583,757	19,282,490
Equity reserves (Notes 7)	3,652,679	3,668,057
Deficit	(29,488,088)	(28,914,454)
	(6,251,652)	(5,963,907)
	\$ 1,444,333	\$ 2,076,656

Nature and continuance of operations (Note 1)

Commitments (Note 14)

Events after the reporting period (Note 17)

Approved by the board on February 13, 2023:

Signed: "Karl Kottmeier"
Director

Signed: "Douglas Ford"
Director

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Comprehensive Loss (unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Expenses				
Accretion and finance costs (Note 8)	279,028	440,658	551,906	875,799
Depreciation (Note 4)	21,208	23,565	42,416	47,129
General and administrative (Note 6)	32,930	52,149	75,822	96,856
Insurance	1,322	1,254	2,618	2,506
Interest expense	15,082	5,742	29,491	12,351
Management fees (Note 6)	179,540	174,441	355,671	348,173
Professional fees	35,920	22,889	47,673	37,156
Transfer agent and regulatory fees	19,348	18,317	27,088	26,593
Foreign exchange loss (income)	10,873	240	(34,513)	(30,169)
Interest income	-	-	(13)	(50)
Gain on sale of land (Note 4)	-	-	-	(657,710)
Gain on disposal of assets held for sale	(85,239)	-	(85,239)	-
Gain on settlement of debt interest	(304,082)	-	(304,082)	-
Other income	(7,536)	(2,061)	(15,754)	(4,971)
Loss	\$ (198,394)	(737,194)	(693,084)	(753,663)
Other loss (gain)				
Unrealized loss (gain) on investments (Note 15)	(63,770)	-	(119,450)	-
Change in value of assets available for sale (Note 4)	25,875	-	-	-
Loss and comprehensive loss	\$ (160,499)	(737,194)	(573,634)	(753,663)
Basic and diluted loss per share	\$ (0.00)	(0.02)	(0.01)	(0.02)
Weighted average number of shares outstanding - basic and diluted	50,053,324	41,765,865	49,860,085	41,409,256

Chemistree Technology Inc.

(in Canadian Dollars)

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

For the six months ended December 31,	2022	2021
OPERATING ACTIVITIES		
Loss for the period	\$ (573,634)	\$ (753,663)
Items not affecting cash:		
Depreciation	42,216	47,129
Unpaid interest settled with shares	386,765	-
Accrual of interest payable	13,118	6,614
Gain on interest settlement	(304,082)	-
Accretion of convertible debentures	165,141	474,608
Accretion of lease (net)	619	766
Foreign exchange	(27,494)	(3,896)
Gain on disposal of asset held-for-sale	(85,239)	(657,710)
Change in fair value of investment through profit or loss	(119,450)	-
Changes in non-cash working capital items:		
Receivables and prepaids	(19,676)	(33,761)
Accounts payable and accrued liabilities, and due to related parties	(21,003)	41,576
Cash used in operating activities	(542,519)	(878,337)
INVESTING ACTIVITIES		
Investments	(299,130)	(174,000)
Proceeds from disposal of assets held for sale	677,035	2,216,095
Cash provided (used) in investing activities	377,905	2,042,095
FINANCING ACTIVITIES		
Lease payments made	(85,170)	(75,773)
Lease payments received	85,170	75,584
Cash provided by (used in) financing activities	-	(189)
Change in cash and cash equivalents during the period	(164,614)	1,163,569
Cash and cash equivalents, beginning of period	1,047,982	395,682
Cash and cash equivalents, end of period	\$ 883,368	\$ 1,559,251
Cash paid for:		
Interest	\$ -	\$ 401,191
Income taxes	\$ -	\$ -
Cash and cash equivalents comprise:	2022	2021
Cash	\$ 883,368	1,559,251
Cash equivalents	-	-
	\$	

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 six months ended December 31,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, June 30, 2021	39,034,430	\$ 17,603,443	\$ 3,221,016	\$ (26,233,624)	\$ (5,409,165)
Shares issued upon debenture conversions	2,806,000	1,389,940	(102,393)	-	1,287,547
Loss for the period	-	-	-	(753,663)	(753,663)
Balance, December 31, 2021	41,840,430	\$ 18,993,383	\$ 3,118,623	\$ (26,987,287)	\$ (4,875,281)
Balance, June 30, 2022	49,666,846	\$ 19,282,490	\$ 3,668,057	\$ (28,914,454)	\$ (5,963,907)
Shares issued upon debenture conversions	436,000	218,584	(15,378)	-	203,206
Shares issued in lieu of cash interest payments	7,735,298	82,683	-	-	82,683
Loss for the period	-	-	-	(573,634)	(573,634)
Balance, December 31, 2022	57,838,144	\$ 19,583,757	\$ 3,652,679	\$ (29,488,088)	\$ (6,251,652)

Chemistree Technology Inc.

Notes to the Condensed interim consolidated financial statements (unaudited)

For the six months ended December 31, 2022 and 2021

(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 Company’s head office and registered and records office is located at Suite 208 – 828 Harbourside Drive, North Vancouver, British Columbia.

The Company is an investment company whose 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.

These unaudited 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 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 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. As at December 31, 2022, the Company has an accumulated deficit of \$29,488,088. To date, the Company has generated no revenues from operations and will require additional funds to meet ongoing obligations and investment objectives. The Company does not have sufficient working capital to repay the convertible debentures if they are not converted prior to maturity in 2024 (see Note 8). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability 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 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, 2022. 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 February 13, 2023, 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.

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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 its subsidiaries, with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has control, which exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and is exposed to the variable returns from its activities. As of December 31, 2022, subsidiaries over which the Company has control are listed below.

American CHM Investments Inc.	100%	Investment holding company
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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 December 30, 2022, the disposal transaction involving Chemistree Washington was completed and the company deemed disposed. 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. CHM Desert was wound up in the prior fiscal year.

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, 2022.

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:

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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.

Classification of non-current assets (or disposal groups) as held for sale

Management applies significant judgements in determining that non-current assets or disposal groups are available for immediate sale in their present condition, subject only to terms that are usual and customary for the sales of such assets, and that the sale is highly probable. These conditions must be satisfied in order to classify a non-current asset or disposal group as held for sale.

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, and review 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.

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

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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.

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 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.

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.

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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

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 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.

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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.

Foreign exchange

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining profit or loss for the year.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment,

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if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, individual assets are allocated to cash-generating units. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The fair value of stock options granted is recognized as share-based payment expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of equipment. The net present value of cost estimates is capitalized to the related assets along with a corresponding increase in the provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of provisions could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

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.

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IAS 16 - "Property, Plant and Equipment"

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The adoption of this amendment, effective July 1, 2022, did not have a material impact on the Company's financial statements as at December 31, 2022.

IAS 1 – "Presentation of Financial Statements"

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. The effective date is January 1, 2023, the amendment is not expected to have a material impact on the Company's financial statements.

4. PROPERTY AND EQUIPMENT

	Property \$	Equipment \$	Total \$
COST			
Balance, June 30, 2022 – AFS	-	1,439,989	1,439,989
Additions	-	-	-
Assets held for sale – disposal	-	(1,439,989)	(1,439,989)
Balance, December 31, 2022	-	-	-
DEPRECIATION			
Balance, June 30, 2022 - AFS	-	591,676	591,676
Depreciation	-	42,416	42,416
Assets held for sale - disposal	-	(634,092)	(634,092)
Balance, December 31, 2022	-	-	-
NET BOOK VALUE	-		
Balance, June 30, 2022 - AFS	-	848,313	848,313
Balance, December 31, 2022	-	-	-

Washington Assets

The Washington Assets are a group of assets the Company acquired in 2018, consisting primarily of equipment, a commercial lease (Note 12) and a sub-lease agreement (Note 12), which are operated through the Company's wholly-owned Chemistree Washington subsidiary.

Effective December 30, 2022, the Company has completed a Share Purchase Agreement with an arms-length party, whereby the Company has sold 100% of Chemistree Washington to the other party in exchange for consideration of US\$500,000 (\$677,035). The closing of the sale was subject to several conditions, including the transfer of a Tier 3 recreational marijuana producer/process license, from the

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Company's sub-lessee to the purchaser. In the prior period, the Washington Assets were classified as a disposal group held for sale at year end.

DHS Land

On August 7, 2018, through its previously 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 USD \$1,233,800. 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 (\$2,216,095) at which time the carrying amount was \$1,558,385, resulting in a gain on sale of \$657,710. 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, the Company has the unilateral option to acquire a new 16,460-square-foot cannabis production and processing building at a predetermined price. As this price approximates market value, the Company did not assign any value to the option.

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, 2021	443,959
Additions	-
Balance, June 30, 2022	443,959
Additions	-
Balance, December 31, 2022	443,959

As at December 31, 2022, accrued and unpaid interest on these Notes amounts to \$92,804 (2022 year-end \$ 76,686), 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 December 31, 2022 and 2021, 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.

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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:

	2022	2021
Management fees ⁽¹⁾	\$ 180,000	\$ 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.

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

	2022	2021
Rent (general and administrative) ⁽²⁾	\$ 15,000	\$ 15,000

⁽²⁾ For the period ended December 31, 2022, rent was paid to PEMC for office rent and other office services. The Company is required to pay \$2,500 per month to PEMC (2021: \$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:

	2022	2021
Marketing (general and administrative) ⁽³⁾ (Note 15)	\$ 21,600	\$ 21,600

⁽³⁾ For the period ended December 31, 2022, 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:

	2022	2021
Management fees ⁽⁴⁾	\$ 142,671	\$ 135,173

⁽⁴⁾ For the period ended December 31, 2022, 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.

7. SHARE CAPITAL AND EQUITY RESERVES

- a) Authorized: Unlimited common shares without par value
- b) Issued common shares

Period ended December 31, 2022:

The Company issued 7,735,298 common shares in lieu of cash pursuant to the convertible debt interest obligation of the Company representing \$386,765.

The Company issued 436,000 common shares pursuant to the conversion of 218 convertible debentures

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representing \$218,000 in debt obligation of the Company. Upon this conversion, \$203,207 was reclassified from convertible debentures and equity reserves to share capital.

Year ended June 30, 2022:

The Company issued 7,796,416 common shares in lieu of cash pursuant to the convertible debt interest obligation of the Company representing \$274,486.

The Company issued 2,836,000 common shares pursuant to the conversion of 1,418 convertible debentures representing \$1,418,000 in debt obligation of the Company. Upon this conversion, \$1,404,561 was reclassified from convertible debentures and equity reserves to share capital.

c) Warrants:

	Warrants	Weighted Average Exercise Price \$
Balance, June 30, 2021	23,113,700	0.69
Expired - unexercised	(23,113,700)	(0.69)
Balance, December 31 and June 30, 2022	-	-

As at December 31, 2022, no warrants were outstanding and exercisable.

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, 2021	3,050,000	0.31
Expired	(750,000)	0.10
Balance, December 31 and June 30, 2022	2,300,000	0.38

As at December 31, 2022, the following stock options were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Remaining Contractual Life (in years)
250,000	\$0.41	July 11, 2023	0.53
1,200,000	\$0.60	April 5, 2024	1.26
850,000	\$0.06	April 9, 2025	2.27

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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 1.56 years.

8. CONVERTIBLE DEBENTURE (See Note18)

On March 29, 2019, the Company completed a short form prospectus offering and a concurrent private placement of 10% unsecured debenture units (the “Debenture Units”) of the Company, for total gross proceeds of \$10,830,000.

Each debenture is convertible at the option of the holder into common shares of the Company at a conversion price of \$0.50 per common share, subject to adjustment in certain events. Upon conversion, holders will receive accrued and unpaid interest up to and including the date of conversion. The debentures have a maturity date of March 29, 2024 at which time repayment is required if not previously converted to common shares.

On January 17, 2022, (the “effective date”), the Company entered into a Supplemental Indenture agreement with the Debenture Trustee, Odyssey Trust Company. Under the Supplemental Indenture the terms of the convertible debenture were changed to provide for the Company, in its sole discretion, to pay the interest due on the debentures in cash or through the issuance of its common shares at the higher of the market price of the common shares in effect on the date of the common share interest payment election notice, and \$0.05 per share; and to 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 remain unchanged.

The extension of the Debenture maturity has the effect of changing the Company’s working capital, as the maturity of the Debenture is now a long-term liability rather than a current liability. The modified terms of the debentures constituted a substantial modification under IFRS 9, and therefore resulted in an extinguishment of the original financial liability of \$7,557,770, and a recognition of a new financial liability of \$7,804,000, resulting in a loss of \$246,230 recognized in profit and loss.

During the year ended June 30, 2022, the Company incurred interest expense on the debentures of \$791,012 (2021 - \$937,286), of which \$389,820 was paid in common shares and \$401,192 in cash.

Continuity of the convertible debentures as shown below:

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	Liability Component		Deferred income tax liability Component	Equity Component
	Face Value	Carrying Value		Carrying Value
Balance as at June 30, 2021	\$9,207,000	\$8,370,709	\$ -	\$671,944
accretion – pre modification	-	474,608	-	-
converted – pre modification	(1,403,000)	(1,287,547)	-	(102,393)
Interim Balance – pre modification	\$7,804,000	\$7,557,770	\$ -	\$569,551
Modification adjustments				
derecognition loss	-	246,230	-	-
transaction costs	-	(40,958)	-	-
equity component	-	(754,099)	-	754,099
deferred tax component	-	-	-	(203,607)
converted	(15,000)	(13,563)	-	(1,058)
accretion	-	154,779	-	-
Balance as at June 30, 2022	\$ 7,789,000	\$ 7,150,159	\$ -	\$ 1,118,985
converted	(218,000)	(203,207)	-	-
accretion	-	165,142	-	-
Balance as at December 31, 2022	\$ 7,571,000	\$ 7,112,094	\$ -	\$ 1,118,985

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 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, investment, accounts payable and accrued liabilities, 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:

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- 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 1 and 3 inputs, described in Note 15.

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 \$900,292, 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 (see Notes 5 and 8)

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 December 31, 2022, the Company had working capital of \$812,740. 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 terms. As at December 31, 2022, the Company has sufficient 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\$ 69,100 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 December 31, 2022, 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 \$49,100.

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11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended December 31, 2022, the Company:

- Reclassified \$218,584 into share capital from convertible debentures and \$15,378 from equity reserves upon conversion of debentures (Note 8).

During the period ended December 31, 2021, the Company:

- Reclassified \$1,389,940 into share capital from convertible debentures and \$102,393 from equity reserves upon conversion of debentures (Note 8).

12. LEASES

Right-of-use assets and lease liabilities

The Company has a commercial lease described in Note 4.

The Company has recorded these leases as an investment in sub-lease and lease liability in the statement of financial position. In April 2022, upon a lease extension, the lease liability and investment in sub-lease were re-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 12%, which is the Company's incremental borrowing rate.

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

	Lease Liabilities
	\$
As at June 30, 2022 - AFS	292,038
Interest accretion	16,373
Lease payments	(85,170)
Foreign exchange	13,547
AFS – Liabilities – disposal	(236,788)
As at December 31, 2022	\$Nil

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

Less than 1 year	USD127,968
1 to 2 years	USD63,984
2 to 5 years	Nil

Investment in sublease

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:

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	Investment in Sublease \$
As at June 30, 2022 – AFS	293,740
Finance income	15,754
Lease payments received or accrued	(85,170)
Foreign exchange	13,621
AFS – Assets – disposal	(237,945)
As at December 31, 2022	\$Nil
Current portion of investment sublease (Note 4)	154,105
Long-term portion of investment in sublease (Note 4)	83,840

13. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the business of investment in early stage companies. As at December 31, 2022 and June 30, 2022, with the exception of one investment (Note 15) held in Canada, all the Company's non-current assets were located in the United States.

14. 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 December 31, 2022, the Company's commitments are as follows:

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

15. INVESTMENTS

The Company's equity investments are comprised of investments in common shares of Canadian publicly traded and non-public companies. The Company measures its equity investments at fair value through profit or loss ("FVTPL"). The cost and fair values of the equity investments at December 31 30, 2022 and the June 30, 2022 year-end are as follows:

	December 31, 2022		June 30, 2022
Opening Balance	73,081	\$	500,000
Additions	299,130		174,000
Disposals / Impairment	-		(499,999)
Change in fair value gain (loss)	119,450		(100,920)
Ending Balance	\$ 491,661	\$	73,081

- a) In the current period, Chemistree invested \$200,000 into an Ontario limited partnership ("ONLP") to take advantage of opportunistic long/short equity opportunities in both potential upside and

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downside expected price moves. The ONLP seeks to generate attractive risk-adjusted returns through an experienced investment process to purchase long positions in companies with durable competitive advantages. ONLP's fair value will be measured monthly through Level 2 and 3 inputs.

- b) In the current period, the Company acquired 1,230,000 common shares of PlantFuel Life Inc. ("FUEL"), a Canadian Securities Exchange listed issuer. The Company invested \$99,130 pursuant to a market transaction related to FUEL's private placement of equity. According to the Company's accounting policies, investments must be recorded at fair value. The Company records the FUEL investment as follows:

	December 31, 2022	June 30, 2022
Cost	(\$99,130)	\$ -
Fair value (Level 1 inputs)	110,700	
Unrealized gain (loss)	\$ 11,570	\$ -

- c) In the previous fiscal year, the Company completed a Subscription Agreement with Philippine Metals Inc. ("PHI"), a TSX Venture Exchange listed issuer. The Company invested \$174,000 in the PHI private placement of Subscription Receipts at \$0.50 per Subscription Receipt. PHI's private Placement was conducted pursuant to the PHI's reverse takeover transaction with ReVolve Renewable Power Ltd ("ReVolve"). On March 8, 2022, the reverse takeover was completed, and the Subscription Receipts were converted into shares and warrants of Revolve. Effective March 17, 2022, the common shares of Revolve were listed on the TSX Venture Exchange under the trading symbol: REVV. Pursuant to the Company's accounting policies, investments must be recorded at fair value. The Company records the REVV investment as follows:

	December 31, 2022	June 30, 2022
Cost	(\$174,000)	(\$174,000)
Fair value (Level 1 inputs)	180,960	73,080
Unrealized gain (loss)	\$ 6,960	(\$ 100,920)

- d) During the previous year, the Company completed an investment into ImmunoFlex 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. 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.

To date, there has been no valuation of ImmunoFlex 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 company's progress has not advanced. Absent any other information being available, the ImmunoFlex investment's fair value as at June 30, 2022, was deemed to be a nominal value of \$1 (2021: \$500,000).

- e) During a 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

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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 has not advanced. Absent any other information being available, the ACS investment's fair value as at June 30, 2022, was deemed to be \$nil (2021: \$nil).

16. RECEIVABLES

Receivables consist of the consulting fees, rental charges and advances towards improvements of the Washington Assets. The current balance has been reclassified to AFS – assets (Note 4) pertaining to the May 17, 2022 Share Purchase Agreement.

17. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Supplemental Indenture, Convertible Debentures representing \$70,000 in debt were converted into 140,000 common shares at \$0.50 per share, the interest accrued on those debentures up to the date of conversion was satisfied by the issuance of 1,555 common shares at \$0.05 per share.