# Gaia Grow Corp.

CSE Form 2A

Listing Statement

April 16, 2020

## CAUTIONARY STATEMENTS

This Listing Statement and the documents incorporated by reference herein contain or may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "projects", "goal", "anticipate" or "does not anticipate", "believe", "intend" or "does not intend" and similar expressions or statements that certain actions, events or results "may", "would", "should", "could", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information. Statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words, have been used to identify forward-looking information. Forward-looking information in this Listing Statement may include, but is not limited to:

- All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future.

- Information about the Company and the Company's proposed business objectives.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. These include, but are not limited to, expectations and assumptions concerning:

- Statements relating to future financial conditions, results of operations, plans, objectives, performance, business developments, objectives or milestones. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of the Company and/or the Company.

Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include risks related to:

- the impact of the global COVID-19 pandemic on the Company's operations;
- the market for securities and the volatility of share prices;
- the limited operating history of the Company;
- the speculative nature of investment risk;
- the liquidity of the Company and future financing risk;
- the Company's business and operations;
- the hemp industry and related regulations;
- the retail cannabis market;
- processing partners;
- engaging in a new industry;
- unfavourable publicity or consumer perception;

- the difficulty of forecasting sales;
- the effectiveness of internal controls;
- the need for additional financing and the possible effects of dilution;
- litigation;
- payment of dividends;
- conflicts of interest;
- insurance and uninsured risks;
- tax risks; and
- assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. See Section 17 – *Risk Factors*.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this Listing Statement under Section 4.1 **–** *Narrative Description of the Business*, makes reference to or involves forward-looking information. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this Listing Statement. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this Listing Statement include, but are not limited to, the factors included under Section 17 – *Risk Factors*.

## *INDUSTRY AND OTHER STATISTICAL INFORMATION*

This Listing Statement includes market share, industry and other statistical information that the Company has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although the Company believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources. The Company does not intend, and undertakes no obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as, and to the extent required by, applicable securities laws.

## *GENERAL*

The information contained herein is dated as of April 16, 2020, unless otherwise stated. All financial information in this Listing Statement is prepared in Canadian dollars and using International Financial Reporting Standards. Unless otherwise specified in this Listing Statement, all references to "dollars" or to "$" are to Canadian dollars. All capitalized terms have the meanings ascribed to them in the "Glossary of Terms" of this Listing Statement.

## TABLE OF CONTENTS

**SCHEDULES**

| | |
|---|---|
| **Schedule "A"** | **Company Financial Statements**<br>• Unaudited financial statements of the Company for the three and nine months ended September 30, 2019 and 2018<br>• Audited financial statements of the Company for the years ended January 31, 2019, 2018 and 2017 |
| Error! Reference source not found. | **Company MD&A**<br>• MD&A for the nine-month periods ended September 30, 2019 and 2018<br>• MD&A for the year ended January 31, 2019 |
| **Schedule "C"** | **Gaia Financial Statements**<br>• Audited financial statements of Gaia for the period from incorporation to December 31, 2018 |
| **Schedule "D"** | **Gaia Bio Financial Statements**<br>• Unaudited financial statements of Gaia Bio for the three-month period ended March 31, 2019<br>• Audited financial statements of Gaia Bio for the years ended December 31, 2018 and 2017 |

## 1. Glossary of Terms

The following is a glossary of certain terms and abbreviations used in this Listing Statement. Terms and abbreviations used in this Listing Statement and also appearing in the documents attached as schedules hereto (including the financial statements) are defined separately. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

"**120**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**Advance Notice Provision**" has the meaning set out in Section 2.2 – *Alteration of Articles.*

"**Affiliate**" means a company that is affiliated with another company as described below. A company is an Affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**AmalCo**" has the meaning set out in Section 3.1 – *General Development of the Business.*

"**Amalgamation Agreement**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – The RTO.*

"**Associate**" when used to indicate a relationship with a person or company, means (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer, (b) any partner of the person or company, (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity, and (d) in the case of a person, a relative of that person, including (i) that person's spouse or child, or (ii) any relative of the person or of his spouse who has the same residence as that person.

"**BCBCA**" means the *Business Corporations Act* (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

"**BC Handbook**" has the meaning set out in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis Retail Stores in British Columbia.*

"**BC Licensing Process Guide**" has the meaning set out in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis Retail Stores in British Columbia*.

"**Blackhawk**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**Blackhawk Agreement**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**Board**" means the board of directors of the Company.

"**Cannabis Act**" means *The Cannabis Act* (Canada), S.C. 2018, c. C-26, as may be amended from time to time.

"**CannGroup Agreement**" means the supply agreement between Gaia and CannGroup, pursuant to which CannGroup will purchase 15,000 kilograms of milled hemp from the Company for $110 per kilogram.

"**Capital Pool Company**" or "**CPC**" means a corporation: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of a qualifying transaction has not yet occurred.

"**CBD**" means cannabidiol, a non-psychoactive phytocannabinoid derived from the cannabis plant.

"**CCLA**" has the meaning set out in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis Retail Stores in British Columbia*.

"**CDA**" has the meaning set out in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis Retail Stores in British Columbia*.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Company**" means Gaia Grow Corp., a corporation continued under the BCBCA.

"**Company Shares**" means the common shares in the capital of the Company.

"**Company Shareholders**" means shareholders of the Company.

"**CPC Escrow Agreement**" means the escrow agreement on TSX-V Form 2F dated April 12, 2012 among the Company, the Escrow Agent and certain Company Shareholders.

"**Escrow Agent**" means Computershare Investor Services Inc., the registrar and transfer agent of the Company.

"**Exchange**" or "**CSE**" means the Canadian Securities Exchange.

"**Enagon**" has the meaning set out in Section 3.1 – *General Development of the Business – The Inaugural Sales Season.*

"**Gaia**" means "Gaia Grow Holdings Corp.", a company continued under the BCBCA.

"**Gaia Bio**" means Gaia Bio-Pharmaceuticals Inc., a wholly-owned subsidiary of the Company.

"**Gaia Private Placement**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – The RTO.*

"**IHR**" means the *Industrial Hemp Regulations* created pursuant to the Cannabis Act, as may be amended from time to time.

"**Issuer**" means a Person and its subsidiaries which have any of its securities listed for trading on the Exchange, and in this Listing Statement means the Company, as the context requires.

"**Lamont Property**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – Acquisition of Gaia Bio.*

"**LDB**" has the meaning set out in Section 3.3 – *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis Retail Stores in British Columbia*.

"**LCRB**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**License**" has the meaning set out in Section 17 – *Risk Factors – Risks Related to the Hemp Industry – Reliance on Licenses*.

"**Licensed Producer**" means an individual or company who is licensed to cultivate, produce and sell cannabis for medical or non-medical purposes under the *Cannabis Regulations,* SOR/2018-144.

"**MD&A**" means management's discussion and analysis as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**Milling Agreement**" has the meaning set out in Section 3.1 – *General Development of the Business – The Inaugural Sales Season.*

"**Nelson Store**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**NEO**" has the meaning set out in Section 15.1 – *Compensation Discussion and Analysis – Executive Compensation*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*, and the companion policies and forms thereto, as amended from time to time.

"**Offtake Agreement**" has the meaning set out in Section 3.1 – *General Development of the Business – The Inaugural Sales Season.*

"**Option**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – The Lamont Property Option and Purchase*.

"**Option Plan**" means the option plan of the Company.

"**Participants**" has the meaning set out in Section 9 – *Options to Purchase Securities*.

"**Patriot**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**Person**" includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative.

"**Powell River Stores**" has the meaning set out in Section 3.1 – *General Development of the Business – Three-year history of the Company*.

"**SEDAR**" means System for Electronic Document Analysis and Retrieval being the official website that provides access to most public securities documents and information filed by Issuers and investment funds with the Canadian Securities Administrators at www.sedar.com.

"**Share Purchase Agreement**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – Gaia Bio Acquisition*.

"**Surplus Escrow Agreement**" means the escrow agreement in TSX-V Form 5D pursuant to which certain securities of the Company are subject to release in accordance with schedule B(4) of Exchange Form 5D, among the Company, the Escrow Agent and certain former shareholders of Gaia.

"**Receipt Shares**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – The RTO*.

"**RTO**" has the meaning set out in Section 3.2 – *Significant Acquisitions and Dispositions – The RTO*.

"**SubCo**" means 1193805 B.C. Ltd., a company incorporated under the BCBCA for the purpose of the RTO.

"**THC**" means delta-9-tetrahydrocannabinol, a psychoactive chemical compound in cannabis.

"**TSX-V**" means the TSX Venture Exchange.

"**Value Escrow Agreement**" means the escrow agreement in TSX-V Form 5D pursuant to which certain securities will be subject to release in accordance with schedule B(2) of TSX-V Form 5D, entered into in conjunction with the RTO in accordance with the TSX-V Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*, among the Company, the Escrow Agent and certain former shareholders of Gaia who were issued shares at a price less than $0.05.

## 2. Corporate Structure

### 2.1 Corporate Name and Head and Registered Office

This Listing Statement has been prepared with respect to the Company.

***The Company***

The corporate name of the Company is "Gaia Grow Corp." The head office of the Company is located at Suite 303, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7 and the registered and records office of the Company is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

### 2.2 Jurisdiction of Incorporation

***The Company***

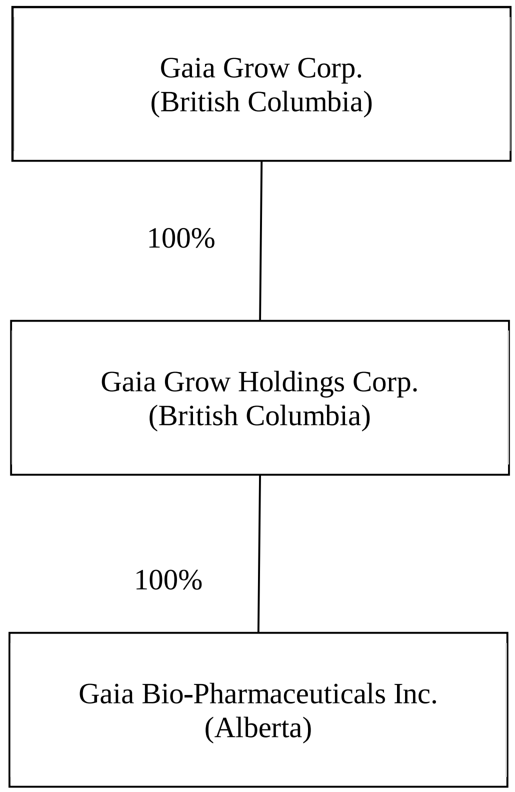
The Company was incorporated as Spirit Bear Capital Corp. under the BCBCA on November 8, 2011. On July 23, 2019, the Company changed its name to Gaia Grow Corp.

***Alteration of Articles***

On February 5, 2018, the Board approved an alteration of the Articles of the Company to include an advance notice provision (the "**Advance Notice Provision**"). The Advance Notice Provision stipulates the requirement to provide advance notice to the Company in circumstances where nominations of persons for election to the Board are made by Company Shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the BCBCA; or (ii) a shareholder proposal made pursuant to the provisions of the BCBCA. The Company Shareholders approved and ratified the Advance Notice Provision on March 8, 2018.

### 2.3 Inter-corporate Relationships

The Company has one wholly-owned subsidiary, Gaia Grow Holdings Corp. ("**Gaia**"), a corporation incorporated under the BCBCA, and one indirect wholly-owned subsidiary, Gaia Bio-Pharmaceuticals Inc. ("**Gaia Bio**"), a corporation incorporated under the *Business Corporations Act* (Alberta).




### 2.4 Fundamental Change

The Company is not re-qualifying following a fundamental change and it is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

### 2.5 Non-corporate Issuers and Issuers Incorporated Outside of Canada

This section does not apply to the Company.

## 3. General Development of the Business

### 3.1 General Development of the Business

The Company was incorporated as Spirit Bear Capital Corp. under the BCBCA on November 8, 2011 as a Capital Pool Company. As a CPC, the Company's principal business was to identify and evaluate opportunities to acquire an interest in assets or businesses, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or business in order to complete a "qualifying transaction".

On July 23, 2019 the Company completed its qualifying transaction through a reverse take-over (the "**RTO**") of a private company called Gaia Grow Corp. Gaia was a private company incorporated under the *Business Corporations Act* (Alberta) on June 22, 2018 as Gaia Investments Inc. On January 18, 2019, Gaia continued under the BCBCA under the name "Gaia Grow Corp." As part of the RTO, Gaia amalgamated with SubCo, a wholly owned subsidiary of the Company to form "**AmalCo**". Upon completion of the RTO, the Company changed its name to Gaia Grow Corp. and AmalCo changed its name to Gaia Grow Holdings Corp.

Gaia Grow Holdings Corp. has one wholly-owned subsidiary, Gaia Bio-Pharmaceuticals Inc. ("**Gaia Bio**"), a company incorporated under the *Business Corporations Act* (Alberta), which it acquired on March 22, 2019. Gaia Bio holds a license to cultivate and sell industrial hemp under the Cannabis Act and the IHR. Prior to the RTO, Gaia applied to Health Canada for a cannabis cultivation licence. Since the completion of the RTO, the Company has not taken any steps to advance the application and has no intention of doing so. Further information on the RTO and the Gaia's acquisition of Gaia Bio is available under Section 3.2 – *Significant Acquisitions and Dispositions*.

Gaia Bio is the operational branch of the Company and references to the Company in this part may include references to Gaia Bio. The Company's business model leverages contract farming to utilize existing farmland and skilled farmers to cultivate industrial hemp under the Cannabis Act and the IHR, thereby minimizing the Company's capital expenditures on acquiring farmland and equipment. Industrial hemp cultivation is expected to provide two revenue streams for the Company: (1) hemp flower and leaves that can be further processed for extracts and concentrates; and (2) hemp stalks and branches used for industrial applications.

The Company is currently a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. Prior to listing on the Exchange, the Company Shares were listed for trading on the TSX-V under the symbol "GAIA". In connection with the listing of the Company's Shares on the Exchange, the Company delisted from the TSX-V and now trades on the Exchange under the ticker symbol "GAIA".

***The Inaugural Growing Season***

In October 2019, the Company completed its inaugural hemp harvest from its fields in Rockyview County, Alberta. Multiple stages of harvest were completed, ensuring a whole-plant harvest and efficient separation of the various parts of the hemp plants for effective and efficient use by their intended offtake partners in different sales channels. The Company's custom harvesting and hauling teams successfully deployed harvesting machinery, baling equipment, loaders and transport trucks to arrange and prepare the harvested product for sale to its end users. The multi-stage harvest included effectively passing over the approximately 1,500 acres of land several times to separate the harvest components. The harvesting team worked 24-hours per day for the roughly six days in order to complete the harvesting and baling of the hemp crop.

The Company's inaugural hemp crop yielded approximately 4,200 bales of hemp tips and 500 bales of fibre stalks.

***The Inaugural Sales Season***

In January 2020, the Company identified Enagon Inc. ("**Enagon**") as a service provider with access to drying and milling technology capable of producing milled hemp powder. Milled hemp powder is an ideal feedstock for the production of CBD oil and distillate and is produced by separating the CBD-rich elements of the hemp plant (such as flowers and leaves) from the low-CBD elements (such as stalks and branches) and grinding them into a powder. The Company began using this technology in January 2020 and, after confirming the efficacy of this process, entered into a binding milling agreement (the "**Milling Agreement**") and a binding offtake agreement (the "**Offtake Agreement**") with Enagon in April 2020. Pursuant to the Milling Agreement, Enagon will mill all of the Company's hemp biomass in consideration for 30% of the gross revenue obtained from the sale of the milled product. Pursuant to the Offtake Agreement, the Company agreed to purchase all milled hemp produced by Enagon from hemp supplied by third-parties and Enagon. The Company will sell milled hemp produced from third-party hemp for a 50% royalty and will sell milled hemp produced from Enagon-supplied hemp for a royalty of between 30% and 70%. Copies of the Milling Agreement and the Offtake Agreement are available under the Company's SEDAR profile at www.sedar.com.

In March 2020, CannGroup Development Corp. agreed to purchase 15,000 kilograms of milled hemp powder from the Company, which represents approximately 20% of the Company's initial hemp harvest, for $110 per kilogram pursuant to the CannGroup Agreement. CannGroup operates a Health Canada licensed extraction facility and will use the milled hemp powder as feedstock for the production of CBD concentrates. The Company is continuing to source additional purchasers for milled hemp. A copy of the CannGroup Agreement is available under the Company's SEDAR profile at www.sedar.com.

***Retail Business***

In late February 2020, the Company entered into an agreement to purchase three pre-license retail cannabis stores in British Columbia—one in Nelson and two in Powell River, British Columbia. The aggregate purchase price for the three stores is $1,500,000, which will be satisfied through the issuance of 30,000,000 Company Shares at a deemed price of $0.05 per share. This purchase is subject to the successful listing of the Company on the CSE and is expected to close shortly after such listing.

***Three-year history of the Company***

On October 3, 2017, the Company closed a non-brokered private placement for gross proceeds of $513,000 through the issuance of 5,400,000 Company Shares at a price of $0.095 per share.

On December 4, 2017, the Company entered into a non-binding letter of intent for the arm's length acquisition of 100% of the common shares of FinX Solutions Inc., which was intended to constitute the Company's qualifying transaction. On March 16, 2018, the Company entered into a securities exchange agreement with FinX Solutions Inc., pursuant to which the Company would acquire 100% of its common shares. On May 15, 2018 the Company terminated the agreement with FinX Solutions Inc. with no further obligation on either party.

On October 9, 2018, the Company closed a non-brokered private placement for gross proceeds of $475,000 through the issuance of 5,000,000 Company Shares at a price of $0.095 per share.

On November 19, 2018, the Company announced that it would complete a forward share split on the basis of one additional Company Share for every one (1) Company Share then outstanding, resulting in 28,800,012 Company Shares outstanding. The Company Shares began trading on the TSX-V on a post-split basis effective at the open of markets on December 7, 2018.

On March 22, 2019, Gaia completed the acquisition of Gaia Bio, whereby Gaia Bio became a wholly owned subsidiary of Gaia. See Section 3.2 – *Significant Acquisitions and Dispositions – Acquisition of Gaia Bio.*

On July 23, 2019 the Company completed the RTO and the Company and Gaia combined their respective businesses by way of a three-cornered amalgamation. See Section 3.2 – *Significant Acquisitions and Dispositions – The RTO.*

On February 27, 2020, the Company and Blackhawk Growth Corp. ("**Blackhawk**") (CSE: BLR) entered into an agreement (the "**Blackhawk Agreement**") for the purchase and sale of three pre-license retail cannabis stores in British Columbia. The Blackhawk Agreement set out the terms by which the Company would acquire all of the issued and outstanding share capital of 1202465 B.C. Ltd. ("**120**") and Patriot Cannabis Brands Inc. ("**Patriot**") from Blackhawk. 120 holds the lease and application for a retail cannabis store located at 306B Victoria Street in Nelson, British Columbia (the "**Nelson Store**"), which currently has an Approval in Principle (AIP) issued by the Liquor & Cannabis Regulation Branch of British Columbia (the "**LCRB**") to operate a cannabis retail store. Patriot holds two leases located at Unit No. 3, 4296 Joyce Avenue and 6239 Walnut Street in Powell River, British Columbia (the "**Powell River Stores**") which both have applications in process to operate licensed cannabis dispensaries at the premises. The closing of the acquisition of 120 and Patriot were subject to the successful listing of the Company on the CSE, and are expected to close shortly. Frederick Pels and Marc Lowenstein are directors of both Gaia and Blackhawk; however, the acquisition of Patriot and 120 from Blackhawk is not considered to be a related party transaction within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. The Blackhawk Agreement has been approved by the independent directors of each of Gaia, and Blackhawk. A copy of the Blackhawk Agreement is available under the Company's SEDAR profile at www.sedar.com.

## 3.2 Significant Acquisitions and Dispositions

***Acquisition of Gaia Bio***

Gaia Bio was incorporated under the laws of the Province of Alberta and holds a license to cultivate and sell industrial hemp under the Cannabis Act and the IHR. The Gaia Bio acquisition was neither a non-arm's length transaction nor a related party transaction.

On August 6, 2018, Gaia entered into a share purchase agreement with Gaia Bio, the shareholders of Gaia Bio and James Kilpatrick whereby Gaia agreed to acquire all of the issued and outstanding Gaia Bio securities for certain consideration (the "**Share Purchase Agreement**"). The Gaia Bio acquisition was completed on March 22, 2019, pursuant to which Gaia Bio became a wholly-owned subsidiary of Gaia.

Gaia acquired all of the issued and outstanding shares of Gaia Bio for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit to the shareholders of Gaia Bio;

(b) the issuance of 7% of the issued and outstanding common shares of Gaia (estimated to be an aggregate of 8,400,000 common shares of Gaia);

(c) a conditional payment of $1,600,000 in cash or equivalent in common shares of Gaia, in the event that the common shares of Gaia are valued less than $2,000,000 at any time during the 60-day period after Gaia received a license to cultivate cannabis from Health Canada;

(d) the assumption of a business loan in the amount of $10,625; and

(e) the assumption of Gaia Bio's commitment pursuant to an offer to purchase agreement whereby Gaia Bio agreed to purchase an 80 acre plot of land located in Lamont County, Alberta (the "**Lamont Property**") for the purpose of growing hemp. The purchase price for the Lamont Property, as last amended, was $190,000 and 5% of the total number of common shares of Gaia Bio, subject to the condition that the number of shares may change depending on whether more shares are issued.

***The RTO***

On January 31, 2019, the Company (formerly Spirit Bear Capital Corp.) and its wholly-owned subsidiary, SubCo, entered into an amalgamation agreement (the "**Amalgamation Agreement**") with Gaia, a company in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada. On July 23, 2019 the Company completed the RTO and the Company and Gaia combined their respective businesses by way of a three-cornered amalgamation. Gaia amalgamated with SubCo and the shareholders of Gaia exchanged their shares for equivalent securities of the Company on the basis of one Company Share for each Gaia common share. A copy of the Amalgamation Agreement is available under the Company's SEDAR profile at www.sedar.com.

In connection with the completion of the RTO, the Company completed a private placement financing (the "**Gaia Private Placement**") through the offering of 45,076,969 subscription receipts (the "**Subscription**

**Receipts**") at a price of $0.10 per subscription receipt, for gross proceeds of $4,507,697. Immediately prior to the completion of the RTO, each Subscription Receipt was automatically converted into one Company Share (the "**Receipt Shares**"), and the proceeds from the financing were released from escrow. Following the release of the proceeds, the Company paid finders fees of $86,065 to certain parties who had introduced subscribers to the private placement financing.

Pursuant to the terms of the RTO, the Company issued 120,000,000 common shares to the existing shareholders of the Company, as well as 45,076,969 common shares to the existing holders of the Receipt Shares. The Company also issued 6,325,000 common shares to an arms-length party who assisted the Company in facilitating the RTO. Following completion of the RTO, the Company had 200,201,981 common shares outstanding.

***The Lamont Property Option and Purchase***

In connection with the acquisition of Gaia Bio, the Company acquired an option to purchase (the "**Option**") the Lamont Property for a purchase price of $190,000. The Lamont Property is the property that Health Canada approved for the Company's current hemp cultivation license. The Option was exercised in July 2019, whereby the Company purchased the Lamont Property and the Company's purchase of the Lamont Property was finalized. The Lamont Property is used to farm hemp and was also acquired for facilitating the renewal process of the Company's hemp cultivation license.

***Retail Cannabis Store Acquisitions***

On February 27, 2020, the Company and Blackhawk entered into the Blackhawk Agreement for the purchase of three pre-license retail cannabis stores in British Columbia. The Blackhawk Agreement sets out the terms by which the Company will acquire all of the issued and outstanding share capital of 120 and Patriot from Blackhawk. 120 holds a property lease and an application for a retail cannabis store located at 306B Victoria Street in Nelson, British Columbia, which currently has an Approval in Principle (AIP) issued by the LCRB to operate a cannabis retail store. Patriot holds two leases, one located at Unit No. 3, 4296 Joyce Avenue and one located at 6239 Walnut Street in Powell River, British Columbia, which both have applications in process to operate licensed cannabis dispensaries at the premises. The aggregate purchase price for Patriot and 120 is $1,500,000, which will be satisfied through the issuance of 30,000,000 Company Shares at a deemed price per share of $0.05. Blackhawk does not currently hold any securities of Gaia. Upon the issuance of the 30,000,000 Company Shares, Blackhawk will hold a total of 30,000,000 Company Shares representing approximately 12.9% of the issued and outstanding Company Shares and will become a new insider of Gaia. The closing of the acquisition of 120 and Patriot were subject to the successful listing of the Company on the CSE, and are expected to close shortly. A copy of the Blackhawk Agreement is available under the Company's SEDAR profile at www.sedar.com.

## 3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are: (i) the changing legal and regulatory regime which regulates the production and sale of hemp, CBD and cannabis-related products throughout the world; (ii) the ability of companies to raise adequate capital to carry out their business objectives; (iii) the lack of available cannabis seed cultivars with high cannabinoid content, and restrictions surrounding importing high-yielding and IHR compliant seeds; (iv) bottlenecks in the ability to process hemp into secondary products; (v) weather issues; (vi) lack of availability of insurance coverage; (vii) regulatory issues surrounding the licensing or retail cannabis sales; and (viii) the impact of the COVID-19 pandemic. See Section 17 – *Risk Factors*.

***Hemp***

There are three different strains of cannabis—*Cannabis sativa L*., *Cannabis indica* and *Cannabis ruderalis*. Years of selective cultivation of *Cannabis sativa L*. has produced two sub-types of the strain: marijuana and hemp. In accordance with the taxonomy originally proposed by Canadian Ottawa-based researcher Dr. Ernie Smalls in 1976, hemp is distinguishable from its cousin marijuana, which also comes from the Cannabis sativa L. subspecies, by its absence of more than trace amounts (less than 0.3%) of the psychoactive compound THC. Although international standards vary, many countries, including the United States and Canada, have used this taxonomy to legally distinguish hemp from marijuana.

The two plants differ in terms of appearance and cannabinoid composition, most notably in that hemp possesses only trace amounts of the THC found in marijuana. While a distinction is drawn between hemp and marijuana both legally and colloquially, scientifically speaking they are the same plant and are more properly referred to as *Cannabis sativa*. The different names have become a means by which to draw a distinction between the psychoactive properties of marijuana and hemp and the level of THC which each contains. The difference is that marijuana, with its higher concentration of THC and lower concentration of CBD, has psychoactive properties, while hemp, with its lower concentration of THC and higher concentration of CBD, does not.

Both CBD and THC are cannabinoids—chemical compounds—that can be extracted from *Cannabis sativa L*. Even though their chemical structures are similar, CBD and THC target different receptors in humans, and therefore carry out different functions. The psychoactive effect is caused by THC, which targets cannabinoid receptors in the brain. CBD, on the other hand, exhibits low affinity to cannabinoid receptors in the brain and, so far, has proved to have little to do with the psychotropic effect of cannabis. CBD is found throughout the seeds, stalk and flowers of cannabis plants – including hemp and marijuana.

***Regulation of Industrial Hemp Production in Canada***

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the production and sale of hemp and hemp extracts, health and safety, privacy and the conduct of operations. Any changes to such laws, regulations and guidelines are matters beyond the control of the Company that may cause adverse effects to the operations and financial conditions of its prospective returns.

Under the IHR, a person is required to obtain a license issued by Health Canada pursuant to the Cannabis Act in order to conduct various activities with industrial hemp. Any activities involving industrial hemp that fall within the following require a license under the Cannabis Act: cultivation (including plant breeding/propagation); sale; importation; exportation; cleaning; preparing (conditioning); and processing.

The Company received its license to cultivate hemp from Health Canada pursuant to the IHR on March 1, 2019. In order to obtain the industrial hemp license, the Company provided basic information such as its corporation name, mailing address and contact information as well as the location of its industrial hemp storage site. The Company's industrial hemp license for cultivation also required the Company to provide a description of its cultivation site (not owned) and provide a signed declaration from the owner of the site.

***Federal Laws Applicable to Retail Activities***

The Cannabis Act outlines the framework for the legalization of adult-use cannabis in Canada. Pursuant to the Cannabis Act, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are able to possess 30 grams of dried cannabis, or the equivalent amount in fresh cannabis, cannabis oil or edibles. The Cannabis Act also permits households to grow a maximum of four plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption of cannabis.

In connection with the Cannabis Act, the federal government introduced new penalties under the Criminal Code (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

The Cannabis Regulations made under the Cannabis Act ("**Cannabis Regulations**") provide for the issuance of cultivation licenses for standard cultivation, micro-cultivation, industrial hemp cultivation and nursery cultivation, licenses for standard processing and micro-processing, as well as sales licenses for medical or non-medical use with licenses to sell for non-medical being limited to provinces where local distribution models have not been implemented. Further, all cannabis products must be packaged in a tamper-evident and child-resistant manner and for product labels to contain specified product information, such as the name of the processor who packaged the products, product lot number and THC/CBD content. The Cannabis Act itself prohibits testimonials, lifestyle branding and packaging that is appealing to youth.

In addition, the Cannabis Regulations include packaging and labeling restrictions for cannabis products, aimed to minimize the appeal to children and youth, protect against accidental consumption and ensure consumers are informed of the potential risks and harms of cannabis. Specifically, labeling and branding restrictions require plain packaging, including a standardized cannabis symbol on every label; mandatory health warning messages (including specifics regarding size, placement and appearance); a limit of only one brand element, aside from the brand name; no other image or graphic; backgrounds need to be a single, uniform colour; use of fluorescent or metallic colours is prohibited; labels and packaging cannot have any coating or embossing; and no inserts can be included.

On October 17, 2019, the federal government amended the Cannabis Regulations to permit the production and sale of forms of edible cannabis, cannabis extracts and cannabis topicals by Licensed Producers for sale to adults by licensed retailers. The Company anticipates selling dried cannabis, pre-rolled cannabis cigarettes, permitted edible cannabis, cannabis extracts and cannabis topicals pursuant to the acquisition of 120 and Patriot.

***Regulation of Cannabis Retail Stores in British Columbia***

The Province of British Columbia has adopted two Acts pertaining to the authorization and regulation of cannabis activities: the *Cannabis Control and Licensing Act* ("**CCLA**") and the *Cannabis Distribution Act* ("**CDA**") both of which received Royal Assent on May 31, 2018 and were proclaimed into force on July 12, 2018.

The Cannabis Control and Licensing Interim Regulation, 139/2018 was issued pursuant to the CCLA, the Cannabis Distribution Regulation, 143/2018 was issued pursuant to the CDA and the Cannabis Transitional Regulation, 142/2018 was issued pursuant to both the CCLA and CDA, in each case effective July 9, 2018. The Cannabis Licensing Regulation, 355/2018 was issued pursuant to the CCLA on October 5, 2018 and replaced the Cannabis Control and Licensing Interim Regulation, 139/2018.

On July 5, 2018, the Province of British Columbia published a guide to the B.C. Cannabis Retail Store Licensing Process (the "**BC Licensing Process Guide**"). On August 13, 2018, the Province of British Columbia published its Cannabis Retail Store License Terms and Conditions: a handbook for the sale of non-medical cannabis in British Columbia (the "**BC Handbook**").

The CCLA prohibits: (a) consumption of cannabis on school properties and in vehicles; (b) smoking and vaping cannabis anywhere that tobacco smoking and vaping are prohibited as well as playgrounds, sports fields, skate parks, and other places where children commonly gather; (c) public intoxication; (d) the sale of adult use cannabis to an intoxicated person; (e) minors under the age of 19 from possessing, consuming, purchasing or attempting to purchase cannabis; and (f) vertical arrangements with Licensed Producers including exclusivity agreements and payments to promote, induce or further the sale of a particular class or brand of cannabis. The Lieutenant Governor in Council may also make regulations including with respect to marketing, advertisement and promotion of cannabis or sponsorship involving advertising or promoting of cannabis or a licensee.

Under the CCLA and CDA, adult-use cannabis is sold by both private and government-owned retailers pursuant to licenses to be awarded by the LCRB. The British Columbia Liquor Distribution Branch (the "**LDB**") is the exclusive wholesaler responsible for distribution of cannabis products in British Columbia. The LDB announced in August 2018 that it would apply a 15% markup on the landed cost of cannabis distributed throughout British Columbia to licensed retail stores and to its own online store.

The Cannabis Licensing Regulation prohibits the LCRB from issuing a license to a person closely associated with a Licensed Producer such that they are likely to promote the sale of their cannabis products. The BC Licensing Process Guide indicates that a cannabis retailer will not be permitted to sell a Licensed Producer's products if either the retailer or Licensed Producer holds a 20% or greater voting interest in the other, or any person holds a 20% or greater voting interest in both the retailer and Licensed Producer. Relationships less than 20% must nonetheless be disclosed, and the LCRB must be satisfied that the retailer is not likely to promote the sale of cannabis of the Licensed Producer.

No maximum limit or target for the number of cannabis retail store licenses to be issued has been set in British Columbia; however, the Cannabis Control and Licensing Interim Regulation prohibit the LCRB from issuing a license to an applicant if it would result in the applicant or a group of related persons holding more than eight (8) retail store licenses. This limit will be reviewed on January 1, 2021.

The Cannabis Licensing Regulation also contemplates the issuance of a cannabis marketing license to allow marketers to promote the products of federally licensed producers to licensed cannabis retail stores.

No provincial requirements have been established for the location of cannabis retail stores. The LCRB will defer to municipalities to set restrictions on the location of cannabis retail stores in their communities through land use by-laws.

The BC Handbook sets out detailed requirements for cannabis retail store licensees, including: (a) prohibitions on (i) associations with, use of the name of or joint advertising with another business, other than another licensed adult use cannabis store – the BC Handbook specifically sets out restrictions on names that: (1) use the words "pharmacy", "apothecary" or "dispensary" (in a traditional or non-traditional spelling); (2) have graphics associated with a pharmacy (e.g. green cross); and (3) include language that encourages intoxication; (ii) customer loyalty programs; (iii) on-line sales of cannabis; and (iv) in-store games or entertainment; and (b) restrictions on gift card programs. The BC Handbook requires cannabis retail stores' promotional activities to comply with the Cannabis Act as well as all provincial and local requirements, and prohibits Licensed Producers/marketers from buying shelf space, offering weight discounts or other discounted product in exchange for marketing benefits. Cannabis retail stores must carry and make available to consumers a representative selection of brands of cannabis from a variety of suppliers that are not associated with or connected with each other. Cannabis retail stores are prohibited from selling snacks, tobacco or other items not related to cannabis. The BC Handbook prohibits the sale of e-juice, e-liquid, or e-substance; otherwise, the LCRB has not issued a list of prohibited or permitted cannabis accessories or ancillary items.

The LCRB commenced accepting applications for adult use cannabis retail store licenses on August 10, 2018. However, potential retailers are required to receive municipal government approval before the LCRB will consider whether to issue a cannabis retail license. Each municipality is responsible for implementing their own land use, development and business licensing by-laws, and the status of such efforts varies by municipality.

The Company has agreed to purchase one late stage application for provincial and municipal permits in Nelson, British Columbia and two early stage applicants for provincial and municipal permits in Powell River, British Columbia. The Company is not pursuing other retail opportunities at this time.

The operation of the Company in the retail cannabis sector is subject to obtaining and maintaining various permits and licenses. Such permits and licenses must be maintained in good standing at all times and are subject to renewal through customary renewal processes as determined by the applicable regulatory authority.

In September 2017, 120 submitted an application for a cannabis retail store licenses to the LCRB and the municipality of Nelson for the Nelson Store. 120 has prepared submissions to the LCRB for the Powell River Stores, and the Company intends to submit these applications to the LCRB upon the acquisition of 120.

In the province of British Columbia, all purchases of cannabis products are made through a provincial wholesaler that acquires its cannabis products from Licensed Producers. Pricing for cannabis products purchased by the Company for sale in its cannabis retail shops in British Columbia will be set by the provincial regulator.

***Real Property***

The retail locations of the Nelson Store and the Powell River Stores that the Company intends to purchase are operated from leased premises.

***Security***

The Company will employ the following measures to ensure on-site security at the Nelson Store and the Powell River Stores, including, but not limited to:

(a) placement of interior advertising media such as placards to avoid the blocking of site-lines;

(b) a continuous minimum level of exterior lighting around each premise (where possible) to facilitate ready access by employees, customers or others;

(c) installation of closed-circuit video technology to overview the entrances and higher security areas within the premises;

(d) appropriately worded signage advising of the presence of closed-circuit video technology on site;

(e) appropriately selected security equipment/devices which are used to physically secure the premise and the inventory within;

(f) installation of an intrusion detection (alarm) system;

(g) arm/disarm codes for the intrusion detection system individually issued to employees; and

(h) duress (aka panic) buttons placed at strategic locations within each location for use by employees if and as required.

## 4. Narrative Description of the Business

### 4.1 Narrative Description of the Business

***General***

*The Company*

Prior to the completion of the RTO, the Company was a CPC with its principal business being to identify and evaluate opportunities for the acquisition of an interest in assets or businesses, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or business in order to complete a qualifying transaction. The RTO was the Company's qualifying transaction. Upon completion of the RTO, the Company's focus has shifted to outdoor hemp cultivation and industrial hemp biomass production for the Canadian market. Gaia Bio, a wholly-owned subsidiary of the Company, is the operational branch of the Company and references to "the Company" in this Narrative Description of the Business of the Company may include references to Gaia Bio.

The Company's business model leverages contract farming to utilize existing farmland and skilled farmers to cultivate industrial hemp, thereby minimizing the Company's capital expenditures on acquiring farmland and equipment. Industrial hemp cultivation to provides two revenue streams for the Company: (1) hemp that can be further processed for CBD extracts and concentrates; and (2) hemp biomass used for industrial applications.

The Company purchased the Lamont Property in August 2019 in order to facilitate the renewal process for the Company's hemp cultivation license. The Lamont Property was the property that Health Canada approved for the Company's hemp cultivation license and is still the main licensed property that Gaia holds today. In the 2019 growing season, the Company demonstrated that its proprietary growing methods and technology used by its contract farmers generated high-quality hemp that satisfied the regulations under the IHR and has led to sales contracts with hemp milling companies and licensed hemp processors. The Company's industrial hemp license expires on March 1, 2021, and the Company is required to renew the license every three years.

***Business Objectives***

The Company's principal business is the cultivation and sale of outdoor hemp using contract farming. The Company also expects to acquire three pre-license retail stores in the near future pursuant to the Blackhawk Agreement. Once acquired, the Company expects to complete the license application for the Nelson Store and submit two applications to the LCRB and corresponding municipalities for the Powell River Stores.

In the following 12 months, the Company expects to pursue the following business objectives:

(a) operate retail cannabis stores in British Columbia;

(b) sell hemp fibre to fibre producers and other hemp purchasers and milled hemp powder to licensed extraction companies;

(c) cultivate hemp with high CBD content using contract farming;

(d) evaluate strategic business transactions in the Canadian cannabis and hemp space; and

(e) increase awareness of the Company.

The above objectives may change at any time depending on market conditions. There is no certainty that any objectives in respect of potential transactions or actions will be completed on the terms anticipated or at all. See Section 17 – *Risk Factors*.

***Milestones***

To accomplish the foregoing business objectives related to the operation of retail cannabis stores in British Columbia and the production and sale of hemp, the Company will target the following milestones:

| Milestones | Target Date | Estimated Cost ($) |
|---|---|---|
| **Retail Stores** | | |
| Complete the acquisition of three pre-license retail stores pursuant to the Blackhawk Agreement | April 2020 | 1,520,000(1) |
| Open the retail cannabis store in Nelson | Q2 2020 | 278,580(2) |
| Obtain licenses for two retail stores in Powell River, British Columbia | Q4 2020(3) | 41,000(3) |
| **Hemp Operations** | | |
| Mill hemp biomass into two products: (i) hemp fibre, and (ii) milled hemp powder suitable for CBD extractions | Ongoing | nil(4) |
| Sell milled hemp to fibre producers, licensed processors of cannabis and other hemp purchasers | Ongoing | nil(5) |
| Build brand awareness as a supplier of hemp | Ongoing | 51,000 |
| Plant 2020 hemp crop | Spring 2020 | 305,000 |
| Harvest 2020 hemp crop | Fall 2020 | 100,000 |
| **Financing** | | |
| Implement an investor relations program, either by engaging an external investor relations firm or establishing an internal investor relations team | Q2 2020 | 100,000 |

**Notes:**

(1) The aggregate purchase price of $1,500,000 will be satisfied through the issuance of 30,000,000 Company Shares at a deemed price per share of $0.05. The professional fees for the completion of the acquisition of 120 and Patriot are estimated at $20,000.

(2) Buildout of the Nelson Store is largely complete and most of these costs relate to the operational expenses over the next 12 months.

(3) Target date depends on review times of governmental authorities and is approximate.

(4) The Company has entered into an agreement with Enagon for the milling of the Company's hemp harvests into fibre (stalks and branches) and milled hemp powder (flowers and leaves). The Company has no up-front costs for these services and will instead pay Enagon 30% of the revenue received from the sale of the milled hemp.

(5) The Company has entered into an agreement with CannGroup to sell 15,000 kilograms of milled hemp produced from hemp supplied by the Company for $110 per kilogram. The Company is continuing to source additional purchasers of its milled hemp.

The above milestones may change at any time depending on market conditions and are subject to various risks. There is no certainty that potential milestones will be completed on the terms anticipated or at all. See Section 17 – *Risk Factors*.

***Total Funds Available***

As at March 31, 2020, the Company had a working capital surplus of $4,178,721 and total available funds of $1,690,514 to achieve its objectives and milestones set out above. The working capital surplus includes inventory valued at fair market value less costs to sell. The Company will use its available funds to further its stated business objectives, and the following table sets out how the Company expects to use its total available funds for the next 12 months:

| Use of Available Funds | Amount ($) |
|---|---|
| Licensing of Retail Stores | 127,000 |
| Staff and Inventory of Nelson Stores | 120,580 |
| Payment to Farmers for 2020 Harvest | 100,000 |
| Land Preparation for 2020 Crop | 30,000 |
| Purchase of Seeds for 2020 Crop | 100,000 |
| Crop Insurance for 2020 | 75,000 |
| Third-Party Harvesting Crew for 2020 Crop | 100,000 |
| Anticipated Investor Relations Fees | 100,000 |
| General and Administrative Expenses(1) | 408,000 |
| Unallocated Working Capital to Fund Ongoing Operations | 529,934 |
| **Total** | **1,690,514** |

**Note:**

(1) Estimated operating expenses for the next 12 months:

| Operating Expenses | Budget ($) |
|---|---|
| Leases for Nelson Store and Powell River Stores | 72,000 |
| Legal, administrative, regulatory and accounting work | 36,000 |
| Office, salary, travel expenses and other | 300,000 |
| **Total:** | **408,000** |

Based on current projections, the Company's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 12 months. Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons and/or as a result of one or more of the proposed acquisitions closing on amended terms or not at all, a reallocation of funds may be necessary. For these reasons, management of the Company considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. The Company continues to monitor and adapt to changing market conditions including but not limited to the ongoing impact of the COVID-19 pandemic. See "Risk Factors – *Impact of the COVID-19 Pandemic.* Further, the above uses of available funds should be considered estimates. See *Cautionary Statements* at the beginning of this Listing Statement.

The Company, in order to achieve its stated business objectives, may require additional capital which may come from a combination of potential cash flow, equity financing and/or debt financing. There is no assurance that additional capital will be available to the Company to complete its stated business objectives or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of the Company's business plans. See Section 17 – *Risk Factors*.

### *Principal Products or Services*

The Company's current principal products and services are hemp biomass composed of hemp fibre and hemp flower. Hemp is a variety of *Cannabis Sativa L.* and is of the same plant species as marijuana. However, hemp is genetically different and distinguished by its use and chemical makeup. Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials and personal care industries. Historically, industrial hemp cultivation offered a revenue stream through the sale of hemp biomass with various industrial applications. Growth in the demand for hemp is currently being driven by recent regulatory changes in Canada and the United States, which have allowed the extraction of cannabinoids from hemp flower. The Company expects that the hemp flower component of the its hemp biomass will drive the majority of the Company's consolidated revenue over the next 12 months. See Section 4.1 – *Narrative Description of the Business – Business Objectives and Milestones.*

***Distribution and Principal Markets***

The principal markets of the Company are the Canadian cannabinoid market and the Canadian hemp fibre market. The Company hires subcontractors to farm and harvest hemp crops and, with respect to the hemp flower, engages licensed producers to process the hemp flower and markets the resulting products to other licensed producers. With respect to the hemp fibre, the Company arranges for its processing and sale to various purchasers.

***Revenue for Principal Products***

The Company is currently in the process of selling its first harvest of 4,200 bales of hemp tips and 500 bales of fiber stalks.

***Stage of Development***

The Company does not have any products that are not fully developed.

***Method of Production***

The Company's business model leverages contract farming to utilize existing farmland and skilled farmers to cultivate industrial hemp, thereby minimizing the Company's capital expenditures on acquiring farmland and equipment. Industrial hemp cultivation is expected to provide two revenue streams for the Company, by selling hemp that can be further processed for extracts and concentrates and biomass used for industrial applications.

***Leases***

The Company does not currently have any material leases or mortgages. The Company's business model leverages contract farming to utilize existing farmland and skilled farmers to cultivate industrial hemp under the Cannabis Act and the IHR, thereby minimizing the Company's capital expenditures on acquiring farmland and equipment.

***Specialized Skills and Knowledge***

Skills and knowledge in the areas of industrial hemp production, start-ups and corporate finance are currently key to the Company. The Company has retained qualified employees and consultants, including advisory board members, to conduct business equal to, or exceeding, industry standards.

***Raw Materials***

In 2019, the Company purchased hemp seeds from supplier at approximately $2.35 per pound, with a seeding rate of approximately 30 pounds per acre. Fertilizer and land preparation cost the Company approximately $53 per acre in 2019. Swathing the hemp fields cost the Company $18 per acre and baling cost the Company $14 per bale.

***Intangible Properties***

The Company currently holds a license from Health Canada for the cultivation of industrial hemp for the following forms: grain, flowers, leaves, branches and plant. Under its hemp license, the Company is permitted to sell the flowering heads, leaves and branches of industrial hemp to holders of a cannabis license under Cannabis Act. The license expires on March 1, 2021 and does not permit the Company to process hemp flower into cannabis extracts.

***Business Cycle and Seasonality***

The Company's business is not cyclical; however, as industrial hemp is an agricultural commodity, the Company is exposed to associated risks, such as weather and climate conditions and the cultivation of hemp is seasonal.

***Economic Dependence and Changes to Contracts***

Over the next 12 months, the Company does not foresee any renegotiation or termination of its contracts.

***Environmental Protection Requirements***

The Company does not expect there to be any financial or operational effects of environmental protection requirements on its capital expenditures, earnings and competitive position.

***Employees***

At the date of this Listing Statement, the Company no employees and three consultants.

***Foreign Operations***

The Company currently does not have any foreign operations, but may expand its operations to foreign jurisdictions in the future.

***Contracts***

The Company does not expect that any aspect of its business is reasonably expected to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts.

***Competitive Conditions***

The industrial hemp industry in Canada is an emerging industry with high levels of competition. Industrial hemp industry participants provide different products and/or services within the value chain and the industry includes vertically-integrated companies. The major steps in the value chain include: seed production, hemp production, hemp cultivation, biomass production including flower and stalk separation, biomass-to-extract intermediate production (milling), distillate production and consumer products. The final step of the value chain would include an entire range of extract products that are sold to end-consumers and business-to-business.

Vertically integrated competitors within the landscape include:

- Aurora Cannabis Inc. (including Hempco);
- Canopy Growth Corporation;
- Aphria Inc.;
- Emerald Health Therapeutics Inc.;
- HEXO Corp.; and
- Cannara Biotech Inc.

Certain industry participants compete by creating raw hemp, including certain participants in the existing industrial hemp agricultural industry that can now commercialize the flower component of the plant. The quality of the hemp produced is the primary factor in price for these participants.

Biomass hemp producers within the landscape include:

- Cannara Biotech Inc.;
- EastWest Bioscience Inc.;
- RISE Life Science Corp.;
- Naturally Splendid Enterprises Ltd.; and
- 48North Cannabis Corp.

Industry participants may combine the hemp cultivation and production steps, processing the flower and selling biomass or basic first-press concentrate to further upgraders.

Health Canada has created a different licensing process for those producers that want to upgrade beyond growing biomass. This status entitles a company to extract CBD and create distillate as well as the entire range of post-distillate products currently approved by Health Canada (currently limited to various forms of CBD oil, tinctures, gel caps and sprays).

The companies with licensed producer status processing industrial hemp into concentrates and further distillates products include:

- Valens GroWorks Corporation;
- Tilray, Inc.;
- Aurora Cannabis Inc./Hempco;
- Canopy Growth Corporation;
- OrganiGram Holdings Inc.;
- The Green Organic Dutchman Holdings Ltd.;
- HollyWeed North Cannabis Inc.;
- BlissCo Cannabis Corp.;
- Beleave Inc.;
- Delta 9 Cannabis Inc.;
- Emblem Corp.; and
- Sundial Growers Inc.

The Company's current business plan is as a "biomass hemp producer" with the ability to upgrade hemp biomass into milled hemp fibre and milled hemp flower via the Milling Agreement. The Company expects to sell its milled biomass to fibre producers and Licensed Producers. As such, the Company competes directly with non-integrated agricultural operators that combine hemp cultivation and certain limited processing capabilities. The competitive advantage compared to these competitors is the quality of the seed genetics, the focus on modernized agricultural processes of cultivation and flower and stalk separation and milling.

The competitive landscape for biomass producers contains two principal forms of competition. The first is, like any agricultural product, supply sources. Should industrial hemp prove to be a crop far superior to the returns available to other crops, additional producers will enter the market. The second form of new competition for biomass producers is increased integration with processors. This would reduce the market of potential offtake partners which, with stable supply, would decrease prices.

The competitive landscape for retail cannabis stores in British Columbia consists of legal retail cannabis stores, medical dispensaries, compassion clubs, illegal dispensaries, the existing illegal black-market and legal home cultivation of up to three cannabis plants. There is potential that the Company will face intense competition from new or existing retail cannabis stores and companies, some of which will have longer operating histories and greater financial resources. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

***Lending and Investment Polices and Restrictions***

The Company does not have any formal policies with respect to lending, nor is it in the business of lending funds. However, from time to time, the Company may advance funds under various lending structures as determined by the Board.

***Bankruptcy and Similar Proceedings***

There are no bankruptcies, receivership or similar proceedings against the Company, and there has not been any voluntary bankruptcy, receivership or similar proceedings by the Company since incorporation.

***Restructuring Transactions***

Except for the RTO, the Company has not been party to any material restructuring transaction in the past three years, and there are currently no material restructuring transactions planned for the Company for the current financial year.

***Social and Environmental Policies***

Given the current stage of development of the Company, it does not have any social or environmental policies in place.

### 4.2 Asset-backed Securities

The Company does not have any asset-backed securities outstanding.

### 4.3 Companies with Mineral Projects

The Company does not have any mineral projects.

### 4.4 Companies with Oil and Gas Operations

The Company does not have any oil and gas operations.

## 5. Selected Consolidated Financial Information

### 5.1 Selected Financial Information

The following table provides a brief summary of the financial operations of the Company for the fiscal years ended January 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019. For more detailed information, refer to the financial statements of the Company for the nine-month interim period ended September 30, 2019 (unaudited), and fiscal years ended January 31, 2019, 2018 and 2017 which are hereto appended as Appendix “A”.

| Description | January 31, 2017 ($) | January 31, 2018 ($) | January 31, 2019 ($) | September 30, 2019 |
|---|---|---|---|---|
| Total Revenues | nil | nil | nil | nil |

| Description | January 31, 2017 ($) | January 31, 2018 ($) | January 31, 2019 ($) | September 30, 2019 |
|---|---|---|---|---|
| Net and Comprehensive Income (Loss) | | | | |
| *Total* | (34,247) | (118,732) | (113,818) | (3,327,219) |
| *Per Share* | (0.01) | (0.02) | (0.01) | (0.05) |
| Income from Continuing Operations | | | | |
| *Total* | nil | nil | nil | nil |
| *Per Share* | nil | nil | nil | nil |
| Total Assets | 157,201 | 637,357 | 984,599 | 4,252,596 |
| Total Long-Term Liabilities | nil | nil | nil | nil |
| Cash Dividends | nil | nil | nil | nil |

## 5.2 Summary of Quarterly Results

### *Quarterly Results of the Company*

The table below sets out the revenue, income (loss) and income (loss) of the Company for the past eight most recently completed quarters prior to the RTO.

| Quarter Ended | Revenue ($) | Income (Loss) ($) | Income (Loss) per Share ($) |
|---|---|---|---|
| June 30, 2019 | nil | (461,294) | (0.00) |
| April 30, 2019 | nil | (48,282) | (0.00) |
| January 31, 2019 | nil | (32,203) | (0.00) |
| October 31, 2018 | nil | (19,112) | (0.00) |
| July 31, 2018 | nil | (20,561) | (0.00) |
| April 30, 2018 | nil | (83,064) | (0.01) |
| January 31, 2018 | nil | (84,364) | (0.01) |
| October 31, 2017 | nil | (20,447) | (0.00) |

On July 23, 2019 the Company completed the RTO. The table below sets out the revenue, income (loss) and income (loss) of the Company for the past six most recently completed quarters as set out in the Company’s September 30, 2019 MD&A. Because Gaia was incorporated on June 22, 2018, there are no quarters prior to June 30, 2018.

| Quarter Ended | Revenue ($) | Income (Loss) ($) | Income (Loss) per Share ($) |
|---|---|---|---|
| September 30, 2019 | nil | (3,327,219) | (0.05) |
| June 30, 2019 | nil | (456,824) | (0.00) |

| Quarter Ended | Revenue ($) | Income (Loss) ($) | Income (Loss) per Share ($) |
|---|---|---|---|
| March 31, 2019 | nil | (4,470) | (0.00) |
| December 31, 2018 | nil | (220) | (0.00) |
| September 30, 2018 | nil | (nil) | (0.00) |
| June 30, 2018 | nil | (nil) | (0.00) |

***The Company***

The Company did not pay dividends during the interim six-month period ended September 30, 2019 or any of the three previously completed financial years. The Company intends to retain any earnings to finance growth and expand its operations and does not anticipate paying any dividends on the Company Shares in the foreseeable future.

### 5.3 Foreign GAAP

This section is not applicable to the Company.

## 6. Management's Discussion and Analysis

***The Company***

The Company's MD&A for the period ended September 30, 2019 and 2018 and the fiscal year ended January 31, 2019 are attached as Schedule "B" hereto.

### 6.12 Proposed Transactions

On February 27, 2020, the Company and Blackhawk entered into the Blackhawk Agreement for the purchase of three pre-license retail cannabis stores in British Columbia. The Blackhawk Agreement sets out the terms by which the Company will acquire all of the issued and outstanding share capital of 120 and Patriot from Blackhawk. 120 holds a property lease and an application for a retail cannabis store located at 306B Victoria Street in Nelson, British Columbia, which currently has an Approval in Principle (AIP) issued by the LCRB to operate a cannabis retail store. Patriot holds two leases, one located at Unit No. 3, 4296 Joyce Avenue and one located at 6239 Walnut Street in Powell River, British Columbia, which both have applications in process to operate licensed cannabis dispensaries at the premises. The aggregate purchase price for Patriot and 120 is $1,500,000, which will be satisfied through the issuance of 30,000,000 Company Shares at a deemed price per share of $0.05. Blackhawk does not currently hold any securities of Gaia. Upon the issuance of the 30,000,000 Company Shares, Blackhawk will hold a total of 30,000,000 Company Shares representing approximately 12.9% of the issued and outstanding Company Shares and will become a new insider of Gaia. The closing of the acquisition of 120 and Patriot were subject to the successful listing of the Company on the CSE, and are expected to close shortly. A copy of the Blackhawk Agreement is available under the Company's SEDAR profile at www.sedar.com. See Section 3.1 – *General Development of the Business – Three-year history of the Company* for more information.

## 7. Market for Securities

Upon Exchange approval, the Company Shares will be listed and posted for trading on the Exchange under the symbol "GAIA". In connection with the listing of the Company's Shares on the Exchange, the Company will delist from the TSX-V.

## 8. Consolidated Capitalization

On November 19, 2018, the Company announced that it would complete a forward share split on the basis of one additional Company Share for every one Company Share then outstanding, resulting in 28,800,012 Company Shares outstanding. The Company Shares began trading on the TSX-V on a post-split basis effective at the open of markets on December 7, 2018. On January 18, 2019, the Company completed at forward share split on the basis of 117.647 Company Shares for every one Company Share then outstanding.

The following table sets forth the consolidated capitalization of the Company as at the date of this Listing Statement:

| Designation of Security | Amount Authorized | Amount Outstanding |
|---|---|---|
| Common Shares | Unlimited | 202,501,981 |
| Options | 10% of Common Shares | 3,850,000 |
| Warrants | N/A | Nil |

## 9. Options to Purchase Securities

As of the date of this Listing Statement, the Company has 3,850,000 stock options outstanding under its Option Plan. Pursuant to the Option Plan, stock options may be granted to officers, directors, employees and consultants (the "**Participants**") of the Company or its Affiliates, subject to the rules and regulations of applicable regulatory authorities and the CSE. The purpose of the Option Plan is to advance the interests of the Company, through the grant of options, by: (a) providing an incentive mechanism to foster the interests of the Participants in the success of the Company; (b) encouraging Participants to remain with the Company; and (c) attracting new directors, officers, employees and consultants.

| Category | Number of Options | Exercise Price per Share ($) | Expiry Date |
|---|---|---|---|
| All executive officers and directors of the Company | 3,850,000 | 0.10 | August 28, 2024 |
| All other employees of the Company | nil | N/A | N/A |
| All consultants of the Company | nil | N/A | N/A |

The Company has adopted the Option Plan, which allows for the reservation of a maximum of 10% of the issued and outstanding Company Shares at the time of the stock option grant.

The Option Plan established by the directors of the Company on March 29, 2012 and subsequently approved by the shareholders of the Company, provide that the Board may from time to time grant to directors, officers and employees of the Company and consultants, non-transferable options to purchase Company Shares, provided that the number of Company Shares reserved for issuance will not exceed 10% of the total issued and outstanding Company Shares, exercisable for a period of up to ten (10) years from the date of the grant. The number of Company Shares reserved for issuance to any individual director or officer of the Company will not exceed 5% of the issued and outstanding Company Shares (2% in the case of all optionees providing investor relations services to the Company and 2% in the case of all technical consultants of the Company) in any 12-month period. The exercise price of any option granted pursuant to the Option Plan shall be determined by the Board when granted, but shall not be less than the discounted market price. The options granted pursuant to the Option Plan are non-transferable, except by means of a will or pursuant to the laws of descent and distribution.

## 10. Description of Securities

### 10.1 Description of the Company's Securities

The authorized capital of the Company consists of an unlimited number of Company Shares without par value. As at the date of this Listing Statement, there are 202,501,981 Company Shares outstanding. The holders of the Company Shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The Company Shares carry no pre-emptive rights, conversion or rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of Company Shares to contribute additional capital and no restrictions on the issuance of additional securities by the Company.

The Company has not declared or paid any dividends on the Company Shares since its incorporation.

### 10.2 – 10.6 Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of the Company.

### 10.7 Prior Sales of Shares

***The Company***

The prior sales of securities of the Company for the past 12 months are listed in the following table:

| Date Issued | Number and Type | Issue or Exercise Price Per Share(1) ($) | Aggregate Issue ($) | Nature of Consideration |
|---|---|---|---|---|
| September 12, 2019 | 500,000 Company Shares | 0.10 | 50,000 | Option Exercise |
| September 6, 2019 | 500,000 Company Shares | 0.10 | 50,000 | Option Exercise |
| September 5, 2019 | 300,000 Company Shares | 0.10 | 30,000 | Option Exercise |
| September 10, 2019 | 500,000 Options | 0.10 | 50,000 | Consulting Fee |
| August 30, 2019 | 500,000 Options | 0.10 | 50,000 | Consulting Fee |
| August 29, 2019 | 300,000 Options | 0.10 | 30,000 | Consulting Fee |
| August 28, 2019 | 3,850,000 Options | 0.10 | 385,000 | Consulting Fee |
| August 27, 2019 | 1,000,000 Company Shares | 0.10 | 100,000 | Option Exercise |
| August 23, 2019 | 1,000,000 Options | 0.10 | 100,000 | Consulting Fee |
| July 23, 2019 | 45,076,969 Company Shares | 0.10 | 4,507,697 | Cash |
| July 23, 2019 | 120,000,000 Company Shares | 0.10 | 12,000,000 | RTO |
| July 23, 2019 | 6,325,000 Company Shares | 0.10 | 632,500 | RTO Finder's Fee |

### 10.8 Stock Exchange Price

The Company's Shares currently trade on the Exchange under the trading symbol "GAIA". In connection with the listing of the Company's Shares on the Exchange, the Company delisted from the TSX-V.

The following table sets out trading information for the Company Shares on a monthly basis for each month of the current quarter and the immediately preceding quarter, as well as on a quarterly basis for the next preceding seven quarters prior to the date of this Listing Statement. All prices and volume are adjusted to give effect to the forward share split completed by the Company on December 6, 2018.

| **Month Ended** | **High ($)** | **Low ($)** | **Trading Volume** |
|---|---|---|---|
| April 13, 2020 | 0.03 | 0.025 | 1,061,500 |
| March 31, 2020 | 0.0600 | 0.025 | 4,230,470 |
| February 29, 2020 | 0.0700 | 0.0400 | 5,674,779 |
| January 31, 2020 | 0.0700 | 0.0350 | 1,109,000 |
| December 31, 2019 | 0.0450 | 0.0300 | 1,874,594 |
| November 30, 2019 | 0.0450 | 0.0250 | 7,855,000 |
| **Quarter Ended** | **High ($)** | **Low ($)** | **Trading Volume** |
| October 31, 2019 | 0.1400 | 0.03000 | 29,540,271 |
| July 31, 2019 | N/A(1) | N/A(1) | N/A(1) |
| April 30, 2019 | N/A(1) | N/A(1) | N/A(1) |
| January 31, 2019 | 0.1200 | 0.0400 | 31,000(1) |
| October 31, 2018 | 0.0700 | 0.0100 | 4,095 |
| July 31, 2018 | 0.0700 | 0.0200 | N/A(2) |
| April 30, 2018 | 0.0700 | 0.0200 | N/A(2) |

**Notes:**

(1) The Company Shares were halted at the request of the Company effective December 18, 2018. The Company Shares resumed trading under the symbol "GAIA" effective August 1, 2019

(2) Trading in the Company Shares was halted, at the request of the Company, on December 18, 2017, following an amendment to a letter of intent entered into with FinX Solutions Inc.. Trading in the Company Shares resumed on August 22, 2018, following termination of the proposed transaction with FinX Solutions Inc.

## 11. Escrowed Securities

The following table lists, to the knowledge of the Company as of the date of this Listing Statement, the number of securities of each class of securities of the Company held in escrow, and the percentage that number represents of the outstanding securities of that class. The notes to the table disclose the name of the depository and the date of and conditions governing the release of the securities from escrow.

| **Designation of Class Held in Escrow(1)** | **Number of Securities to be held in Escrow(2)** | **% of Class (non-diluted)(3)** |
|---|---|---|
| **Common Shares** | 108,780,540 | 53.72% |

**Notes:**

(1) The Escrow Agent is the depositary for these securities.
(2) Effective July 23, 2019, a total of 124,730,012 Company Shares became subject to escrow. 101,553,529 Company Shares became subject to a Surplus Security Escrow Agreement, 21,176,471 Company Shares became subject to a Value Security Escrow Agreement and 2,000,012 Company Shares became subject to a CPC Escrow Agreement. Pursuant to the Surplus Security Escrow Agreement, 10% of the escrowed Company Shares were released on July 23, 2019, 15% were released on January 23, 2020 and 15% will be released every 6 months thereafter. There are currently 91,398,177 Company Shares subject to the Surplus Security Escrow Agreement. Pursuant to the Value Security Escrow Agreement, 5% of the escrowed Company Shares were released on July 23, 2019, 5% were released on January 23, 2020 and the remaining escrowed securities will be released in four tranches, with 10% released twelve and eighteen months after July 23, 2019, 15% released twenty-four and thirty months after such date and 40% released thirty-six months after such date. There are currently 15,882,354 Company Shares subject to the Value Security Escrow Agreement. Pursuant to the CPC Escrow Agreement, 10% of the escrowed Company Shares were released on July 23, 2019, 15% were released on January 23, 2020 and 15% will be released every 6 months thereafter. There are currently 1,500,009 Company Shares subject to the CPC Escrow Agreement.
(3) Based on 202,501,981 Company Shares issued and outstanding.

## 12. Principal Shareholders

### 12.1- 12.2, 12.4 - Principal Shareholders

To the knowledge of the directors and senior officers of the Company the following Persons beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting securities (being Company Shares) of the Company.

| Name and Municipality of Residence | Number of Company Shares | Percentage of Company Shares(3) |
|---|---|---|
| **Pelsco Holdings Corp.**(1) Calgary, Alberta | 39,523,529 | 19.52% |
| **Transcend Capital Inc.**(2) Vancouver, British Columbia | 59,593,500 | 29.43% |

**Notes:**
(1) Frederick Pels owns 100% of the voting securities of Pelsco Holdings Corp.
(2) Etienne Moshevich owns 100% of the voting securities of Transcend Capital Inc.
(3) Based on 202,501,981 Company Shares issued and outstanding.

### 12.3 Voting Trusts

To the knowledge of the Company, no voting trust exists within the Company such that more than 10% of any class of voting securities of the Company are held, or are to be held, subject to any voting trust or similar agreement.

## 13. Directors and Officers

### 13.1 , 13.3, 13.5, 13.11 Directors and Officers

The Company's current directors are Frederick Pels, James Tworek, John LaGourgue and Marc Lowenstein. Frederick Pels is also the CEO, James Tworek is the President, Zula Kropivnitski is CFO and Cassandra Gee is Corporate Secretary of the Company.

The term of office of each of the present directors expires at the Company's next annual general meeting. Each director elected or appointed will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the BCBCA.

The following table sets out the names of the directors and officers of the Company, the municipality in which each is ordinarily resident, all offices of the Company held by each of them, their principal occupations during the past five years and the number of Company Shares beneficially owned by each, directly or indirectly, or over which control or direction is exercised.

| Name, Municipality of Residence and Position Held | Principal Occupation During Last Five Years | Year First Elected or Appointed | Number of Shares Beneficially Owned or Controlled at the Date of the Listing Statement(1) | Percentage of Issued and Outstanding Shares(2) |
|---|---|---|---|---|
| **Frederick Pels** Calgary, Alberta, CEO and Director | CEO and Director of the Company; CEO of the Green Room since 2010 | January 18, 2019 | 39,523,529(3) | 19.52% |
| **James Tworek** Calgary, Alberta President and Director | Independent Corporate Finance Consultant; President of Candela Capital Inc. since 2015 | July 23, 2019 | nil | 0.00% |
| **John LaGourgue** Vancouver, British Columbia Director | VP Corporate Development and Director of Grande West Transportation Group Inc.; Director of Leis Industries Limited; Director of Parkit Enterprise Inc. from 2012 to 2014 | March 15, 2016 | 200,000(4) | 0.10% |
| **Marc Lowenstein** Calgary, Alberta Director | Lawyer at Fric, Lowenstein & Co. LLP since 2015 | July 23, 2019 | 170,000 | 0.08% |
| **Zula Kropivnitski** Vancouver, British Columbia CFO | CEO, CFO and Director of the Company; Controller of Preakness Management Ltd. since 2011 | Director of the Company since September, 2017 and served as CEO and CFO of the Company since November 2017. | 2,000,012 | 0.99% |
| **Cassandra Gee** Vancouver, British Columbia Corporate Secretary | Corporate Secretary of the Company since November 2017; Corporate Secretary of Abraplata Resource Corp. since April 2017; Accounting Manager of Preakness Management Ltd. since 2011 | Corporate Secretary of the Company since November 24, 2017 | nil | nil |
| **Total** | | | **41,893,541** | **20.69%** |

**Notes:**

(1) The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished by the directors and officers of the Company.
(2) Based on 202,501,981 Company Shares issued and outstanding.
(3) Shares held indirectly through Pelsco Holdings Corp.
(4) Shares held indirectly through Honu Resources Ltd.

All of the directors of the Company are appointed to hold office until the next annual general meeting of Shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated. The directors and officers of the Company beneficially own, directly or indirectly, as a group, 41,893,541 Company Shares representing approximately 20.69% of all outstanding voting securities of the Company and 20.30% of all outstanding voting securities of the Company on a fully diluted basis

***Principal Occupation or Employment During the Past Five Years of Directors and Officers***

Brief descriptions of the biographies for all of the officers and directors of the Company are set out below. Unless otherwise stated, each of the below-named directors and officers has held the principal occupation or employment indicated for the past five years.

***Frederick Pels****, age 37, Director and CEO*

Trilingual in English, Hebrew and Russian, Mr. Pels has honed his entrepreneurial skills, background in finance, contacts throughout the business community and experience within the industry since 2013. Prior to coordinating the seed investment in Gaia, Mr. Pels oversaw the establishment and expansion of the Green Room as a leader in medical cannabis supply, industry best practices and education about the hemp and cannabis industries. Leading by example, he plans to continue to prioritize public safety and work with all levels of government as they navigate how to regulate the cultivation and sale of hemp and cannabis.

Mr. Pels works full-time as an employee of the Company as the CEO and is also a director. Mr. Pels has not entered into a non-competition or non-disclosure agreement with the Company.

***James Tworek****, age 38, Director and President*

Fully bilingual in English and Spanish, Mr. Tworek has worked in banking and finance for the past twenty years. His experience in raising capital on a global basis has brought him success in structured finance and working with family offices, private equity and venture capital firms alike. In recent years, he has acted as an independent corporate finance consultant, assisting micro-cap public and private companies with raising capital through equity and debt financing, sourcing and joint ventures. He was given the opportunity in 2016 to work on corporate finance contracts in the Canadian Medical Cannabis sector and it has given him the experience to take on the early-stage development financing and capital raising for clients in every aspect of business. Mr. Tworek holds a Bachelor of Arts degree from the University of Calgary.

Mr. Tworek works full-time as an employee of the Company as the President and is also a director. Mr. Tworek has not entered into a non-competition or non-disclosure agreement with the Company.

***Zula Kropivnitski****, age 57, CFO*

Ms. Kropivnitski has been a director of the Company since September 2017 and has served as CEO and CFO of the Company since November 2017. Ms. Kropivnitski has served as the CFO and director for various public companies and has been instrumental in their growth. Ms. Kropivnitski also serves as a Controller of Preakness Management Ltd., a private company. As CFO, Ms. Kropivnitski has been responsible for all areas of financial reporting, corporate finance and regulatory compliance. Ms. Kropivnitski received her Certified General Accountant professional accounting designation from the Certified General Accountants Association of British Columbia, Canada and later obtained her ACCA designation from the Association of Chartered Certified Accountants. She also holds a Master of Mathematics and Master of Economics from Moscow Engineering Physics Institute (now called the National Research Nuclear University MEPhI), one of the most recognized technical universities in Russia.

Ms. Kropivnitski is the CFO of the Company and devotes approximately 85% of her working time to the affairs of the Company as an employee. Ms. Kropivnitski has not entered into a non-competition or non-disclosure agreement with the Company.

***John LaGourgue****, age 50, Independent Director*

John LaGourgue joined Grande West Transportation Group Inc. in June, 2016 and brings with him over 20 years of management, sales, financial and investment experience in public and private companies. John has served in senior management and directors' roles for public companies since 2009. Mr. LaGourgue manages the Company's capital markets strategies and will advise the CEO of potential acquisition opportunities.

Mr. LaGourgue acts as a director of the Company. Mr. LaGourgue devotes approximately 10% of his working time to the affairs of the Company. Mr. LaGourgue is not an employee of the Company and has not entered into any non-competition or non-disclosure agreements with the Company.

***Marc Lowenstein****, age 36, Independent Director*

Mr. Lowenstein joined Fric Lowenstein & Co., LLP as a lawyer in 2015 after earning his law degree from Bond University in Australia. Before law school, Marc spent more than 10 years in the construction industry in various positions ranging from a labourer, foreman, superintendent up to a project engineer for a large heavy civil construction company. Mr. Lowenstein has also worked as a National Construction Safety Officer and consultant where he built, implemented and supervised health and safety programs for companies in the construction industry. Mr. Lowenstein is focusing his practice on real estate and matters relating to construction including contracts, litigation and dispute resolution. Marc also recently joined the ADR Institute of Alberta and is working towards becoming a Qualified Arbitrator (Q. Arb.).

Mr. Lowenstein acts as a director of the Company and devotes approximately 15% of his working time to the affairs of the Company. Mr. Lowenstein is not an employee of the Company and has not entered into any non-competition or non-disclosure agreements with the Company.

***Cassandra Gee****, age 50, Corporate Secretary*

Cassandra Gee has been involved with public companies for over 10 years in administration, international finance and accounting. Ms. Gee is experienced in securities law and compliance with regulatory requirements for public companies.

Ms. Gee is the Corporate Secretary of the Company and devotes approximately 50% of her working time to the affairs of the Company as an employee. See section "*Section 15.1 – Executive Compensation*". Ms. Gee has not entered into a non-competition or non-disclosure agreement with the Company.

**13.4 – Board Committees of the Company**

***Audit Committee***

The overall purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to: (a) the financial reporting process and the quality, transparency and integrity of the financial statements and other related public disclosures; (b) internal controls over financial reporting; (c) compliance with legal and regulatory requirements relevant to the financial statements and financial reporting; (d) ensuring that there is an appropriate standard of corporate conduct for senior financial personnel and employees including, if necessary, adopting a corporate code of ethics; the external auditors' qualifications and independence; and (e) the performance of the internal audit function and the external auditor. The Company has adopted a Charter of the Audit Committee.

The Company's audit committee is made up of Frederick Pels, John LaGourgue and Marc Lowenstein, two of whom are considered independent in accordance with NI 52-110. All members are "financially literate" within the meaning of Section 1.6 of NI 52-110 as a result of their prior financial experience in a management capacity, as directors, or as members of audit committees of public companies. Mr. Pels, as CEO of the Company, will not be independent. Marc Lowenstein will act as Chairman of the audit committee. There will be no other committees of the Board at this time. All members are "financially literate" within the meaning of Section 1.6 of NI 52-110 as a result of their prior financial experience in a management capacity, as directors, or as members of audit committees of public companies.

**13.6 , 13.7 and 13.9 – Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Excepts as set out below, no director, officer, or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (including any personal holding company thereof):

1. is, as at the date of this Listing Statement, or has been, within ten years before the date of this Listing Statement, a director or officer of any company that:

   (a) when that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days,

   (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

   (c) when that person was acting in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

   (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

2. has been subject to:

   (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority since December 31, 2000 (or before December 31, 2000 if the disclosure would likely be important to a reasonable investor in making an investment decision), or

   (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or

3. has, within ten years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Mr. James Tworek is a current board member of Robix Environmental Technologies Inc., which has been the subject of a cease trade order imposed by the Alberta Securities Commission and the Ontario Securities Commission since May 4, 2018 for failure to file financial statements. Ms. Zula Kropivnitiski was a board member of Avricore Health Inc. until May 2019. On May 2, 2019 Avricore Health Inc. was issued a management cease trade order by the British Columbia Securities Commission for failure to file financial statements, which was subsequently lifted on June 3, 2019 following the filing of the company’s financial statements and accompanying management's discussion and analysis for the fiscal year ended December 31, 2018.

### 13.10 Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Directors of the Company will be bound by the provisions of the BCBCA to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity the Company may have. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the knowledge of the Company, and other than disclosed herein, there are no known existing or potential conflicts of interest among the promoters, directors and officers of the Company or other members of management or of any proposed promoter, director, officer or other member of management of the Company as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

For information concerning the director and officer positions held by directors of the Company, please see Section 13.10 – *Other Reporting Issuer Experience* directly below.

***Other Reporting Issuer Experience***

The following table sets out the directors, officers and promoters of the Company who are, or have been within the last five years, directors, officers or promoters of other reporting issuers, other than the Company:

| Name of Director, Officer or Promoter | Name and Jurisdiction of Reporting Issuer | Name of Trading Market | Position | Period |
|---|---|---|---|---|
| James Tworek<br>President and Director | Robix Environmental Technologies Inc. | CSE | Director | November, 2018 to Present |
| Zula Kropivnitski<br>CFO | Planet Mining Exploration Inc. | TSX-V | CFO, Corporate Secretary and Director | November, 2012 to Present |
| | Shelby Ventures Inc | TSX-V | CFO | May, 2012 to June 2018 |
| | Abraplata Resource Corp. | TSX-V | CFO | April, 2017 to December 2019 |
| | Healthspace Data Systems Ltd. | CSE | CFO | November, 2016 to Present |
| | Rockshield Capital Corp. | CSE | Director | November, 2016 to November, 2017 |
| | LexaGene Holdings Inc. | TSX-V | CFO and Corporate Secretary | October, 2016 to February, 2018 |
| | Meryllion Resource Corporation | CSE | CFO and Director | March, 2015 to August, 2017 |

| Name of Director, Officer or Promoter | Name and Jurisdiction of Reporting Issuer | Name of Trading Market | Position | Period |
|---|---|---|---|---|
| | Nexus Gold Corp. | TSX-V | CFO | June, 2018 to Present |
| | Manning Ventures Inc. | CSE | CFO and Director | October, 2019 to Present |
| | Leocor Ventures Inc. | CSE | CFO and Director | June, 2014 to Present |
| | Avricore Health Inc. | TSX-V | CFO | September, 2018 to May, 2019 |
| John LaGourgue Director | Leis Industries Limited | TSX-V (NEX) | Director | December, 2018 to Present |
| | Grande West Transportation Group Inc. | TSX-V | VP Corporate Development and Director | June, 2016 to Present |
| Cassandra Gee Corporate Secretary | Abraplata Resource Corp. | TSX-V | Corporate Secretary | April, 2017 to December 2019 |
| Frederick Pels | Blackhawk Growth Corp. | CSE | Director | October, 2019 to Present |
| Marc Lowenstein | Blackhawk Growth Corp. | CSE | Director | December 20, 2019 to Present |

## 14. Capitalization

### 14.1 Issued Capital

The share capital of the Company on a non-diluted and fully-diluted basis is as follows:

| Issued Capital | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % Issued (non-diluted) | % of Issued (fully-diluted) |
|---|---|---|---|---|
| Public Float | | | | |
| Total Outstanding (A) | 202,501,981 | 206,351,981 | 100% | 100% |
| Held by related persons or employees or related person or by persons or company who beneficially own, direct or indirectly, more than a 5% voting position in the issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the issuer upon exercise or conversion of other securities held (B)) | 101,487,041 | 105,337,041 | 50.11% | 51.05% |
| **Total Public Float (A-B)** | **101,014,940** | **101,014,940** | **49.89%** | **48.95%** |
| **Freely-Tradeable Float** | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by | 108,780,540 | 108,780,540 | 53.72% | 52.72% |

| Issued Capital | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % Issued (non-diluted) | % of Issued (fully-diluted) |
|---|---|---|---|---|
| pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | | | | |
| **Total Tradeable Float (A-C)** | **93,721,441** | **97,571,441** | **46.28%** | **47.28%** |

***Public Securityholders (Registered)***

| Common Shares Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | | |
| 100 – 499 securities | | |
| 500 – 999 securities | | |
| 1,000 – 1,999 securities | 1 | 1,000 |
| 2,000 – 2,999 securities | | |
| 3,000 – 3,999 securities | 2 | 6,000 |
| 4,000 – 4,999 securities | | |
| 5,000 or more securities | 51 | 29,269,640 |
| | **54** | **29,276,640** |

***Public Securityholders (Beneficial)***

| Common Shares Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | 1 | 35 |
| 100 – 499 securities | 2 | 844 |
| 500 – 999 securities | 5 | 2,550 |
| 1,000 – 1,999 securities | 4 | 5,000 |
| 2,000 – 2,999 securities | 26 | 53,702 |
| 3,000 – 3,999 securities | 12 | 39,255 |
| 4,000 – 4,999 securities | 5 | 20,000 |
| 5,000 or more securities | 239 | 71,796,914 |
| | **294** | **71,918,300** |

***Non-Public Securityholders (Registered)***

| Class of Security<br>Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | | |
| 100 – 499 securities | | |
| 500 – 999 securities | | |
| 1,000 – 1,999 securities | | |
| 2,000 – 2,999 securities | | |
| 3,000 – 3,999 securities | | |
| 4,000 – 4,999 securities | | |
| 5,000 or more securities | 5 | 101,487,041 |
| | **5** | **101,487,041** |

### 14.2 Convertible / Exchangeable Securities

| Description of Security | Number of Convertible / Exchangeable Securities Outstanding | Number of Listed Securities Issuable Upon Conversion / Exercise |
|---|---|---|
| Warrants | nil | nil |
| Options | 3,850,000 | 3,850,000 |

### 14.3 Other Listed Securities

There are no listed securities reserved for issuance that are not included in Section 14.2 above.

## 15. Executive Compensation

### 15.1 Compensation Discussion and Analysis

***Executive Compensation***

For the purposes of this section, Named Executive Officers ("**NEO**") are the CEO and CFO of the Company and the most highly compensated executive officer, whose total compensation, individually, is more than $150,000 in the last 12-month period. Based on the above criteria, the only NEOs for the Company are Frederick Pels and Zula Kropivnitski. There are no other NEOs of the Company other than the CEO and CFO, as no other executive officers will be paid compensation exceeding $150,000 in the last 12-month period.

***Compensation Discussion and Analysis***

The Board has developed the appropriate compensation policies for both the officers and the directors of the Company. To determine appropriate compensation levels, the Board has reviewed compensation paid for directors and officers of companies of similar size and stage of development in the hemp industry and determined an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company.

When determining compensation policies and individual compensation levels for the Company's executive officers a variety of factors were considered, including: the overall financial and operating performance of the Company, each executive officer's individual performance and contribution towards meeting corporate objectives, each executive officer's level of responsibility and length of service and industry comparables.

The Company's compensation philosophy for its executive officers follows three underlying principles: to provide compensation packages that encourage and motivate performance; to be competitive with other companies in the industry in which it operates, so as to attract and retain talented executives; and to align the interests of its executive officers with the long-term interests of the Company and its shareholders through stock related programs.

Although the Company does not currently intend to grant any stock options, stock option grants may be used in the future by the Company to align executive interests with those of shareholders and will be based on the executive's performance, level of responsibility, as well as the number and exercise price of options previously issued to the executive his overall aggregate total compensation package.

Initially, the Company will not pay any compensation to the NEOs.

*Director and NEO Compensation Excluding Compensation Securities*

In the next 12-month period, the Company anticipates compensating the NEOs and its other executive officers as follows:

| TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES | | | | | | |
|---|---|---|---|---|---|---|
| **Name and Position** | **Salary, Consulting Fee, Retainer or Commission** | **Bonus** | **Committee or Meeting Fees** | **Value of Perquisites** | **Value of all Other Compensation** | **Total Compensation** |
| Frederick Pels<br>CEO and Director | $120,000 | Nil | Nil | Nil | Nil | $120,000 |
| Zula Kropivnitski<br>CFO | $30,000 | Nil | Nil | Nil | Nil | $30,000 |
| James Tworek<br>President and Director | $60,000 | Nil | Nil | Nil | Nil | $60,000 |
| Cassandra Gee<br>Corporate Secretary | $30,000 | Nil | Nil | Nil | Nil | $30,000 |

*Stock Options and Other Compensation Securities*

The Company has a "rolling" stock option plan. Pursuant to the Option Plan, the Company may grant options up to a maximum of 10% of the Company's issued and outstanding share capital at the time of grant. For further information regarding the terms of the Option Plan, please refer to Section 9 – *Options to Purchase Securities*.

*Employment, Consulting and Management Agreements*

The Company expects to enter into employment agreements with its NEOs that are customary of issuers in a similar industry and a comparable size, including without limitation any terms providing for termination or change of control payments.

*Pension Plan Benefits*

The Company does not anticipate having a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

**Compensation of Directors**

The Company is not expected to pay compensation by way of an annual fee or any other cash payment to any of its directors for services as a director. Directors will be eligible to receive stock option grants under the Option Plan of the Company.

## 16. Indebtedness of Directors and Officers

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, a proposed nominee for election as a director of the Company, and each Associate of any such director, executive officer or proposed nominee: (a) is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries; or (b) has or has had indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

## 17. Risk Factors

### 17.1 Description of Risk Factors

The Company's securities should be considered highly speculative due to the nature of the Company's business. An investor should carefully consider the risk factors set out below. In addition, investors should carefully review and consider all other information contained in this Listing Statement (including all Schedules hereto) before making an investment decision. An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

***Impact of the COVID-19 Pandemic***

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide, including Canada and the United States, 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. Such events may result in a period of business disruption, and in reduced operations, any of which could have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. Governments and central banks have reacted to the COVID-19 pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. If the operation or development of one or more of the Company's hemp properties is suspended or scaled back, or if its supply chains are disrupted, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. To the extent that the Company's management or other personnel are unavailable to work due to the COVID-19 pandemic, whether due to illness, government action or otherwise, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse impact on the Company's profitability, results of operations, financial conditions and the trading price of the Company's securities.

***Market for Securities and Volatility of Share Price***

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, announcements of quarterly variations in operating results, revenues and costs, and sentiments toward stocks as well as overall market movements, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of a particular company.

***Limited Operating History***

The Company has not yet generated any revenue. The Company was incorporated in June 2018 so the Company has a limited operating history in its current market. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

***Speculative Nature of Investment Risk***

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

***Liquidity and Future Financing Risk***

The Company will likely operate at a loss until its business becomes established and it may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. Moreover, future activities may require the Company to alter its capitalization significantly and, if additional financing is raised by issuance of additional shares of the Company from treasury, control may change and shareholders may suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition and results of operations.

***Risks Related to the Company's Business and Operations***

*Competition*

The Company faces competition in the markets in which it operates and intends to operate in the near future. Some competitors may be better positioned to develop superior product features and technological innovations, and able to better adapt to changing market conditions than the Company. Its ability to compete depends on, among other things, consistent high product quality, short lead-time, timely delivery, competitive pricing, range of product offerings and superior customer service and support. Increased competition in the markets in which the Company operates may force it to reduce its product prices or may result in increased costs and may have a material adverse effect on business and operating results. Any decrease in the quality of products or level of service to customers, or any forced decrease in product pricing may adversely affect the Company's business and operating results.

*Agricultural Operations Risk*

The Company's business is dependent on the growth and production of industrial hemp, an agricultural product. As such, the risks inherent in engaging in agricultural businesses apply to the Company. Potential risks include the risk that crops may become diseased or victim to insects or other pests and contamination, or subject to extreme weather conditions such as excess rainfall, freezing temperature, or drought, all of which could result in low crop yields, decreased availability of industrial hemp, and higher acquisition prices. Although the Company intends to grow and produce hemp in permitted environments, there can be no guarantee that an agricultural event will not adversely affect the Company's business and operating results.

*Success of Quality Control Systems*

The quality and safety of the Company's products are critical to the success of the business and operations. As such, it is imperative that Company and its service providers' quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all service providers have implemented and adhere to high-caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

*Reliance on Third-Party Suppliers and Manufacturers*

The Company intends to maintain a full supply chain for the production of hemp biomass. Despite maintaining full federal compliance and legality, the Company's co-packers and other suppliers may elect, at any time, to cease to engage in production agreements for hemp biomass. Loss of manufacturers and suppliers would have a material adverse effect on the Company's business and operational results.

*Effectiveness and Efficiency of Advertising and Promotional Expenditures*

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including the Company's ability to (i) create greater awareness of products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage advertising and promotional expenditures on a cost-effective basis.

*Maintaining and Promoting Our Brand*

The Company believes that maintaining and promoting its brand is critical to expanding its customer base. Maintaining and promoting the brand will depend largely on the Company's ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Company may introduce new products or services that its customers do not like, which may negatively affect its brand and reputation. Maintaining and enhancing its brand may require substantial investments, and these investments may not achieve the desired goals. Failure to successfully promote and maintain the brand, or if the Company incurs excessive expenses in this effort, could materially adversely affect business and financial results from operations.

*Changing Consumer Preferences*

As a result of changing consumer preferences, many nutraceutical and other innovative products attain financial success for a limited period of time. Even if the Company's products find retail success, there can be no assurance that any products will continue to see extended financial success. Success will be dependent upon its ability to develop new and improved product lines. Even the Company is successful in introducing new products or developing current products, a failure to continue to update them with compelling content could cause a decline in product popularity that could reduce revenues and harm the business, operating results and financial condition of the Company. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the Company being unable to meet consumer preferences and generate revenue which would have a material adverse effect on the Company's profitability and financial results from operations.

*Reliance on Key Personnel*

The Company's success and future growth will depend, to a significant degree, on the continued efforts of directors and officers to develop the business and manage operations and on their ability to attract and retain key technical, scientific, sales and marketing staff or consultants. The loss of any key person or the inability to attract and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, scientific, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key personnel in the future. The inability to retain and attract the necessary personnel could materially adversely affect the Company's business and financial results from operations.

*Reliance on Contract Farmers and Skilled Labour*

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. The Company's success is also dependent on its ability to establish and maintain ongoing relationships with contract farmers. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

*Management of Growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***Risks Related to the Hemp Industry***

*Reliance on Licenses*

The ability of the Company to successfully grow, store and sell hemp in Canada is dependent on Gaia Bio's current license from Health Canada to cultivate and sell industrial hemp (the "**License**"). The License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company.

Although the Company believes that it will meet the requirements of the Cannabis Act and the IHR for future extensions or renewals of the License, there can be no assurance that Health Canada will extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License or should they renew the license on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

*Risks Related to the Canadian Regulation of Industrial Hemp*

The proposed activities of the Company will be subject to regulation by governmental authorities, particularly Health Canada's Office of Controlled Substances and the Canada Revenue Agency. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce or sell industrial hemp. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of industrial hemp, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

*Governmental Regulations and Risks*

The operations for the license of the production of industrial hemp is subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of industrial hemp or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of industrial hemp, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

*The Company will be an Entrant Engaging in a New Industry*

The industrial hemp industry is fairly new. There can be no assurance that an active and liquid market for the Company's shares will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

*The Company may not be able to develop its products, which could prevent it from ever becoming profitable*

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

***Risks Related to the Retail Cannabis Market***

*Licenses and Permits*

The planned retail operations of the Company will require licenses and permits from various Governmental Authorities which have not yet been obtained and there can be no assurance that the Company will be able to obtain such licenses and permits. In addition, there can be no assurance that any license or permit once obtained will be renewable if and when required or that such existing licenses and permits will not be revoked.

Obtaining the necessary governmental permits and licenses can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations.

Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its planned operations or planned development and commercialization activities. Such curtailment or prohibition may result in a Material Adverse Effect on the Company's business, financial condition, results of operations or prospects.

*Leases*

The Company may enter into lease agreements for locations in respect of which at the time of entering such agreement, it does not have a permit or license to sell cannabis products. In the event the Company is unable to obtain a permit and/or license to sell cannabis products at such locations in compliance with applicable law, such leases may become a liability of the Company without a corresponding revenue stream (subject to stores where the Company may sell cannabis accessories only, in compliance with applicable law).

In the event that the Company is unable to obtain permits and/or licenses at numerous locations for which it has or will have a lease obligation, this could have a material adverse effect on the Company's business, financial conditions and operating results.

*Customer Acquisitions*

The Company's success depends, in part, on the Company's ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a Material Adverse Effect on the Company's business, operating results and financial condition.

***Risks Relating to its Processors***

In addition, the risk factors that may impact the business, operations and financial condition of the Company, the risk factors contemplated herein may directly impact the business, operations and financial condition of the Company's milling partners and the processors of the Company's milled hemp and, accordingly, may have an indirect Material Adverse Effect on the Company. The facilities of the milling and processing companies which the Company has contracted with could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's suppliers' ability to continue operating under their licenses or the prospect of renewing their licenses, which may have an adverse effect on the Company.

***Unfavourable Publicity or Consumer Perception***

Management of the Company believes the industrial hemp industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the industrial hemp produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the industrial hemp market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of industrial hemp in general, or the Company's proposed products specifically, or associating the consumption of industrial hemp with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

***Difficulty to Forecast***

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industrial hemp industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

***Internal Controls***

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's shares.

***Need for Additional Financing and Possible Effects of Dilution***

The Company may issue equity securities to finance its activities, including future acquisitions. If the Company were to issue additional common shares, existing holders of such common shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

***Litigation***

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

***Dividends***

Company has not paid any dividends on its outstanding shares, nor is there any intention of paying dividends in the foreseeable future. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions.

***Conflicts of Interest***

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including other cannabis or hemp companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that in the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director or senior officer must disclose his interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the proposed management of the Company's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a proposed director or officer of the Company except as otherwise disclosed in this Listing Statement.

***Insurance and Uninsured Risks***

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

***Tax Risk***

The Company is subject to various taxes including, but not limited to the following: income tax; goods and services tax; sales tax; land transfer tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

## 18. Promoters

| Name of Promoter | Number of Common Shares beneficially owned or controlled as at the date of the Listing Statement(1) | Percentage of Issued and Outstanding Common Shares(2) |
|---|---|---|
| Frederick Pels | 39,523,529 | 19.52% |
| James Tworek(3) | nil | N/A |

**Notes:**

(1) The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished by the directors and officers of the Company.

(2) Based on 202,501,981 Company Shares issued and outstanding.

(3) Mr. James Tworek is a current board member of Robix Environmental Technologies Inc., which has been the subject of a cease trade order imposed by the Alberta Securities Commission and the Ontario Securities Commission since May 4, 2018 for failure to file financial statements.

## 19. Legal Proceedings

### 19.1 Legal Proceedings

There are no legal proceedings material to the Company to which the Company or a subsidiary of the Company is a party or of which any of their respective property is the subject matter, nor are there any such proceedings known to the Company to be contemplated.

### 19.2 Regulatory Actions

The Company is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Listing Statement; or (ii) any other penalties or sanctions imposed by a court or regulatory body against the Company that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

## 20. Interest of Management and Others in Material Transactions

The Company is not aware of any direct or indirect material interest in any matter to be acted upon or any material transaction during the last three fiscal years, of any director, executive officer or principal Shareholder.

## 21. Auditors, Transfer Agents and Registrars

### 21.1 Auditors

***Company***

The auditors of the Company are Dale Matheson Carr-Hilton Labonte LLP, Charted Accountants & Business Advisors of Suite 1500, 1140 West Pender Street, Vancouver, British Columbia, V6E 4G1.

### 21.2 Transfer Agent and Registrar

The transfer agent and registrar of the Company is Computershare Investor Services Inc. of 500 Burrard Street, 3rd Floor, Vancouver, British Columbia, V6C 3B9.

## 22. Material Contracts

### 22.1 Material Contracts

During the course of the two years prior to the date of this Listing Statement, the Company entered into the following material contracts, other than contracts entered into in the ordinary course of business:

(a) Blackhawk Share Exchange Agreement;

(b) CannGroup Supply Agreement;

(c) Enagon Milling Agreement;

(d) The Amalgamation Agreement. See Section 3.2 – *Significant Acquisitions and Dispositions – The RTO* for further details;

(e) The Share Purchase Agreement. See Section 3.2 – *Significant Acquisitions and Dispositions - Gaia Bio Acquisition* for further details;

(f) CPC Escrow Agreement;

(g) Surplus Escrow Agreement; and

(h) Value Escrow Agreement.

All of the contracts specified above may be inspected at the registered and records offices of the Company at Suite 2200, HSBC Building, 885 West Georgia St., Vancouver, British Columbia, V6C 3E8 during normal business hours and are available under the Company's SEDAR profile at www.sedar.com.

## 23. Interest of Experts

Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants & Business Advisors of Suite 1500, 1140 West Pender Street, Vancouver, British Columbia, V6E 4G1, prepared the auditor's report for the audited annual financial statements of the Company for the fiscal years ended January 31, 2019, 2018 and 2017, which are attached as Schedule "A" hereto. Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants & Business Advisors has advised the Company that, as of the date of this Listing Statement, it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

No other person or company who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement has any direct or indirect interest in the property of the Company or of a related person of the Company, or beneficially owns, directly or indirectly any securities of the Company or of any related persons of the Company.

## 24. Other Material Facts

There are no other material facts relating to the Company and its securities that are not elsewhere disclosed herein and which are necessary in order for this document to contain full, true and plain disclosure of all material facts relating to the Company and its securities.

## 25. Financial Statements

Financial statements for the Company for the three and nine months ended September 30, 2019 and 2018 (unaudited) and the years ended January 31, 2019, 2018 and 2017 (audited) are appended to this Listing Statement as Schedule "A". Audited financial statements of Gaia for the period from incorporation to December 31, 2018 are appended to this Listing Statement as Schedule "C". Financial statements for Gaia Bio for the three-month period ended March 31, 2019 (unaudited) and for the years ended December 31, 2018 and 2017 (audited) are appended to this Listing Statement as Schedule "D".

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by the Board of Directors, Gaia Grow Corp. hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Gaia Grow Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 16th day of April, 2020.

*/signed/ "Frederick Pels"*

**Frederick Pels**
**Chief Executive Officer, Director, Promoter**

*/signed/ "Zula Kropivnitski"*

**Zula Kropivnitski**
**Chief Financial Officer**

*/signed/ "Marc Lowenstein"*

**Marc Lowenstein**
**Director**

*/signed/ "John LaGourgue"*

**John LaGourgue**
**Director**

*/signed/ "James Tworek"*

**James Tworek**
**Promoter**

**Schedule "A"**
**Company Financial Statements**

(see attached)

# GAIA GROW CORP.

**(Formerly Spirit Bear Capital Corp.)**

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian dollars

Unaudited – prepared by management

**GAIA GROW CORP.**
**(Formerly Spirit Bear Capital Corp.)**
**Index to Condensed Interim Consolidated Financial Statements**
**For the Three and Nine Months Ended September 30, 2019 and 2018**

---

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**GAIA GROW CORP.**
**(Formerly Spirit Bear Capital Corp.)**
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | $ 2,679,007 | $ 31 |
| Accounts receivable (Note 4) | 51,206 | - |
| Prepaid | 10,294 | - |
| Biological assets (Note 5) | 1,310,581 | - |
| Loans receivable (Note 6) | - | 10,250 |
| Other receivables | 208 | 50 |
| Total current assets | 4,051,296 | 10,331 |
| Land (Note 7) | 201,300 | - |
| **Total assets** | $ 4,252,596 | $ 10,331 |
| **Liabilities and shareholders' deficit** | | |
| **Current liabilities** | | |
| Accounts payable (Note 9) | $ 116,675 | $ - |
| Loans payable (Note 8 and 6) | 3,409 | 10,500 |
| **Total liabilities** | 120,084 | 10,500 |
| **Shareholders' deficit** | | |
| Share capital (Note 12) | 7,643,265 | 51 |
| Contributed surplus | 277,980 | - |
| Deficit | (3,788,733) | (220) |
| **Total shareholders' deficit** | 4,132,512 | (169) |
| **Total liabilities and shareholders' deficit** | $ 4,252,596 | $ 10,331 |

Nature of business and continuance of operations (Note 1)
Subsequent events (Note 8)

Approved and authorized for issuance on behalf of the Board of Directors on November 25, 2019 by:

| | |
|---|---|
| /s/ Frederick Pels | /s/ James Tworek |
| Frederick Pels, Director | James Tworek, Director |

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

**GAIA GROW CORP.**
**(Formerly Spirit Bear Capital Corp.)**
Condensed Interim Consolidated Statements of Net and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

| | Three months ended September 30,2019 | Three months ended September 30,2019 | Nine months ended September 30, 2019 | Period from June 22, 2018 to September 30, 2018 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Advertising and promotion | $ 152,472 | $ - | $ 153,316 | $ - |
| Consulting (Note 9) | 484,302 | - | 484,302 | - |
| Foreign exchange loss | 275 | - | 275 | - |
| Insurance | 3,179 | - | 3,179 | - |
| Interest expense | 107 | - | 107 | - |
| Land property tax | (6,900) | - | 13,700 | - |
| Management and directors fee (Note 9) | 15,000 | - | 15,000 | - |
| Office and administration (Note 9) | (21,865) | - | (21,545) | - |
| Professional fees | (93,774) | - | 42,176 | - |
| Share based compensation | 444,180 | - | 444,180 | - |
| Transfer agent | 4,790 | - | 4,790 | - |
| Travel | 1,156 | - | 1,156 | - |
| **Total expense** | 982,922 | - | 1,140,636 | - |
| Interest income | (22,946) | - | (22,946) | - |
| Loss (gain) on acquisition of Gaia Bio (Note 10) | (20,205) | - | 283,375 | - |
| Listing transaction expense (Note 11) | 2,385,503 | - | 2,385,503 | - |
| Income tax paid | 1,945 | - | 1,945 | - |
| **Net and comprehensive loss for the period** | $ 3,327,219 | - | $ 3,788,513 | $ - |
| Net loss per share, basic and diluted | $ (0.05) | $ - | $ (0.09) | $ - |
| Weighted average shares outstanding, basic and diluted | 68,461,945 | 1 | 42,069,261 | 510,000 |

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

**GAIA GROW CORP.**
**(Formerly Spirit Bear Capital Corp.)**
Condensed Interim Consolidated Statement of changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

| | Share capital | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | | Amount | | Contributed surplus | | Deficit | | Total shareholders' deficit |
| **Balance, June 22, 2018** | 510,000 | $ | 51 | $ | - | $ | - | $ | 51 |
| Forward split | 59,490,000 | | - | | - | | - | | - |
| Net loss for the period | - | | - | | | | - | | - |
| **Balance, September 30, 2018** | 60,000,000 | $ | 51 | | - | $ | - | $ | 51 |
| | | | | | | | | | |
| **Balance, January 31, 2019** | 60,000,000 | $ | 51 | $ | - | $ | (220) | $ | (169) |
| Shares acquired of legal parent | (60,000,000) | | (51) | | - | | - | | (51) |
| Shares issued to principals of Spirit Bear | 28,800,012 | | 2,880,001 | | - | | - | | 2,880,001 |
| Consideration shares | 120,000,000 | | - | | - | | - | | - |
| Shares issued in private placement | 45,076,969 | | 4,507,697 | | - | | - | | 4,507,697 |
| Finders' shares | 6,325,000 | | - | | - | | - | | - |
| Share issue costs | - | | (140,633) | | - | | - | | (140,633) |
| Stock options exercised | 2,300,000 | | 396,200 | | (166,200) | | - | | 230,000 |
| Stock options granted | - | | - | | 444,180 | | - | | 444,180 |
| Net loss for the period | - | | - | | | | (3,788,513) | | (3,788,513) |
| **Balance, September 30, 2019** | 202,501,981 | $ | 7,643,265 | $ | 277,980 | $ | (3,788,733) | $ | 4,132,512 |

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

**GAIA GROW CORP.**
**(Formerly Spirit Bear Capital Corp.)**
Condensed Interim Consolidated Statements of cash flows
(Unaudited)
(Expressed in Canadian dollars)

| | Nine months ended September 30, 2019 | Period from June 22, 2018 to September 30, 2018 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | $ (3,788,513) | $ - |
| Items not affecting cash | | |
| Share based compensation | 444,180 | - |
| Acquisition of Gaia Bio | 285,125 | - |
| Listing expense | 2,385,502 | - |
| Adjustments: | | |
| Other receivables | (26,609) | (50) |
| Accounts payable | (55,743) | - |
| Prepaid | (9,753) | - |
| Net change in biological assets | (1,310,581) | - |
| **Net cash used in operating activities** | (2,076,392) | (50) |
| **Investing activity** | | |
| Acquisition of Gaia Bio | (200,000) | - |
| Cash acquired in RTO | 562,465 | - |
| Acquisition of land | (201,300) | - |
| **Net cash used in investing activity** | $ 161,165 | $ - |
| **Financing activities** | | |
| Proceeds from exercise of stock options | 230,000 | - |
| Shares issued for cash, net of cash share issue costs | 4,367,064 | 51 |
| Loan repaid | (2,861) | - |
| **Net cash provided by financing activities** | 4,594,203 | 51 |
| Increase in cash | $ 2,678,976 | $ 1 |
| Cash, beginning of period | 31 | - |
| Cash, end of period | $ 2,679,007 | $ 1 |

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

## 1. Nature of Business and Continuance of Operations

Gaia Grow Corp. formerly Spirit Bear Capital Corp.) (the "Company") was incorporated on June 22, 2018 under "Gaia Investments Inc." and subsequently changed its name to Gaia Grow Corp. The Company's head office is located at 10th Floor, 595 Howe Street, Vancouver, BC, Canada.

On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). In accordance with the terms of the Amalgamation Agreement, the Company and SBG combined their respective businesses by way of a three-cornered amalgamation (the "Transaction").

Subsequent to the Transaction, the combined entity continues as a wholly-owned subsidiary of SBG. The resulting issuer changed its name to Gaia Grow Corp. and continues to carry on the business of Gaia Bio, which is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada. The Transaction was closed on July 23, 2019.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown. As at September 30, 2019, the Company had not yet generated any revenue, has a working capital of $3,931,212, and has accumulated losses of $3,788,513 since inception.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors indicate the existence of a material uncertainty that may cast significant doubt the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. Basis of Preparation

(i) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on November 25, 2019.

(ii) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for biological assets which are measured at fair value, as explained in the accounting policies below.

Historical cost is fair value of the consideration given in exchange for goods and services generally based upon the fair value at the time of the transaction of the consideration given in exchange for assets.

(iii) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries functional currency.

(iv) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary Gaia Bio on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

## 3. Significant Accounting Policies

(i) Cash and cash equivalents

Cash and cash equivalents include cash-on-hand and deposits held with financing institutions. The Company considers short-term investments to be investing activity.

**3. Significant Accounting Policies (continued)**

(ii) Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation of manufacturing assets. All direct and indirect costs of biological assets are capitalized as they are incurred. Unrealized fair value gains/losses on growth of biological assets are recorded on the consolidated statements of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

(iii) Inventories

Inventories for finished goods and packaging, and supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. The direct and indirect costs of finished goods inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the consolidated statements of income and comprehensive income at the time cannabis is sold. Inventory is measured at lower of cost or net realizable value on the statement of financial position.

(iv) Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

## 3. Significant Accounting Policies (continued)

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings, computer equipment and growing equipment. The following useful lives are applied:

| | |
|---|---|
| Building | 25 years |
| Growing equipment | 10 years |
| Computer equipment | 5 years |
| Vehicles | 5 years |
| Furniture and fixtures | 10 years |

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point.

(iv) Property, plant and equipment (continued)

An asset's residual value, useful life and depreciation method are reviewed during each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

(v) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

(vi) Assets held for sale

Assets and liabilities held for sale are no longer depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

## 3. Significant Accounting Policies (continued)

(vii) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment are reviewed for indicators of impairment. Goodwill is reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(viii) Financial instruments

Financial instruments consist of financial assets and liabilities and are initially measured at fair value. Financial assets and liabilities are recognized in the consolidated statements of financial position when the Company has become party to the contractual provision of the instruments. The accounting policies for financial instruments are described below and the composition of the Company's financial instruments and related risks are disclosed in Notes 10.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(1) Financial assets

Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (FVTPL), available-for-sale, held-to-maturity, or loans and receivables as defined by IAS 39 Financial Instruments.

**3. Significant Accounting Policies (continued)**

(a) At Fair Value Through Profit or Loss ("FVTPL")

Assets in this category are derivatives or other assets classified as held-for-trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition subject to meeting certain conditions. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no financial assets that are at FVTPL.

(b) Available for Sale

Assets in this category are non-derivative financial assets that are either designated as available-for-sale or do not fit into one of the other categories. After initial recognition, available-for-sale assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no financial assets that are classified as available-for-sale.

(c) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and accounts receivables which are classified as loans and receivables.

(d) Held-to-Maturity

Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held- for-trading, available-for-sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company's short-term investments are classified as held-to-maturity financial assets.

## 3. Significant Accounting Policies (continued)

(2) Financial liabilities

Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as FVTPL or other financial liabilities as defined by IAS 39 Financial Instruments.

(a) At FVTPL

Financial liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL upon initial recognition subject to meeting certain conditions. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no financial liabilities at FVTPL.

(b) Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has accounts payable and accrued liabilities and long-term debt which are classified as other financial liabilities.

(3) Transaction costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate – i.e. amortized through profit or loss over the term of the related instrument.

(4) Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. The financial asset's carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are adjusted against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings or loss.

## 3. Significant Accounting Policies (continued)

(5) Compound instruments

The component parts of compound instruments (convertible debt) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or on the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debt, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

(6) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## 3. Significant Accounting Policies (continued)

(ix) Share-based payments

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense in profit or loss over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value for options is determined using the Black-Scholes pricing model and fair value for Restricted Share Units (RSUs) is determined using the Company's share price at the grant date.

Expected forfeitures are estimated at the date of the grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflects the revised estimate.

For stock options granted to non-employees, the expense is measured at the fair value of the good and services received except when the fair value cannot be estimated in which case it is measured at the fair value of the equity instrument granted.

Consideration paid by employees or non-employees on the exercise of options is recorded as share capital and the related share-based expense is transferred from share-based reserve to share capital.

(x) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated in a similar manner, but with adjustments to give effect to all dilutive potential common shares outstanding during the period. The dilutive effect of warrants and options is calculated using the treasury stock method. The if-converted method which assumes that all convertible debt has been converted if the debt is in-the-money is used to calculate the dilutive effect of convertible debt. Anti-dilutive effects of potential conversions of securities are ignored for this calculation.

(xi) Revenue recognition

Revenue from the sale of cannabis is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the product leaves the Company's premises. Revenue from providing services are recognized when the service is performed. Revenue is recognized at the fair value of the consideration received or receivable.

## 3. Significant Accounting Policies (continued)

(xii) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed interim consolidated financial statements.

Income tax expense (recovery) in profit or loss is the sum of current and deferred tax as explained below.

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the end of the reporting period. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred taxes are accounted for under the liability method and are the taxes expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The carrying amounts of individual deferred tax assets are reviewed at the end of each reporting period but are only recognized for the proportion probable that sufficient taxable profits will be available for such assets to be recovered.

Deferred tax is not recognized for temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and, differences arising on the initial recognition of goodwill.

## 3. Significant Accounting Policies (continued)

(xiii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs. No borrowing costs were capitalized during the periods presented.

(xiv) Discontinued operations

A disposal group is presented as a discontinued operation if all of the following conditions are met: 1) it is a component of the Company for which operations and cash flows can be clearly distinguished operationally and financially from the rest of the Company, 2) it represents a separate major line of business of operations that either has been disposed of or is classified as held for sale; or it is part of a single coordinated plan to dispose of a separate major line of business of operations.

Assets in a disposal group classified as held for sale are presented separately in the consolidated statements of financial position. Discontinued operations are presented separately from continuing operations in the consolidated statements of income (loss) and consolidated statement of cash flows.

(xv) Critical accounting estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The following are the estimates made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

## 3. Significant Accounting Policies (continued)

(1) Biological assets and inventory

Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, oil conversion factor and expected yields of the cannabis plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value. Refer to Notes 7 and 8 for further information.

(2) Estimated useful lives of property, plant and equipment

Amortization of property, plant and equipment requires estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(3) Share-based payments

In determining the fair value of options and related expense, the Company makes such estimates as the expected life of the option, the volatility of the Company's share price, the risk-free interest rate, and the rate of forfeitures. Refer to Note 12 for further information.

(4) Warrants

In determining the value of warrants, the Company estimates the value of the common shares, the volatility of the Company's share price and the risk-free interest rate.

(5) Compound Instruments

In calculating the fair value allocation between the liability component and the equity component of the Company's unsecured convertible debentures (compound instruments), the Company was required to make estimates and use judgment in determining an appropriate discount rate on the debentures to arrive at a fair value. The identification of convertible debentures' components is based on interpretation of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of interest on the liability component. The determination of fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments. Refer to Note 11 for further information.

## 3. Significant Accounting Policies (continued)

(6) Goodwill

Goodwill impairment testing requires management to make estimates in the impairment testing model. On a quarterly basis, the Company tests whether goodwill is impaired, based on an estimate of its recoverable amount.

(7) Assets held for sale

Assets held for disposal and disposal groups are measured at the lower of their carrying amount and their fair value less costs to sell. The determination of the fair value less costs to sell includes the use of management estimates and assumptions that tend to be uncertain.

(xvi) New standards and interpretations adopted

Disclosure Initiative (Amendments to IAS 7)
This amendment was issued on December 18, 2014. The amendment requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows. The amendment was effective for annual reporting periods beginning on or after January 1, 2017.

There has been no effect on the Company's financial statements.

Amendments to IAS 12 – Income Taxes
This amendment provides clarity on recognition of deferred tax assets for unrealized losses to address diversity in practice. The amendment was effective for annual reporting periods beginning on or after January 1, 2017.

There has been no effect on the Company's financial statements.

(xvii) New and amended standards issued but not yet effective

IFRS 2 – Share-based Payments
The amendment clarifies how to account for the effects of vesting and non-vesting conditions on the measurement of cash- settled share-based payments, share-based payment transactions with a net settlement feature and a modification to the terms and conditions that changes the classification of the transactions. The amendment is effective for annual periods beginning on or after January 1, 2018. This will be effective for the Company beginning September 1, 2018.

Based on the Company's preliminary assessment, the adoption of the new standard is not expected to have a significant impact on its consolidated financial statements.

## 3. Significant Accounting Policies (continued)

IFRS 9 – Financial Instruments
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has been issued and is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and de-recognition. This new standard supersedes all prior versions of IFRS 9.

Based on the Company's preliminary assessment, the standard may impact the classification short-term investments and allowance for doubtful accounts and the Company will apply the expected credit loss model to measure impairment. At this time, the adoption of the new standard is not expected to have a significant impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customer ("IFRS 15"), which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and must be applied retrospectively. Early adoption is permitted but this will be effective for the Company beginning September 1, 2018.

The Company reviewed its current and past contracts and at this time has determined the adoption of the new standard is not expected to have a material impact on its consolidated financial statements. However, any binding contracts entered into going forward may have an impact on the timing of revenue recognition if the contracts contain, for example, fixed supply obligations or quantity carry-over provisions.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. This will be effective for the Company beginning September 1, 2019.

The Company reviewed its current and past leases. Reclassification of leases for office space and computer hardware will result in the establishment of additional right-of-use assets and lease liabilities on the balance sheet, as well as changes in the timing and presentation of lease-related expenses on the statement of income. The Company is still evaluating the effect of this standard on the consolidated financial statements but expects there will be no material impact.

(Expressed in Canadian dollars)

## 4. Accounts receivable

Accounts receivable represent receivable from a government agency.

## 5. Biological assets

The Company measures biological assets consisting of hemp plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

The changes in the carrying value of biological assets as of September 30, 2019 are as follows:

| | Biological assets |
|---|---|
| Carrying amount, December 31, 2018 | $ - |
| Additions during the period | 1,310,581 |
| Carrying amount, September 30, 2019 | $ 1,310,581 |

## 6. Loans Receivable

As at December 31, 2018, the Company had a loan due from Gaia Bio in the amount of $10,250. The loan was eliminated on acquisition of Gaia Bio by the Company.

## 7. Land

A plot of land located in Lamont County, Alberta was purchased with the acquisition of Gaia Bio with the purpose of growing hemp.

The changes in the carrying value of land as of September 30, 2019 are as follows:

| | Land |
|---|---|
| Carrying amount, December 31, 2018 | $ - |
| Additions during the period | 201,300 |
| Carrying amount, September 30, 2019 | $ 201,300 |

## 8. Loans Payable

As at September 30, 2019, the Company has a loan from Canadian financial institution of $3,409 (December 31, 2018 - $nil) to SBG. The loan bears interest of 8.93% and was repaid subsequent to the period end.

As at December 31, 2018, the Company had a loan from Spirit Bear (note 11) in the amount of $10,500. The loan was non interest bearing and payable on demand. The loan was eliminated in reverse-take-over and listing transaction (note 11).

## 9. Due to Related Party

During the period ended September 30, 2019, $66,000 (2018 - $nil) was paid to directors of the Company and recorded as consulting expense. $15,000 (2018 - $nil) was paid to a company of which officers of the Company are employees. $10,000 (2018 - $nil) was paid to a director of the Company, recorded as management fee and closed to Listing expense. As at September 30, 2019 $50,000 (December 31, 2018 - $nil) is payable to a director of the Company.

## 10. Acquisition of Gaia Bio

On March 22, 2019, as last amended on June 7, 2019, the Company acquired all of the issued and outstanding shares of Gaia Bio-Pharmaceuticals Inc. ("Gaia Bio") for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit to the shareholders of Gaia Bio ($76,000 paid and $124,000 has been recorded in due to related party). The amount due to related party is non-interest bearing and repayable upon demand;
(b) the issuance of 7% of the issued and outstanding common shares of the Company (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) a conditional payment of $1,600,000 in cash or equivalent in common shares of the Company, in the event that the common shares of the Company are valued less than $2,000,000 at any time during the 60-day period after the Company is in receipt of a license to cultivate from Health Canada;
(d) the Company will assume a business loan in the amount of $10,625 (currently in the amount of $6,123); and
(e) the Company will assume Gaia Bio's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") whereby Gaia Bio agreed to purchase a plot of land (the "Property") located in Lamont County, Alberta for the purpose of growing hemp. The purchase price, as last amended, is $190,000 and 5% of the total number of common shares of Gaia Bio, subject to the condition that the number of shares may change depending on whether more shares are issued. Closing of the transaction is to be 30 days after Gaia Bio receives Health Canada's pre-approval "letter-to-build" ("LTB"), which has not yet been obtained. Further, the Company will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

Consequently, Gaia Bio became a wholly-owned subsidiary of the Company.

(Expressed in Canadian dollars)

## 11. Reverse take-over and listing transaction

On July 23, 2019 the Company completed a reverse takeover transaction ("RTO"). Concurrent with the closing of the reverse take-over transaction the Company changed its name from Spirit Bear Capital Corp. ("Spirit Bear") to Gaia Grow Corp. On July 23, 2019, Spirit Bear acquired 100% ownership of Gaia Grow Holdings Corp. ("Gaia Holdings") in exchange for 120,000,000 consideration shares. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations since Spirit Bear, prior to the RTO, did not constitute a business. The RTO is accounted for in accordance with IFRS 2 Share-based Payments whereby Gaia Holdings is deemed to have issued shares in exchange for the net assets of Spirit Bear together with its TSX-V listing status at the fair value of the consideration received by Gaia Holdings. The accounting for the RTO resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Spirit Bear, but are considered a continuation of the financial statements of the legal subsidiary, Gaia Holdings.

(ii) Since Gaia Holdings is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values. The Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares. The value in excess of the net identifiable assets or obligations of Spirit Bear acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing transaction expense.

The listing transaction expense in the amount of $2,385,503 is comprised of the fair value of common shares of the Company retained by the former shareholders of Spirit Bear, the assumption of a net liabilities over assets as well as other direct expenses of the transaction.

The fair value of the common shares issued was $2,880,012, based on the price of shares issued in the concurrent private placement of $0.10 per share.

The listing transaction expense is summarized as follows:

| | Number | | Amount |
|---|---|---|---|
| Consideration: | | | |
| Shares issued | 28,800,012 | $ | 2,880,001 |
| Less: net Identifiable assets (liabilities) acquired assets | | | |
| Cash | | | 657,284 |
| Receivables | | | 8,980 |
| Prepaid | | | 541 |
| Payables and accrued liabilities | | | (172,307) |
| | | | 494,498 |
| Listing expense | | | $2,385,503 |

## 12. Share Capital

### (a) Share capital

Authorized: Unlimited number of common shares without par value.

**Issued during the period ended September 30, 2019**:

In connection with completion of the Transaction, Gaia completed a private placement financing through the offering of 45,076,969 subscription receipts at a price of $0.10 per Receipt, for gross proceeds of $4,507,697. Immediately prior to completion of the Transaction, each receipt was automatically converted into one common share of Gaia (the "Receipt Shares"), and the proceeds from the Financing were released from escrow. Following the release of the proceeds, Gaia paid finders' fees of $86,065 to certain parties who had introduced subscribers to the Financing.

Pursuant to the terms of the Transaction, the Company has issued 120,000,000 common shares to the existing shareholders of Gaia, as well as 45,076,969 common shares to the existing holders of the Receipt Shares. The Company has also issued 6,325,000 common shares (the "Finders' Shares") to an arms'-length party who assisted the Company in facilitating the Transaction. Following completion of the Transaction, the Company has 200,201,981 common shares outstanding.

In connection with the Transaction, an aggregate of 101,553,529 common shares of the Company are subject to a Tier 2 Surplus Escrow Agreement, 21,176,471 common shares are subject to a Tier 2 Value Escrow Agreement, and 2,000,012 common shares are subject to a CPC Escrow Agreement, in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Finders' Shares are subject to a four-month-and-one-day statutory hold period in accordance with applicable Canadian securities laws.

The Company has also assumed an obligation owing to former shareholders of Gaia Bio, a wholly-owned subsidiary of Gaia, in which such shareholders may be entitled to an additional payment in the event the 8,400,000 common shares issued by Gaia to acquire Gaia Bio are valued at less than $2,000,000 at any time during the sixty day period following Gaia Bio receiving a licence to cultivate cannabis. In such a case, an additional payment of $1,600,000 will be owing to the former shareholders of Gaia Bio, to be satisfied in cash or through the issuance of common shares of the Company based upon the greater of: (i) the thirty-day volume-weighted average trading price of the common shares of the Company on the Exchange at the time of issuance, and (ii) $0.10 per share. Any common shares of the Company issued to satisfy this payment will be subject to a Tier 2 Value Escrow Agreement received additional share subscription receipts for 5,250,142 shares at $0.10 per share for proceeds of $525,014.

During the period 2,300,000 shares were issued on exercise of stock options at $0.10.

## 12. Share Capital (continued)

During the period ended September 30, 2019, the Company issued 438,600 common shares for proceeds of $439 and completed a forward share split on the basis of 1:117.647, resulting in a total of 51,600,000 common shares being issued.

On January 18, 2019, the Company completed a forward share split on the basis of 1:117.647. All share amounts are stated on a post forward share split basis.

During the year ended December 31, 2018, the Company issued 60,000,000 (510,000 pre-forward share split) common shares at $0.0001 for proceeds of $51, of which $50 was recorded in other receivables at December 31, 2018.

### (b) Stock options

The Company adopted a stock option plan (the "Stock Option Plan") pursuant to which it can grant options to directors, officers and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

In August 2019 the Company granted 5,650,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $407,980 on grant date using Black-Scholes option pricing model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 151.72% volatility; risk free interest rate of 1.21; and a dividend yield of 0%.

On September 10, 2019 the Company granted 500,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $36,200 on grant date using Black-Scholes option pricing model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 152.31% volatility; risk free interest rate of 1.44; and a dividend yield of 0%.

During the period 2,300,000 stock options were exercised raising $230,000.

(Expressed in Canadian dollars)

## 12. Share Capital (continued)

The movement in the Company's stock options for the nine months ended September 30, 2019 are as follows:

| | Number of options | Exercise price |
|---|---|---|
| Outstanding, December 31, 2018 | - | $ - |
| Granted | 6,150,000 | 0.10 |
| Exercised | (2,300,000) | 0.10 |
| Outstanding and exercisable, September 30, 2019 | 4,850,000 | $ 0.10 |

As at September 30, 2019 the Company has the following stock options outstanding:

| Number of options outstanding and exercisable | Exercise price | Expiry date |
|---|---|---|
| 3,850,000 | $0.10 | August 29, 2024 |

**(c) Warrants**

As at September 30, 2019 the Company does not have warrants outstanding.

## 13. Financial Instruments and Risks

(a) Fair Values

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## 13. Financial Instruments and Risks (continued)

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as of September 30, 2019 as follows:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| | Level 1 | Level 1 |
| Cash | $ 2,679,007 | $ 31 |

The methods of measuring each of these financial assets have not changed during the past year. The Company does not have any financial assets or liabilities measured at fair value based on inputs other than quoted prices (Level 2) or unobservable inputs (Level 3). The fair values of financial instruments measured at amortized cost approximate their carrying amounts.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company is not exposed to any significant foreign exchange risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Liquidity risk has been assessed as high.

## 14. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity, comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year to the nine months ended September 30, 2019.

# Spirit Bear Capital Corp.
(A Capital Pool Company)

Consolidated Financial Statements
For the year ended January 31, 2019
(Expressed in Canadian Dollars)

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Index to Consolidated Financial Statements
For the year ended January 31, 2019
(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spirit Bear Capital Corp.

## Opinion

We have audited the consolidated financial statements of Spirit Bear Capital Corp. (the "Company"), which comprise the statements of consolidated financial position as at January 31 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss of $113,818 during the year ended January 31, 2019. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

May 13, 2019

.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| ASSETS | | January 31, 2019 | | January 31, 2018 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash and cash equivalents (Note 3) | $ | 963,641 | $ | 621,924 |
| Receivables | | 1,417 | | 2,777 |
| Loan receivable (Note 9) | | 10,500 | | - |
| Credit facility (Note 9) | | 3,500 | | - |
| Prepaid expense | | 5,541 | | 12,656 |
| **TOTAL ASSETS** | **$** | **984,599** | **$** | **637,357** |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Trade payables and accrued liabilities (Note 4) | $ | 89,646 | $ | 100,370 |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 5) | | 1,248,051 | | 776,267 |
| Reserve (Note 5) | | 42,150 | | 42,150 |
| Accumulated deficit | | (395,248) | | (281,430) |
| | | 894,953 | | 536,987 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$** | **984,599** | **$** | **637,357** |

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

These financial statements are authorized for issuance by the Board of Directors on May 13, 2019.

On behalf of the Board of Directors:

| | |
|---|---|
| "Zula Kropivnitski" | "John LaGourgue" |
| Director | Director |

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

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the years ended January 31, 2019 | 2018 |
|---|---|---|
| **Expenses** | | |
| Bank charges | $ 127 | $ 175 |
| Professional fees | 122,933 | 27,070 |
| Office administration | 18,001 | 15,553 |
| Promotion | 3,604 | - |
| Regulatory and shareholders' service | 21,218 | 14,119 |
| | 165,883 | (56,917) |
| **Other items** | | |
| Qualifying transaction (Note 1) | - | (62,488) |
| Write off professional fee | 56,778 | - |
| Write off receivable | (5,036) | - |
| Interest income | 323 | 673 |
| **Loss and comprehensive loss for the year** | **$ (113,818)** | **$ (118,732)** |
| **Basic and diluted loss per share** | **$ (0.01)** | **$ (0.02)** |
| **Weighted average number of common shares outstanding – basic and diluted (Note 5)** | **22,032,889** | **11,609,875** |

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

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the years ended January 31, 2019 | 2018 |
|---|---|---|
| Cash flows used in operating activities | | |
| Net loss for the year | $ (113,818) | $ (118,732) |
| Changes in working capital items | | |
| Receivable | (993) | (1,195) |
| Prepaid expenses | 7,115 | (11,770) |
| Trade payables and accrued liabilities | (8,371) | 91,870 |
| | (116,067) | (39,827) |
| Cash used in investing activities | | |
| Loan receivable | (10,500) | - |
| Credit facility | (3,500) | - |
| | (14,000) | - |
| Cash flow from financing activity | | |
| Shares issued for cash, net of cash share issue costs | 471,784 | 507,018 |
| Increase in cash and cash equivalents | 341,717 | 467,191 |
| Cash and cash equivalents, beginning of year | 621,924 | 154,733 |
| Cash and cash equivalents, end of year | $ 963,641 | $ 621,924 |

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

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Number of Shares Issued | Share Capital | Reserve | Accumulated Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance at January 31, 2017 | 8,000,012 | $ 269,249 | $ 42,150 | $ (162,698) | $ 148,701 |
| Shares issued, net of share issue costs (Note 5) | 10,800,000 | 507,018 | - | - | 507,018 |
| Net loss for the year | - | - | - | (118,732) | (118,732) |
| Balance at January 31, 2018 | 18,800,012 | 776,267 | 42,150 | (281,430) | 536,987 |
| Shares issued, net of share issue costs (Note 5) | 10,000,000 | 471,784 | - | - | 471,784 |
| Net loss for the year | - | - | - | (113,818) | (113,818) |
| Balance at January 31, 2019 | **28,800,012** | **$ 1,248,051** | **$ 42,150** | **$ (395,248)** | **$ 894,953** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company is classified as a Capital Pool Company ("CPC") while the principal business is the identification and evaluation of assets or a business (the "Qualifying Transaction" ("QT")) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. As the Company was unable to complete its QT by the filing deadline, the Company requested to transfer the listing of the Company's common shares to the NEX trading board of the TSX Venture Exchange ("TSX-V") and reinstate the Company's shares for trading. The Company is presently listed and trading on the NEX under the symbol SBG.H.

On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Gaia Grow Corp. ("Gaia"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (British Columbia). Gaia is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada. See Note 9.

The Company had previously entered into an agreement which contemplated the Company acquiring all of the issued and outstanding shares of FinX Solutions Inc. To January 31, 2018, the Company had incurred legal fees totaling $62,488 relating to the proposed transaction, which was terminated on May 15, 2018.

The Company's head office, principal address and registered and records office is located at Suite 303, 750 West Pender Street Vancouver, BC V6C 2T7.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

**Basis of consolidation**

The consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiary 1193805 B.C. Ltd. ("1193805 B.C."). All inter-company transactions and balances have been eliminated.

**Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

**Basis of presentation**

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

The Company considers cash to include cash on deposit and highly liquid short-term investments bearing variable interest rates that are readily convertible to known amounts of cash and generally have original maturities within three months. Interest earned is recognized immediately in profit or loss.

### Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

### Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

### Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

### Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

**Financial instruments**

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date; therefore, comparative figures have not been restated.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

(iii) Impairment of financial assets at amortized cost (continued)

initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

**Income taxes**

*Current income tax:*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax:*

Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Accounting standards and amendments not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2019 and have not been applied in preparing these financial statements.

Amendments to IFRS 11, "Joint Arrangements"

Amendments to International Accounting Standards ("IAS") 1, "Presentation of Financial Statements"

IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

The Company has not early adopted these revised standards and does not believe that these standards will have a material impact on the financial statements.

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

## 3. CASH AND CASH EQUIVALENTS

| | January 31, 2019 | January 31, 2018 |
|---|---|---|
| Cash at bank | $ 834,587 | $ 493,512 |
| Demand deposit | 129,054 | 128,412 |
| | **$ 963,641** | **$ 621,924** |

## 4. TRADE PAYABLES AND ACCRUED LIABILITIES

| | January 31, 2019 | January 31, 2018 |
|---|---|---|
| Trade payables | $ 52,546 | $ 16,036 |
| Accrued liabilities | 37,100 | 84,334 |
| | **$ 89,646** | **$ 100,370** |

## 5. SHARE CAPITAL AND RESERVE

Authorized Share Capital:

Unlimited number of common shares without par value.

Issued Share Capital:

On December 6, 2018 the Company completed a forward share split on the basis of 1:2. All share amounts are stated on a post forward share split basis.

On October 9, 2018 the Company closed a private placement and issued a total of 10,000,000 common shares at a price of $0.0475 per share, for gross proceeds of $475,000. The Company paid $3,216 in share issuance costs.

On October 3, 2017 the Company closed a private placement and issued a total of 10,800,000 common shares at a price of $0.0475 per share, for gross proceeds of $513,000. The Company paid $5,982 in share issuance costs.

## 5. SHARE CAPITAL AND RESERVE (continued)

Escrow Shares

There are 2,000,012 shares (January 31, 2017 – 2,000,012) subject to escrow restrictions until completion of a QT and will then be released from escrow in tranches over 36 months. The 2,000,012 escrow shares are not included in the calculation of the weighted average number of shares outstanding to determine loss per share.

Stock Options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

There were no stock option transactions outstanding at January 31, 2019 and 2018. No stock options were granted during the years ended January 31, 2019 and 2018.

Reserve

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivable and accounts payables approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

## 7. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a QT. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 (”Policy 2.4”) and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the year ended January 31, 2019.

(Expressed in Canadian Dollars)

## 8. INCOME TAXES

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

| | January 31, 2019 | January 31, 2018 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (113,818) | (118,732) |
| Combined Canadian federal and provincial statutory rate | 27.00% | 27.00% |
| Expected income tax recovery at statutory tax rates | (30,731) | (32,058) |
| Share issuance costs | (497) | (323) |
| Unrecognized benefit of non-capital losses | 31,228 | 32,381 |
| Total deferred taxes | - | - |

The significant component of the Company's unrecognized deductible temporary differences are as follows:

| | January 31, 2019 | January 31, 2018 |
|---|---|---|
| | $ | $ |
| Non-capital losses | 495,572 | 375,001 |
| Share issue costs | 6,162 | 4,786 |
| | **501,734** | **379,786** |

The temporary differences expire as follows:

| | Non-capital losses |
|---|---|
| | $ |
| 2032 | 12,117 |
| 2033 | 40,753 |
| 2034 | 48,584 |
| 2035 | 50,264 |
| 2036 | 46,749 |
| 2037 | 56,605 |
| 2038 | 119,928 |
| 2039 | 120,572 |
| | **495,572** |

## 9. PROPOSED TRANSACTION

In accordance with the terms of the Amalgamation Agreement (Note 1), the Company, 1193805 B.C. and Gaia will combine their respective businesses by way of a three-cornered amalgamation (the "Transaction"), following which Gaia will continue as a wholly owned subsidiary of the Company. Following completion of the Transaction, it is anticipated that the amalgamated company will change its name to Gaia Grow Corp. and the resulting issuer will continue to carry on the business of Gaia.

In connection with completion of the Transaction, it is a condition to closing that Gaia completes a private placement financing through the offering of up to 40 million subscription receipts (the "Receipts") at a price of 10 cents per receipt for gross proceeds of up to $4 million. Proceeds of the financing will be held in escrow pending completion of the Transaction. Immediately prior to completion of the Transaction, each Receipt will automatically be converted into one common share of Gaia. Upon completion of the Transaction, the holders of common shares in the capital of Gaia will receive one common share of the resulting issuer in exchange for each outstanding common share of Gaia.

**9. PROPOSED TRANSACTION (continued)**

The Transaction will constitute a QT for the Company under Policy 2.4. Closing of the Transaction is subject to a number of conditions including completion of the financing, approval of the TSX-V, approval of the Company's shareholders and satisfaction of other closing conditions as are customary in transactions of this nature.

During the year ended January 31, 2019, the Company provided a loan of $10,500 to Gaia. The loan is non-interest bearing and repayable by May 31, 2019.

Subject to the approval of the TSX-V, the Company has also offered a credit facility to Gaia. It is expected that total advances under the credit facility will be limited to $200,000, and that the credit facility will be secured against a general charge over all of the assets of Gaia. The credit facility does not bear interest, but will be repayable in full by Gaia in the event the Transaction does not proceed.

# Spirit Bear Capital Corp.
(A Capital Pool Company)

Financial Statements
For the year ended January 31, 2018
(Expressed in Canadian Dollars)

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Index to Financial Statements
For the year ended January 31, 2018
(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spirit Bear Capital Corp.

We have audited the accompanying financial statements of Spirit Bear Capital Corp., which comprise the statements of financial position as at January 31, 2018 and 2017, and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements present fairly, in all material respects, the financial position of Spirit Bear Capital Corp. as at January 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 23, 2018

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Financial Position
(Expressed in Canadian Dollars)

| ASSETS | January 31, 2018<br>$ | January 31, 2017<br>$ |
|---|---|---|
| **Current** | | |
| Cash and cash equivalents (Note 3) | 621,924 | 154,733 |
| Receivable | 2,777 | 1,582 |
| Prepaid expense | 12,656 | 886 |
| **TOTAL ASSETS** | **637,357** | **157,201** |
| | | |
| **LIABILITIES** | | |
| **Current** | | |
| Trade payables and accrued liabilities (Note 4) | 100,370 | 8,500 |
| | | |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 5) | 776,267 | 269,249 |
| Reserve (Note 5) | 42,150 | 42,150 |
| Accumulated deficit | (281,430) | (162,698) |
| | 536,987 | 148,701 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **637,357** | **157,201** |

Nature and continuance of operations (Note 1)
Subsequent event (Note 1)

These financial statements are authorized for issuance by the Board of Directors on April 23, 2018.

On behalf of the Board of Directors:

| | |
|---|---|
| "Zula Kropivnitski" | "John LaGourgue" |
| Director | Director |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the years ended January 31, | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **Expenses** | | |
| Bank charges | 175 | 149 |
| Office and administration | 15,553 | - |
| Professional fees | 27,070 | 18,139 |
| Regulatory and shareholders' service | 14,119 | 14,444 |
| Travel and related | - | 2,374 |
| | (56,917) | (35,106) |
| **Other items** | | |
| Qualifying transaction (Note 1) | (62,488) | - |
| Interest income | 673 | 889 |
| **Loss and comprehensive loss for the year** | **(118,732)** | **(34,217)** |
| **Basic and diluted loss per share** | **(0.02)** | **(0.01)** |
| **Weighted average number of common shares outstanding – basic and diluted (Note 5)** | **5,775,348** | **3,000,000** |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the years ended January 31, | |
|---|---|---|
| | **2018** | **2017** |
| Cash flows used in operating activities | $ | $ |
| Net loss for the year | (118,732) | (34,217) |
| Changes in working capital items | | |
| Receivable | (1,195) | (483) |
| Prepaid expenses | (11,770) | - |
| Trade payables and accrued liabilities | 91,870 | 419 |
| | (39,827) | (34,281) |
| Cash flows from financing activities | | |
| Shares issued for cash, net of share issue costs | 507,018 | - |
| | 507,018 | - |
| | | |
| Change in cash and cash equivalents | 467,191 | (34,281) |
| Cash and cash equivalents, beginning of year | 154,733 | 189,014 |
| Cash and cash equivalents, end of year | **621,924** | **154,733** |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Number of Shares Issued | Share Capital | Reserve | Accumulated Deficit | Total Shareholder |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Balance at January 31, 2016 | 4,000,006 | 269,249 | 42,150 | (128,481) | 182,918 |
| Net loss for the year | - | - | - | (34,217) | (34,217) |
| Balance at January 31, 2017 | 4,000,006 | 269,249 | 42,150 | (162,698) | 148,701 |
| Shares issued for cash, net of share issue costs (Note 5) | 5,400,000 | 507,018 | - | - | 507,018 |
| Net loss for the year | - | - | - | (118,732) | (118,732) |
| Balance at January 31, 2018 | **9,400,006** | **776,267** | **42,150** | **(281,430)** | **536,987** |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company is classified as a Capital Pool Company (“CPC”) while the principal business is the identification and evaluation of assets or a business (the “Qualifying Transaction” (“QT”)) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. As the Company was unable to complete its QT by the filing deadline, the Company requested to transfer the listing of the Company’s common shares to the NEX trading board of the TSX Venture Exchange (“TSX-V”) and reinstate the Company’s shares for trading. The Company is presently listed and trading on the NEX under the symbol SBG.H.

On March 16, 2018, the Company entered into a Securities Exchange Agreement (the “Agreement”) with FinX Solutions Inc. (“FinX”) pursuant to which the Company will acquire all of the issued and outstanding shares of FinX in exchange for shares of the Company on a basis of 1.977 of the Company’s shares for each FinX Share. As a result of the Agreement, FinX will become a wholly-owned subsidiary of the Company and the Company will commence operating in the financial technology industry sector. In addition, subject to the policies of the TSX-V, all outstanding stock options and common share purchase warrants of FinX that have not been duly exercised prior to the effective time of the proposed transaction will be exchanged for new dilutive securities of the Company that will entitle the holders to receive, upon exercise thereof, the Company’s securities, rather than FinX securities, on substantially the same economic terms and conditions as were applicable to such FinX dilutive securities immediately before the transaction. The closing of the Agreement is subject to a concurring financing and approval from the TSX-V. Upon closing, the transaction will constitute the Company’s QT. To January 31, 2018, the Company has incurred legal fees totaling $62,488 relating to the proposed transaction.

The Company’s head office, principal address and registered and records office is located at Suite 303, 750 West Pender Street Vancouver, BC V6C 2T7.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

**Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

**Basis of presentation**

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

**Cash and cash equivalents**

The Company considers cash to include cash on deposit and highly liquid short-term investments bearing variable interest rates that are readily convertible to known amounts of cash and generally have original maturities within three months. Interest earned is recognized immediately in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

### Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

### Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

### Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments**

*Financial assets*
The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*
The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried 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 method, and includes trade payables.

For the years presented, the Company did not have any derivative financial assets or liabilities.

**Income taxes**

*Current income tax:*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income taxes (continued)**

*Deferred income tax:*

Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Accounting standards and amendments not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2018 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the revised standard which will be effective to the Company's financial statements for the year ending January 31, 2018 or later:

IFRS 16 – Leases, establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

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

(Expressed in Canadian Dollars)

## 3. CASH AND CASH EQUIVALENTS

| | January 31, 2018 | January 31, 2017 |
|---|---|---|
| | $ | $ |
| Cash at bank | 493,512 | 11,570 |
| Demand deposit | 128,412 | 143,163 |
| | **621,924** | **154,733** |

## 4. TRADE PAYABLES AND ACCRUED LIABILITIES

| | January 31, 2018 | January 31, 2017 |
|---|---|---|
| | $ | $ |
| Trade payables | 16,036 | - |
| Accrued liabilities | 84,334 | 8,500 |
| | **100,370** | **8,500** |

## 5. SHARE CAPITAL AND RESERVE

Authorized Share Capital

Unlimited number of common shares without par value.

On October 3, 2017 the Company closed a private placement and issued a total of 5,400,000 common shares at a price of $0.095 per share, for gross proceeds of $513,000. The Company paid $5,982 in share issuance costs.

There were no share transactions during the year ended January 31, 2017.

Escrow Shares

There are 1,000,006 shares (January 31, 2017 – 1,000,006) subject to escrow restrictions until completion of a QT and will then be released from escrow in tranches over 36 months. The 1,000,006 escrow shares are not included in the calculation of the weighted average number of shares outstanding to determine loss per share.

Stock Options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

During the year ended January 31, 2018, 500,000 previously issued stock options expired, unexercised. There were no stock option transactions during the years ended January 31, 2017 and 2018.

Reserve

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivable and accounts payables approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(Expressed in Canadian Dollars)

## 7. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a QT. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the year ended January 31, 2018.

## 8. INCOME TAXES

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

| | January 31, 2018 | January 31, 2017 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (118,732) | (34,217) |
| Combined Canadian federal and provincial statutory rate | 27.00% | 26.00% |
| Expected income tax recovery at statutory tax rates | (32,058) | (8,896) |
| Share issuance costs | (323) | - |
| Unrecognized benefit of non-capital losses | 32,381 | 8,896 |
| Total deferred taxes | - | - |

(Expressed in Canadian Dollars)

## 8. INCOME TAXES (continued)

The significant component of the Company's unrecognized deductible temporary differences are as follows:

| | January 31, 2018 | January 31, 2017 |
|---|---|---|
| | $ | $ |
| Non-capital losses | 375,001 | 255,072 |
| Share issue costs | 4,786 | - |
| | **379,786** | **255,072** |

The temporary differences expire as follows:

| | Non-capital losses |
|---|---|
| | $ |
| 2032 | 12,117 |
| 2033 | 40,753 |
| 2034 | 48,584 |
| 2035 | 50,264 |
| 2036 | 46,749 |
| 2037 | 56,605 |
| 2038 | 119,928 |
| | **375,001** |

# Spirit Bear Capital Corp.
**(A Capital Pool Company)**

**Financial Statements**
**For the year ended January 31, 2017**
**(Expressed in Canadian Dollars)**

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Index to Financial Statements
For the year ended January 31, 2017
(Expressed in Canadian Dollars)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spirit Bear Capital Corp.

We have audited the accompanying financial statements of Spirit Bear Capital Corp., which comprise the statements of financial position as at January 31, 2017 and 2016, and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements present fairly, in all material respects, the financial position of Spirit Bear Capital Corp. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
CHARTERED PROFESSIONAL ACCOUNTANTS

May 29, 2017
Vancouver, Canada

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Financial Position
(Expressed in Canadian Dollars)

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (Note 3) | 154,733 | 189,014 |
| GST receivable | 1,582 | 1,099 |
| Prepaid expense | 886 | 886 |
| **TOTAL ASSETS** | 157,201 | 190,999 |
| **LIABILITIES** | | |
| **Current** | | |
| Trade payables and accrued liabilities (Note 4) | 8,500 | 8,081 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 5) | 269,249 | 269,249 |
| Reserve (Note 5) | 42,150 | 42,150 |
| Accumulated deficit | (162,698) | (128,481) |
| | 148,701 | 182,918 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 157,201 | 190,999 |

**Nature and continuance of operations** (Note 1)

These financial statements are authorized for issuance by the Board of Directors on May 29, 2017.

**On behalf of the Board of Directors:**

| | |
|---|---|
| “Michael Waldkirch” | “James Anderson” |
| Director | Director |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the year ended January 31, 2017 | 2016 |
|---|---|---|
| | **$** | **$** |
| **Expenses** | | |
| Bank charge and interest | 149 | 143 |
| Professional fees | 18,139 | 14,175 |
| Regulatory and shareholders' service | 14,444 | 11,415 |
| Travel and related | 2,374 | - |
| | (35,106) | (25,733) |
| Interest income | 889 | 1,372 |
| **Loss and comprehensive loss for the year** | (34,217) | (24,361) |
| **Loss per share – basic and diluted** | (0.01) | (0.01) |
| **Weighted average number of common shares outstanding – basic and diluted** (Note 5) | 3,000,000 | 3,000,000 |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the year ended January 31, 2017 | 2016 |
|---|---|---|
| | **$** | **$** |
| **Cash flows used in operating activities** | | |
| Net loss for the year | (34,217) | (24,361) |
| Changes in non-cash working capital items | | |
| GST receivable | (483) | 321 |
| Prepaid expense | - | 479 |
| Trade payables and accrual liabilities | 419 | (496) |
| | (34,281) | (24,057) |
| **Decrease in cash and cash equivalents** | (34,281) | (24,057) |
| **Cash and cash equivalents, beginning of year** | 189,014 | 213,071 |
| **Cash and cash equivalents, end of year** | 154,733 | 189,014 |

The accompanying notes are an integral part of these financial statements.

**SPIRIT BEAR CAPITAL CORP.**
**(A Capital Pool Company)**
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Number of Shares Issued | Share Capital | Reserve | Accumulated Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** |
| **Balance at January 31, 2015** | 4,000,006 | 269,249 | 42,150 | (104,120) | 207,279 |
| Net loss for the year | - | - | - | (24,361) | (24,361) |
| **Balance at January 31, 2016** | 4,000,006 | 269,249 | 42,150 | (128,481) | 182,918 |
| Net loss for the year | - | - | - | (34,217) | (34,217) |
| **Balance at January 31, 2017** | 4,000,006 | 269,249 | 42,150 | (162,698) | 148,701 |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company is classified as a Capital Pool Company ("CPC") while the principal business is the identification and evaluation of assets or a business (the "Qualifying Transaction" ("QT")) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. As the Company was unable to complete its QT by the filing deadline, the Company requested to transfer the listing of the Company's common shares to the NEX trading board of the TSX Venture Exchange ("TSX-V") and reinstate the Company's shares for trading. The Company is presently listed and trading on the NEX under the symbol SBG.H.

The Company's head office, principal address and registered and records office is located at 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

### Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

### Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

### Cash and cash equivalents

The Company considers cash to include cash on deposit and highly liquid short-term investments bearing variable interest rates that are readily convertible to known amounts of cash and generally have original maturities within three months. Interest earned is recognized immediately in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

### Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

### Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

### Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of cancelled and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

*Financial assets*
The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* **-** This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

*Loans and receivables* **-** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

*Held-to-maturity investments* **-** These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* **-** Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*
The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* **-** This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried 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 method, and includes trade payables.

For the years presented, the Company did not have any derivative financial assets or liabilities.

### Income taxes

*Current income tax:*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(Expressed in Canadian Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income taxes (continued)**

*Deferred income tax:*
Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Accounting standards and amendments not yet adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2017 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the revised standard which will be effective to the Company's financial statements for the year ending January 31, 2018 or later:

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

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

## 3. CASH AND CASH EQUIVALENTS

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| | $ | $ |
| Cash at bank | 11,570 | 1,630 |
| Demand deposit | 143,163 | 187,384 |
| | **154,733** | **189,014** |

## 4. TRADE PAYABLES AND ACCRUED LIABILITIES

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| | $ | $ |
| Accounts payable | - | 581 |
| Accrued liabilities | 8,500 | 7,500 |
| | **8,500** | **8,081** |

(Expressed in Canadian Dollars)

## 5. SHARE CAPITAL AND RESERVE

### Authorized Share Capital

Unlimited number of common shares without par value.

### Escrow Shares

There were 1,000,006 shares (January 31, 2016 – 1,000,006) subject to escrow restrictions until completion of a QT and would then be released from escrow in tranches over 36 months. The 1,000,006 escrow shares are not included in the calculation of the weighted average number of shares outstanding to determine loss per share.

### Stock Options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

A summary of the stock options outstanding and exercisable at January 31, 2017 is as follows:

| Exercise price | Number outstanding | Number exercisable | Expiry date |
|---|---|---|---|
| $ | | | |
| 0.10 | 500,000 | 500,000 | May 14, 2017 (subsequently expired unexercised) |

The weighted average life of outstanding stock options is 0.29 year (January 31, 2016 – 1.29 years).

### Reserve

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired stock options are transferred to deficit in the year of forfeiture or expiry.

## 6. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's GST receivable and accounts payable approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

## 8. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a QT. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V. As a CPC, the Company is subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;
2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;
3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;
4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the year ended January 31, 2017.

(Expressed in Canadian Dollars)

## 9. INCOME TAXES

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

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (34,217) | (24,361) |
| Combined Canadian federal and provincial statutory rate | 26.00% | 26.00% |
| Expected income tax recovery at statutory tax rates | (8,896) | (6,334) |
| Share issuance costs | - | (5,821) |
| Unrecognized benefit of non-capital losses | 8,896 | 12,155 |
| Total deferred taxes | - | - |

The significant components of the Company's unrecognized deductible temporary differences are as follows:

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| | $ | $ |
| Non-capital losses | 255,072 | 198,467 |
| Share issuance costs | - | 22,388 |
| Total unrecognized deductible temporary differences | 255,072 | 220,855 |

The temporary differences expire as follows:

| | Non-capital losses |
|---|---|
| | $ |
| 2032 | 12,117 |
| 2033 | 40,753 |
| 2034 | 48,584 |
| 2035 | 50,264 |
| 2036 | 46,749 |
| 2037 | 56,605 |
| | 255,072 |

A full valuation has been recorded due to the uncertainty of achieving sufficient future income for tax purposes such that the assets will be realized.

**Schedule “B”**
**Company MD&A**

(see attached)

**Management's Discussion and Analysis**

**Gaia Grow Corp.**

**For the nine-month periods ended September 30, 2019 and 2018**

*The following management discussion and analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes ("Financial Statements") of Gaia Grow Corp. (the "Company") for the nine months ended September 30, 2019. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated.*

*This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.*

## Introduction

The following discussion of performance and financial condition should be read in conjunction with the condensed interim financial statements of Gaia Grow Corp. (the "Company") for the nine months ended September 30, 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is Canadian dollars unless otherwise stated. This Management's Discussion and Analysis ("MD&A") is dated November 25, 2019.

## Description of Business

The Company was incorporated on June 22, 2018 under "Gaia Investments Inc." and subsequently changed its name to Gaia Grow Corp. The Company's head office is located at 10th Floor, 595 Howe Street, Vancouver, BC, Canada. Its principal business activity was the identification and evaluation of companies, assets or businesses with a view to completing a business combination. On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). In accordance with the terms of the Amalgamation Agreement, the Company and SBG will combine their respective businesses by way of a three-cornered amalgamation (the "Transaction").

Additionally, on March 22, 2019, as last amended on June 7, 2019, the Company acquired all of the issued and outstanding shares of Gaia Bio-Pharmaceuticals Inc. ("Gaia Bio") for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit paid by the Company to the shareholders of the Company ($76,000 has been recorded in accounts payable and $124,000 was paid directly to the shareholders of the Company). The $76,000 has been recorded as a distribution to the shareholders of Gaia Bio;
(b) the issuance of 7% of the issued and outstanding common shares of the Company (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) A conditional payment of $1,600,000 in cash or equivalent in common shares of the Company, in the event that the common shares of the Company are valued less than $2,000,000 at any time during the 60-day period after the Company is in receipt of a license to cultivate from Health Canada;
(d) The Company will assume the business loan in the amount of $10,625 and
(e) The Company will assume Gaia Bio's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") whereby Gaia Bio agreed to purchase a plot of land (the "Property") located in Lamont County, Alberta for the purpose of growing hemp. The purchase price, as last amended, is $190,000 and 5% of the total number of common shares of Gaia Bio, subject to the condition that the number of shares may change depending on whether more shares are issued. Closing of the transaction is to be 30 days after Gaia Bio receives Health Canada's pre-approval "letter-to-build" ("LTB"), which has not yet been obtained. Further, the

Company will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). Subsequent to the contemplated amalgamation, the resulting issuer ("Resulting Issuer") will continue to carry on the business of Gaia Bio.

July 23, 2019 the Resulting Issuer (TSXV: GAIA), announced that it has completed the acquisition of the privately held Gaia Grow Corp. (which has subsequently changed its name to "Gaia Grow Holdings Corp"). In accordance with the terms of the Transaction, the Company has amalgamated with a wholly-owned subsidiary of SBG, and the Resulting Issuer changed its name to "Gaia Grow Crop."

In connection with completion of the Transaction, the Company completed a private placement financing (the "Financing") through the offering of 45,076,969 subscription receipts (each, a "Receipt") at a price of $0.10 per Receipt, for gross proceeds of $4,507,697. Immediately prior to completion of the Transaction, each Receipt was automatically converted into one common share of the Resulting Issuer (the "Receipt Shares"), and the proceeds from the Financing were released from escrow. Following the release of the proceeds, Gaia paid finders' fees of $86,065 to certain parties who had introduced subscribers to the Financing.

Pursuant to the terms of the Transaction, the Resulting Issuer issued 120,000,000 common shares to the existing shareholders of the Company, as well as 45,076,969 common shares to the existing holders of the Receipt Shares. The Resulting Issuer also issued 6,325,000 common shares (the "Finders' Shares") to an arms'-length party who assisted the Company in facilitating the Transaction. Following completion of the Transaction, the Resulting Issuer has 200,201,981 common shares outstanding.

In connection with the Transaction, an aggregate of 101,553,529 common shares of the Resulting Issuer are subject to a Tier 2 Surplus Escrow Agreement, 21,176,471 common shares are subject to a Tier 2 Value Escrow Agreement, and 2,000,012 common shares are subject to a CPC Escrow Agreement, in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Finders' Shares are subject to a four-month-and-one-day statutory hold period in accordance with applicable Canadian securities laws.

The Resulting Issuer also assumed an obligation owing to former shareholders of Gaia Bio, a wholly-owned subsidiary of the Company, in which such shareholders may be entitled to an additional payment in the event the 8,400,000 common shares issued by the Company to acquire Gaia Bio are valued at less than $2,000,000 at any time during the sixty day period following Gaia Bio receiving a license to cultivate cannabis. In such a case, an additional payment of $1,600,000 will be owing to the former shareholders of Gaia Bio, to be satisfied in cash or through the issuance of common shares of the Company based upon the greater of: (i) the thirty-day volume-weighted average trading price of the common shares of the Resulting Issuer on the Exchange at the time of issuance, and (ii) $0.10 per share. Any common shares of the Resulting Issuer issued to satisfy this payment will be subject to a Tier 2 Value Escrow Agreement.

As at September 30, 2019, the Company had working capital of $3,931,212 (December 31, 2018 – deficit of $169) and accumulated shareholders deficit of $3,788,733 (December 31, 2018 – deficit of $220). During the nine months ended September 30, 2019, the Company incurred a net loss of $3,788,513. The continuing operations of the Company are dependent upon its ability to continue to achieve profitable operations in the future, and raise additional funds as and when required. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

## Business Overview

In October 2019 the Company completed inaugural 2019 hemp harvest from its Rockyview County, Alberta Fields. Multiple stages of harvest were completed, ensuring a whole-plant harvest and efficient separation of the various parts of the hemp plants for effective and efficient use by their intended offtake partners in different sales channels. Gaia's custom harvesting and hauling teams successfully deployed harvesting machinery, baling equipment, loaders and transport trucks to arrange and prepare the harvested product for sale to its end users. The multi-stage harvest included effectively passing over the approximately 1500 acres of land several times to separate the harvest components. One final pass over the remaining bottom stalks will be completed this week in order to secure the fiber for sale down a different supply chain, leaving the land in a condition ready for its landowners to be able to prepare for next year's rotational crops. The harvesting team worked 24 hours a day for the roughly 6 days required to complete the harvesting and baling.

The Company purchased a plot of land located in Lamont County, Alberta for the purpose of growing hemp. The purchase price, as last amended, is $190,000 and 5% of the total number of common shares of Gaia Bio, subject to the condition that the number of shares may change depending on whether more shares are issued. Closing of the transaction is to be 30 days after Gaia Bio receives Health Canada's pre-approval "letter-to-build" ("LTB"), which has not yet been obtained. Further, the Company will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase. To date, the Company has not received LTB approval.

During the nine months ended September 30, 2019, due to a number of extensions to the offer to purchase LTB, the Company paid the sellers $11,300.

## SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

### Selected Annual Information

The following selected financial information is derived from the audited consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

| | Period from incorporation, June 22, 2018, to December 31 (audited) 2018 |
|---|---|
| Total revenues | $ - |
| General and administrative expenses | 220 |
| Net income (loss) | (220) |
| Total assets | 10,331 |
| Total liabilities | 10,500 |
| Cash dividends declared per share | Nil |

### Selected quarterly information

| | Three-month period ended | | | |
|---|---|---|---|---|
| | Sep 30, 2019 | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 |
| Net revenue | $ - | $ – | $ - | $ - |
| Net comprehensive income (loss) | (3,327,219) | (456,824) | (4,470) | (220) |
| Basic and diluted – comprehensive income (loss) per share | (0.05) | (0.00) | (0.00) | (0.00) |

| | Three-month period ended | |
|---|---|---|
| | Sep 30, 2018 | Jun 30, 2018 |
| Net revenue | $ - | $ - |
| Net comprehensive income (loss) | - | - |
| Basic and diluted – comprehensive income (loss) per share | 0.00 | 0.00 |

## RESULTS OF OPERATIONS

### For the nine months ended September 30, 2019

Comprehensive loss for the nine ended September 30, 2019 was $3,788,513. There was no loss recorded during the period from June 22, 2018, the incorporation date, to September 30, 2018. The comprehensive loss incurred during the nine months ended September 30, 2019 was mainly attributable to the following:

- Expense of $2,385,503 related to the listing expense of the Gaia Grow.
- Expense of $283,375 related to acquisition of Gaia Bio $200,000 paid, $103,580 accumulated Gaia Bio deficit and $20,205 in payables written off;
- Share based compensation expense of $444,180 related to stock options issued by the Company;
- $484,302 in consulting fees related to the Transaction; and
- Advertising expenses of $152,472 related to the Transaction.

### For the three months ended September 30, 2019

Comprehensive loss for the three months ended September 30, 2019 was $3,327,219 as compared to $nil comprehensive loss for the same period in 2018. The comprehensive loss was mainly attributable to the following:

- Expense of $2,385,503 related to the listing expense of the Gaia Grow.
- Share based compensation expense of $444,180 related to stock options issued by the Company;
- $484,302 in consulting fees related to the Transaction; and
- Advertising expenses of $152,472 related to the Transaction.

### Liquidity and Capital Resources

At September 30, 2019, the Company has $2,679,007 (December 31, 2018 - $31) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of $120,084 (December 31, 2018 - $nil) are due within three months. Due to related parties of $50,000 (December 31, 2018 - $nil) were paid subsequent to the period end.

### Related Party Transactions

During the period ended September 30, 2019, $66,000 (2018 - $nil) was paid to directors of the Company and recorded as consulting expense. $15,000 (2018 - $nil) was paid to a company of which officers of the Company are employees. $10,000 (2018 - $nil) was paid to a director of the Company, recorded as management fee and closed to Listing expense. As at September 30, 2019 $50,000 (December 31, 2018 - $nil) is payable to a director of the Company.

## Outstanding Share Data

Authorized: Unlimited number of common shares without par value.

As at September 30, 2019 and November 25, 2019 the Company had 202,501,981 common shares issued and outstanding.

## Stock Options

The Company adopted a stock option plan (the "Stock Option Plan") pursuant to which it can grant options to directors, officers and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

In August 2019 the Company granted 5,650,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $407,980 on grant date using Black-Scholes option pricing model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 151.72% volatility; risk free interest rate of 1.21; and a dividend yield of 0%.

On September 10, 2019 the Company granted 500,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $36,200 on grant date using Black-Scholes option pricing model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 152.31% volatility; risk free interest rate of 1.44; and a dividend yield of 0%.

During the period 2,300,000 stock options were exercised raising $230,000.

The movement in the Company's stock options for the nine months ended September 30, 2019 are as follows:

| | Number of options | Exercise price |
|---|---|---|
| Outstanding, December 31, 2018 | - | $ - |
| Granted | 6,150,000 | 0.10 |
| Exercised | (2,300,000) | 0.10 |
| Outstanding and exercisable, September 30, 2019 | 3,850,000 | $ 0.10 |

As at September 30, 2019 and November 25, 2019 the Company has the following stock options outstanding:

| Number of options outstanding and exercisable | Exercise price | Expiry date |
|---|---|---|
| 3,850,000 | $0.10 | August 29, 2024 |

**Warrants**

As at September 30, 2019 and November 25, 2019 the Company does not have warrants outstanding.

**Financial and Other Instruments**

The Company's financial assets and liabilities consist of cash and cash equivalents, trade payables. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

**Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

**Adoption of New and Revised Standards and Interpretations**

Other accounting standards of 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.

**Off-Balance Sheet Arrangements**

The Company did not enter into any off-balance sheet arrangements during the period.

## Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of Management. In the preparation of these statements estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

## Risk Factors

The Investment in the common shares must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development.

There can be no assurance that an active and liquid market for the Company's common shares will develop and an investor may find it difficult to resell the common shares.

The hemp industry involves significant risks. In addition to the risk factors described elsewhere in this MD&A, the risk factors that should be taken into account in considering the Company's business include, but are not limited to, those set out below. Any one or more of these risks could have a material adverse effect on the future prospects of the Company and the value of its securities.

### Current Global Financial Condition

Current global financial conditions have been subject to increased volatility and turmoil. These factors may affect Gaia Bio's ability to obtain equity financing in the future or, if obtained, to do so on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations as well as the trading price of its common shares could be adversely affected.

### Industry and Hemp Product Manufacturing Risk

Hemp product manufacturing is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's commercial efforts will be successful. At present, Gaia Bio has not begun production.

The Company may be subject to risks that could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks. Gaia Bio attempts to balance these risks through insurance programs where required and ongoing risk assessments conducted by its management team.

**Commodity Prices**

Gaia Bio is in the business of hemp products, the market prices of which can fluctuate widely. Hemp prices ultimately depend on demand in the end markets for which hemp products are used. Demand is affected by numerous factors beyond the Company's control, including the overall state of the economy, general level of industrial production, trends in demand and government regulation. In the course of its current operations, the Company does not enter into price hedging programs.

**Environmental**

Cultivation projects and operations are subject to the environmental laws and applicable regulations of the jurisdiction in which Gaia Bio operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

**Reliance upon Key Personnel**

The Company is dependent upon a number of key management and operational personnel, including the services of certain key employees. Its ability to manage activities, and hence its success, will depend in large part on the efforts of these individuals. During times when metals prices are strong, the Company faces intense competition for qualified personnel, and there can be no assurance that Gaia Bio will be able to attract and retain such personnel at any time. Gaia Bio does not maintain "key person" life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

**Insurance**

Gaia Bio's insurance will not cover all the potential risks associated with its operations. In addition, although certain risks are insurable, it might be unable to maintain insurance to cover these risks at economically feasible premiums. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to Gaia Bio or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**Requirements to Obtain Government Permits**

Government approvals and permits are currently required in connection with Gaia Bio's activities, and further approvals and permits may be required in the future. The duration and success of the Company's efforts to obtain permits are contingent upon many variables outside of its control. Obtaining government permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and if obtained, that the costs involved will not exceed Gaia Bio's estimates or that it will be able to maintain such permits. To the extent such approvals are required and not obtained or maintained, the Company may be prohibited from proceeding with planned activities.

**Joint Ventures**

From time to time Gaia Bio may enter into one or more joint ventures. Any failure of a joint venture partner to meet its obligations could have a material adverse effect on such joint ventures. In addition, the Company might be unable to exert influence over strategic decisions made in connection with properties that are involved in such joint ventures.

**Controls and Procedures**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports.

**Outlook**

Although current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance they will be able to do so in the future. The financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially, from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

# Spirit Bear Capital Corp.
(A Capital Pool Company)

Management Discussion & Analysis

For the year ended January 31, 2019

303 - 750 West Pender Street
Vancouver, BC
V6C 2T7

This Management Discussion and Analysis ("**MD&A")** of financial position and results of operation are as at May 13, 2019 and should be read in conjunction with the financial statements for the year ended January 31, 2019 and related notes (the "**Interim Financial Statements**"). The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars. Additional information can be found at the website www.sedar.com.

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results. See additional discussion under "Risks and Uncertainties" section.

## CORPORATE PROFILE AND OVERALL PERFORMANCE

Spirit Bear Capital Corp. (the "**Company**") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company is classified as a Capital Pool Company ("CPC") while the principal business is the identification and evaluation of assets or a business (the "Qualifying Transaction" ("QT")) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On March 16, 2018, the Company entered into a Securities Exchange Agreement (the "Agreement") with FinX Solutions Inc. ("FinX"). On May 15, 2018 the Company terminated the Agreement with FinX Solutions Inc. with no further obligation on either party. The Company continues to aggressively identify and evaluate opportunities for the purpose of completing its qualifying transaction. The Company is presently listed and trading on the NEX under the symbol SBG.H.

The Company's head office, principal address and registered and records office is located at Suite 303, 750 West Pender Street Vancouver, BC V6C 2T7.

In September 2017, James Anderson resigned as a director of the Company. Zula Kropivnitski was appointed as his replacement on the board of directors.

In October 2017 the Company closed a private placement and issued a total of 5,400,000 common shares at a price of CDN$0.095 per Share, for gross proceeds of CDN$513,000. All Shares issued are subject to a hold period of four months and one day and as such may not be traded until February 4, 2018. No finder's fee was paid in connection with the private placement.

On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Gaia Grow Corp. ("Gaia"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (British Columbia). Gaia is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

In accordance with the terms of the Amalgamation Agreement, the Company, 1193805 B.C. and Gaia will combine their respective businesses by way of a three-cornered amalgamation (the "Transaction"), following which Gaia will continue as a wholly owned subsidiary of the Company. Following completion of the Transaction, it is anticipated that the amalgamated company will change its name to Gaia Grow Corp. and the resulting issuer will continue to carry on the business of Gaia.

In connection with completion of the Transaction, it is a condition to closing that Gaia completes a private placement financing through the offering of up to 40 million subscription receipts (the "Receipts") at a price of 10 cents per receipt for gross proceeds of up to $4 million. Proceeds of the financing will be held in escrow pending completion of the Transaction. Immediately prior to completion of the Transaction, each Receipt will automatically be converted into one common share of Gaia. Upon completion of the Transaction, the holders of common shares in the capital of Gaia will receive one common share of the resulting issuer in exchange for each outstanding common share of Gaia.

The Transaction will constitute a QT for the Company under Policy 2.4. Closing of the Transaction is subject to a number of conditions including completion of the financing, approval of the TSX-V, approval of the Company's shareholders and satisfaction of other closing conditions as are customary in transactions of this nature.

During the year ended January 31, 2019, the Company provided a loan of $10,500 to Gaia. The loan is non-interest bearing and repayable by May 31, 2019.

Subject to the approval of the TSX-V, the Company has also offered a credit facility to Gaia. It is expected that total advances under the credit facility will be limited to $200,000, and that the credit facility will be secured against a general charge over all of the assets of Gaia. The credit facility does not bear interest, but will be repayable in full by Gaia in the event the Transaction does not proceed.

As at May 13, 2019, the Company had cash and cash equivalents of $716,085 and accumulated deficit of $395,248. See "Liquidity and Capital Resources".

## RESULTS OF OPERATIONS

As at January 31, 2019, the Company was a CPC. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

Selected Financial Data

| | **For the years ended January 31,** | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | $ | $ | $ |
| Interest income | 323 | 673 | 889 |
| General and administrative expenses | 165,883 | (56,917) | (35,106) |
| Net and comprehensive loss | (113,818) | (118,732) | (34,247) |
| Basic and diluted loss per share | (0.01) | (0.02) | (0.01) |
| | | | |
| Working capital | 894,953 | 536,987 | 148,701 |
| Total assets | 984,599 | 637,357 | 157,201 |
| Total shareholders' equity | 894,953 | 536,987 | 148,701 |

### Net and comprehensive loss

At January 31, 2019, the Company had not yet achieved profitable operations and has accumulated losses of $395,248 (January 31, 2018 - $281,430) since inception. These losses resulted in a net loss per share (basic and diluted) for the year ended January 31, 2019 of $0.01 (2018 - $0.02).

**Results of Operations**

*Year ended January 31, 2019*
The professional fees expense incurred during the year ended January 31, 2019 of $122,933 (2018 - $27,070) related to transaction described in the "Corporate Profile and Overall Performance" section above. There was no such transaction during the year ended January 31, 2018, thus the professional fees expense increased by $95,863.

The operating and administrative expenses net of professional fees for the year ended January 31, 2019 totaled $42,950 (2018 - $29,847). The major expense were regulatory fees of $21,218 (2018 - $14,119) related to the transaction described in the "Corporate Profile and Overall Performance" section above.

*Three months ended January 31, 2019*
The professional fees expense incurred during the three months ended January 31, 2019 of $75,084 (2018 - $9,874) related to transaction described in the "Corporate Profile and Overall Performance" section above. There was no such transaction during the three months ended January 31, 2018, thus the professional fees expense increased by $65,210.

The operating and administrative expenses net of professional fees for the three months ended January 31, 2019 totaled $9,011 (2018 - $19,216).

Summary of quarterly results for the last consecutive 8 quarters

Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

| | Quarters Ended | | | |
|---|---|---|---|---|
| | January 31, 2019 | October 31, 2018 | July 31, 2018 | April 30, 2018 |
| | $ | $ | $ | $ |
| Net and Comprehensive Gain (Loss) | (32,203) | (19,112) | 20,561 | (83,064) |
| Basic and Diluted Loss Per Share | 0.00 | 0.00 | 0.00 | (0.01) |
| Weighted Average Shares | 22,032,889 | 10,813,049 | 9,400,006 | 9,400,006 |

| | Quarters Ended | | | |
|---|---|---|---|---|
| | January 31, 2018 | October 31, 2017 | July 31, 2017 | April 30, 2017 |
| | $ | $ | $ | $ |
| Net and Comprehensive Loss | (84,364) | (20,447) | (7,033) | (6,888) |
| Basic and Diluted Loss Per Share | (0.01) | (0.00) | (0.00) | (0.00) |
| Weighted Average Shares | 9,400,006 | 4,643,478 | 3,000,000 | 3,000,000 |

Basic and diluted loss per share and weighted average shares calculation does not include 2,000,012 escrowed shares as they are contingently returnable.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity.

The Company's liquidity and capital resources are as follows:

| | January 31, 2019 | January 31, 2018 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 963,641 | 621,924 |
| Total current assets | 984,599 | 637,357 |
| Trade payables and accrued liabilities | 89,646 | 100,370 |
| Working capital | 894,953 | 536,987 |

Management believes the Company has sufficient funds on hand to meet anticipated administrative and other related expenditures.

As of the date hereof, the Company did not have any commitments for capital expenditures.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in Exchange Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;

2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;

3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;

4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

## OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements as at January 31, 2019 or as of the date of this report.

## CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of the Financial Statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

### Significant Judgments

The preparation of the Financial Statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## ACCOUNTING STANDARDS AND AMENDMENTS NOT YET ADOPTED

There were no changes to the Company's accounting policies during the year ended January 31, 2019.

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2018 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the revised standard which will be effective to the Company's financial statements for the year ending January 31, 2018 or later:

IFRS 2 – Share Based Payments: the amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. Management does not anticipate this standard having a material effect on the Company's financial statements.

IFRS 9 – Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Clarifications to IFRS 15 "Revenue from Contracts with Customers" issued. The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases, establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

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

## RISKS & UNCERTAINTIES

The Company currently has no source of recurring income, has not commenced commercial operations, has no significant assets other that cash, has no history of earnings and does not intend to pay dividends. In addition, there can be no assurance that the Company will be able to obtain additional financing in the future on terms acceptable to the Company or at all.

The Company's success depends to a certain degree upon key members for the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

## FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

Capital Management

The Company defines capital as the Company's shareholder's equity. The Company's objectives when managing capital is to safeguard its accumulated capital by maintaining a sufficient level of funds to complete the Company's QT while providing adequate returns to shareholders.

## SHARE CAPITAL

As at January 31, 2019, the Company had 28,800,012 (January 31, 2018 – 9,400,006) common shares issued and outstanding of which 2,000,012 (January 31, 2018 – 2,000,012) shares of the Company are held in escrow and will be released to shareholders upon completion of a qualified transaction in accordance with Exchange Policy 2.4 over a period of up to 36 months.

## STOCK OPTIONS

Stock Options

The Company has adopted a stock option plan (the "Stock Option Plan") pursuant to which it can grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. During the year ended January 31, 2018, 500,000 incentive stock options of the Company expired unexercised.

## DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES

As at the date of this report, the Company had 28,800,012 common shares outstanding, and the Company does not have options or warrants outstanding.

## OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on SEDAR at www.sedar.com including, but not limited to:

- the Company's financial statements for the year ended January 31, 2019; and
- the Company's audited financial statements for the year ended January 31, 2019.

This MD&A has been approved by the Board on May 13, 2019.

**Schedule “C”**
**Gaia Financial Statements**

(see attached)

# GAIA GROW CORP.

Financial Statements

Year Ended December 31, 2018

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Gaia Grow Corp.

**Opinion**

We have audited the financial statements of Gaia Grow Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of net and comprehensive loss, changes in deficit and cash flows for the period from June 22, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from June 22, 2018 (date of incorporation) to December 31, 2018 in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

June 28, 2019

**GAIA GROW CORP.**
Statement of financial position
(Expressed in Canadian dollars)

| | December 31, 2018 $ |
|---|---|
| Assets | |
| Current assets | |
| Cash | 31 |
| Loan receivable (Note 4) | 10,250 |
| Other receivable (Note 5) | 50 |
| Total assets | 10,331 |
| Liabilities and shareholders' deficit | |
| Current liability | |
| Loan payable (Note 3) | 10,500 |
| Shareholders' deficit | |
| Share capital (Note 5) | 51 |
| Deficit | (220) |
| Total shareholders' deficit | (169) |
| Total liabilities and shareholders' deficit | 10,331 |

Nature of business and continuance of operations (Note 1)
Subsequent events (Note 9)

Approved and authorized for issuance on behalf of the Board of Directors on June 28, 2019 by:

| | |
|---|---|
| */s/* Frederick Pels | */s/* Adam Hoffman |
| Frederick Pels, Director | Adam Hoffman, Director |

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

**GAIA GROW CORP.**
Statement of net and comprehensive loss
(Expressed in Canadian dollars)

| | June 22, 2018 (date of incorporation) - December 31, 2018 $ |
|---|---|
| Expenses | |
| Office and miscellaneous | 220 |
| Net and comprehensive loss for the period | (220) |
| Net loss per share, basic and diluted | (0.00) |
| Weighted average shares outstanding, basic and diluted | 60,000,000 |

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

**GAIA GROW CORP.**
Statement of changes in deficit
(Expressed in Canadian dollars)

| | Share capital | | | |
|---|---|---|---|---|
| | Number of shares | Amount $ | Deficit $ | Total shareholders' deficit $ |
| Balance, June 22, 2018 (date of incorporation) | 510,000 | 51 | - | 51 |
| Forward split | 59,490,000 | | | |
| Net loss for the period | - | - | (220) | (220) |
| Balance, December 31, 2018 | 60,000,000 | 51 | (220) | (169) |

See Note 5.

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

## GAIA GROW CORP.

Statement of cash flows
(Expressed in Canadian dollars)

| | June 22, 2018 (date of incorporation) - December 31, 2018 $ |
|---|---|
| Operating activities | |
| Net loss for the period | (220) |
| Investing activity | |
| Loan receivable | (10,250) |
| Financing activities | |
| Proceeds from loan payable | 10,500 |
| Proceeds from issuance of shares | 1 |
| Net cash provided by financing activities | 10,501 |
| Increase in cash, being cash end of period | 31 |

Non-cash transaction:
During the period ended December 31, 2018, the Company recorded $50 in other receivables for proceeds receivable for the issuance of common shares (Note 5).

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

## 1. Nature of Business and Continuance of Operations

Gaia Grow Corp. (the "Company") was incorporated on June 22, 2018 under "Gaia Investments Inc." and subsequently changed its name. The Company's head office is located at $10^{th}$ Floor, 595 Howe Street, Vancouver, BC, Canada. Its principal business activity is the identification and evaluation of companies, assets or businesses with a view to completing a business combination.

On January 31, 2019, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). On March 22, 2019, the Company acquired all of the issued and outstanding common shares of Gaia Bio-Pharmaceuticals Inc. ("Gaia Bio"). Gaia Bio is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada. Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of Gaia Bio. See Note 9.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown. As at December 31, 2018, the Company had not yet generated any revenue, has a working capital deficit of $169, and has accumulated losses of $220 since inception. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors indicate the existence of a material uncertainty that may cast significant doubt the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis except for financial assets classified as fair value through profit or loss, which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the impairment of loan receivable and unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

**2. Significant Accounting Policies** (continued)

(c) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net and comprehensive loss Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**2. Significant Accounting Policies** (continued)

(c) Financial instruments (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(d) Income Taxes

*Current income tax*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

(e) Earnings (Loss) Per Share

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

## 2. Significant Accounting Policies (continued)

(f) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of Income (loss).

(g) Accounting Standards Issued But Not Yet Effective

Other 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.

## 3. Loan Payable

As at December 31, 2018, the Company has a loan payable of $10,500 to SBG. The loan is unsecured, non-interest bearing and repayable by May 31, 2019. Subsequent to year end, the repayment date was extended to July 15, 2019.

## 4. Loan Receivable

As of December 31, 2018, the Company has a loan due from Gaia Bio, an arms-length company. The loan is non-interest bearing and is due on demand. Subsequent to December 31, 2018, the Company acquired all of the issued and outstanding common shares of Gaia Bio (Note 9).

## 5. Share Capital

Authorized: Unlimited number of common shares without par value.

On January 18, 2019, the Company completed a forward share split on the basis of 1:117.647. All share amounts are stated on a post forward share split basis.

Issued:

The Company issued 60,000,000 (510,000 pre-forward share split) common shares at $0.0001 for proceeds of $51, of which $50 was recorded in other receivables at December 31, 2018.

### 6. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as of December 31, 2018 as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $ | Significant other observable inputs (Level 2) $ | Significant unobservable inputs (Level 3) $ | Balance as at December 31, 2018 $ |
| Cash | 31 | – | – | 31 |

The fair values of other financial instruments, which include other receivable, loan receivable and loan payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company is not exposed to any significant foreign exchange risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Liquidity risk has been assessed as high.

### 7. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity, comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.

(Expressed in Canadian dollars)

## 8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

| | 2018<br>$ |
|---|---|
| Canadian statutory income tax rate | 27% |
| Income tax recovery at statutory rate | (59) |
| Tax effect of: | |
| Change in unrecognized deferred income tax assets | 59 |
| Income tax provision | – |

The significant components of deferred income tax assets and liabilities are as follows:

| | 2018<br>$ |
|---|---|
| Deferred income tax assets | |
| Non-capital losses carried forward | 220 |
| Unrecognized deferred income tax assets | (220) |
| Net deferred income tax asset | – |

As at December 31, 2018, the Company has non-capital losses carried forward of $220 which are available to offset future years' taxable income. These losses expire as follows:

| | $ |
|---|---|
| 2038 | 220 |

## 9. Subsequent Events

a) On January 18, 2019, the Company issued 438,600 common shares for proceeds of $439 and completed a forward share split on the basis of 1:117.647, resulting in a total of 51,600,000 common shares being issued. The Company also issued 438,600 common shares for proceeds of $439.

b) The Company received share subscription receipts for a total of 45,076,969 shares at $0.10 per share for proceeds of $4,507,697. These proceeds are held in escrow pending closing of the Transaction with SBG (Note 1). Should the Transaction not close, funds will be returned to the subscribers.

c) In accordance with the terms of the Amalgamation Agreement (Note 1), the Company and SBG will combine their respective businesses by way of a three-cornered amalgamation (the "Transaction").

Subsequent to year end, the Company advanced a further $66,782 to Gaia Bio. The loan is non-interest bearing and due on demand.

**9. Subsequent Events (continued)**

c) (continued)

Additionally, on March 22, 2019, as last amended on June 7, 2019, the Company acquired all of the issued and outstanding shares of Gaia Bio for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit to the shareholders of Gaia Bio ($76,000 was paid and $124,000 has subsequently been recorded in due to related party). The amount due to related party is non-interest bearing and repayable upon demand;
(b) the issuance of 7% of the issued and outstanding common shares of the Company (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) A conditional payment of $1,600,000 in cash or equivalent in common shares of the Company, in the event that the common shares of the Company are valued less than $2,000,000 at any time during the 60 day period after the Company is in receipt of a license to cultivate from Health Canada;
(d) the Company will assume a business loan in the amount of $10,625; and
(e) the Company will assume Gaia Bio's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") whereby Gaia Bio agreed to purchase a plot of land (the "Property") located in Lamont County, Alberta for the purpose of growing hemp. The purchase price, as last amended, is $190,000 and 5% of the total number of common shares of Gaia Bio, subject to the condition that the number of shares may change depending on whether more shares are issued. Closing of the transaction is to be 30 days after Gaia Bio receives Health Canada's pre-approval "letter-to-build" ("LTB"), which has not yet been obtained. Further, the Company will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

Consequently, Gaia Bio became a wholly-owned subsidiary of the Company. Additionally, on March 22, 2019, the Company acquired all of the issued and outstanding shares of Gaia Bio (Note 1), in consideration for the issuance of an aggregate of 8,400,000 common shares of the Company. Consequently, Gaia Bio became a wholly-owned subsidiary of the Company.

Subsequent to the Transaction, the combined entity will continue as a wholly-owned subsidiary of SBG. The resulting issuer will change its name to Gaia Grow Corp. and continue to carry on the business of Gaia Bio, which is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

In connection with completion of the Transaction, it is a condition to closing that the Company completes a private placement financing through the offering of 45,076,969 subscription receipts (the "Receipts") at a price of 10 cents per receipt for gross proceeds of $4,507,697. All of the Receipts were issued subsequent to year end and the proceeds of the financing have been held in escrow pending completion of the Transaction.

Immediately prior to completion of the Transaction, each Receipt will automatically be converted into one common share of the Company. Upon completion of the Transaction, the holders of common shares in the capital of the Company will receive one common share of the resulting issuer in exchange for each outstanding common share of the Company.

The Transaction will constitute a qualifying transaction for SBG under TSX-V Policy 2.4 – Capital Pool Companies. Closing of the Transaction is subject to a number of conditions including completion of the financing, approval of the TSX-V, approval of the Company's shareholders and satisfaction of other closing conditions as are customary in transactions of this nature.

Subject to the approval of the TSX-V and prior to completion of the Transaction, SBG also intends to offer a credit facility to the Company. It is expected that total advances under the credit facility will be limited to $200,000, and that the credit facility will be secured against a general charge over all of the assets of the Company. The credit facility will not bear interest, but will be repayable in full by the Company in the event the Transaction does not proceed.

**9. Subsequent Events (continued)**

d) Subsequent to year end, SBG has advanced the Company a further $200,000 under the terms of a credit facility. The credit facility is secured against a general charge over the assets acquired of Gaia Bio. The credit facility does not bear interest, but will be payable in full by the Company in the event the Transaction does not proceed.

**Schedule "D"**
**Gaia Bio Financial Statements**

(see attached)

# Gaia Bio-Pharmaceuticals Inc.

**Interim Financial Statements**
**For the Three Month Periods Ended March 31, 2019 and 2018**
**(Expressed in Canadian Dollars)**

| **Index** | **Page** |
|---|---|
| **Interim Financial Statements** | |

## Gaia Bio-Pharmaceuticals Inc.
**Interim Statements of Financial Position**
**(Express in Canadian Dollars)**

| | | As at March 31, 2019 (Unaudited) | | As at December 31, 2018 (Audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | - | $ | 5 |
| Accounts receivable | | 5,576 | | 4,951 |
| Loan receivable (note 7) | | 3,516 | | - |
| **Total assets** | $ | 9,092 | $ | 4,956 |
| **Liabilities and Shareholders' Deficit** | | | | |
| **Current liability** | | | | |
| Accounts payable | $ | 82,257 | $ | 4,320 |
| Due to related parties (note 6) | | 36,404 | | 35,173 |
| Current portion of loan payable (note 7) | | 77,655 | | 45,536 |
| | | 193,316 | | 85,029 |
| **Long-term liability** | | | | |
| Long-term portion of loan payable (note 7) | | - | | 1,468 |
| | | 193,316 | | 86,497 |
| **Shareholders' deficit** | | | | |
| Share capital (note 5) | | 100 | | 100 |
| Deficit | | (187,324) | | (81,641) |
| | | (187,224) | | (81,541) |
| | $ | 9,092 | $ | 4,956 |

Approved on behalf of the Board:

*/s/ James Kilpatrick*
……………………….………………
James Kilpatrick, Director

Nature of business and continuance of operations (Note 1)
Commitments (Note 8)

The accompanying notes are an integral part of these interim financial statements.

## Gaia Bio-Pharmaceuticals Inc.
**Interim Statements of Operations**
**(Unaudited)**
**(Expressed in Canadian Dollars)**

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Operating Expenses** | | |
| Bank fees and interest | $ 279 | $ 287 |
| Land payments (note 8) | 7,500 | - |
| Professional fees | 21,904 | 9,686 |
| **Net and comprehensive loss** | $ (29,683) | $ (9,973) |

The accompanying notes are an integral part of these interim financial statements.

**Gaia Bio-Pharmaceuticals Inc.**
**Interim Statement of Changes in Shareholders' Equity**
**(Unaudited)**
**(Expressed in Canadian Dollars)**

| | Share Capital | | | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Deficit** | **Total** |
| **Balance, December 31, 2017** | 100 | $ 100 | $ (39,163) | $ (39,063) |
| Net loss for the period | - | - | (9,973) | (9,973) |
| **Balance, March 31, 2018** | 100 | 100 | (49,136) | (49,036) |
| Net loss for the period | - | - | (32,505) | (32,505) |
| **Balance, December 31, 2018** | 100 | 100 | (81,641) | (81,541) |
| Corporate restructuring | - | - | (76,000) | (76,000) |
| Net loss for the period | | | (29,683) | (29,683) |
| **Balance, March 31, 2019** | 100 | $ 100 | $ (187,324) | $ (187,224) |

See note 5.

The accompanying notes are an integral part of these interim financial statements.

## Gaia Bio-Pharmaceuticals Inc.
**Interim Statements of Cash Flows**
**(Unaudited)**
**(Expressed in Canadian Dollars)**

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the period | $ (29,683) | $ (9,973) |
| Changes in non-cash working capital | | |
| Receivable | (625) | 50,000 |
| Accounts payable | 1,937 | (21,069) |
| **Cash provided by (used in) Operating Activities** | (28,371) | 18,958 |
| **Financing Activities** | | |
| Loan repayments to related parties | (2,285) | (17,325) |
| Loans payable | 30,651 | (1,571) |
| **Cash provided by (used in) Financing Activities** | 28,366 | (18,896) |
| **Change in cash** | (5) | 62 |
| **Cash, beginning of period** | 5 | 2 |
| **Cash, end of period** | $ - | $ 64 |

Non-cash transactions:
During the three months ended March 31, 2019, the Company recorded $76,000 in accounts payable, which is due for a corporate restructuring (Note 1).

There were no non-cash transactions during the three month period ended March 31, 2018.

The accompanying notes are an integral part of these interim financial statements.

## 1. NATURE OF OPERATIONS

Gaia Bio-Pharmaceuticals Inc. (the "Company" or "Gaia") is an Alberta, Canada corporation that was incorporated on September 4, 2014. The Company's operations are based in Tofield, Alberta, Canada. The Company is a privately held company in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

The Company's shareholders entered into a share purchase agreement with Gaia Grow Corp. ("Gaia Grow") dated August 6, 2018, which was subsequently amended and closed on March 22, 2019 and amended subsequently on June 7, 2019. Gaia Grow, a private company, acquired all of the issued and outstanding shares of the Company for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit paid by Gaia Grow to the shareholders of the Company ($76,000 has been recorded in accounts payable and $124,000 was paid directly to the shareholders of the Company). The $76,000 has been recorded as a distribution to the shareholders of the Company;
(b) the issuance of 7% of the issued and outstanding common shares of Gaia Grow (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) A conditional payment of $1,600,000 in cash or equivalent in common shares of Gaia Grow, in the event that the common shares of Gaia Grow are valued less than $2,000,000 at any time during the 60 day period after Gaia Grow is in receipt of a license to cultivate from Health Canada;
(d) Gaia Grow will assume the Company's business loan in the amount of $10,625 (currently in the amount of $6,123); and
(e) Gaia Grow will assume the Company's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") (Note 8). Further, Gaia Grow will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

Consequently, the Company became a wholly-owned subsidiary of Gaia Grow. These interim financial statements do not represent the impact of this transaction.

On January 31, 2019, Gaia Grow entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of the Company. Closing of the transaction is subject to a number of conditions including completion of a proposed financing, approval of the TSX-V, approval of the Company's shareholders and satisfaction of other closing conditions as are customary in transaction of this nature.

The principal business office of the Company is located at Site 4, Box 17, RR 4, Tofield AB T0B 4J0.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

## 1. NATURE OF OPERATIONS (Continued)

As at March 31, 2019, the Company had working capital deficit of $184,224 (December 31, 2018 – deficit of $80,073 and accumulated shareholders deficit of $187,324 (December 31, 2018 – deficit of $81,641). During the three months ended March 31, 2019, the Company incurred a net loss of $29,683. The continuing operations of the Company are dependent upon its ability to continue to achieve profitable operations in the future, and raise additional funds as and when required. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. Therefore, these financial statements comply with International Accounting Standards 34 "Interim Financial Reporting".

(b) Basis of presentation

The 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 values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These Financial Statements were approved and authorized for issue by the Board of Directors of the Company on June 28, 2019.

(c) Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of estimates and judgment include the ability to continue as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to the periods presented.

(a) Financial instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date; therefore, comparative figures have not been restated. The following is the Company's new accounting policy for financial instruments under IFRS 9:

<u>(i) Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to

<u>(i) Classification (continued)</u>

be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

<u>(ii) Measurement</u>

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(a) Financial instruments (Continued)

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

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

(c) Accounting standards issued but not yet effective

Other accounting standards of 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. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as a financial asset at FVTPL; accounts receivable is classified as loans and receivables; and accounts payable and loans payable are classified as other financial liabilities, which are measured at amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is $Nil (December 31, 2018 - $5).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is $5,576 (2018 - $4,951).

(b) Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At March 31, 2019, the Company has $Nil (December 31, 2018 - $5) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of $82,257 (December 31, 2018 - $4,320) are due within three months. Current portion of loans payable of $77,655 (December 31, 2018 - $45,536) are due within twelve months. Loans from related parties of $36,404 (December 31, 2018 - $35,173) and other loans payable of $Nil (December 31, 2018 - $38,646) are due on demand.

The Company manages its liquidity risk by relying upon its revenues and may have to raise additional funds through equity or debt financing to fund its current liabilities and operations. Liquidity risk in assessed as high.

(d) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk. The Company is not exposed to any significant market risk.

(e) Foreign Exchange Rate
The Company is not exposed to any significant foreign exchange risk.

(f) Interest Rate Risk
The Company is not exposed to any significant interest rate risk.

**(Expressed in Canadian Dollars)**

## 5. SHARE CAPITAL

Authorized: Unlimited number of Class “A” and Class “B” voting common shares, Class “C” non-cumulative redeemable preferred voting shares, Class “D” and Class “E” non-cumulative redeemable preferred non-voting shares and Class “F” and Class “G” non-voting common shares without par value.

Issued and outstanding: 100 Class “A” voting common shares

## 6. RELATED PARTY TRANSACTIONS

The Company entered into a series of loan agreements with a related party lender. As of March 31, 2019, $36,404 (December 31, 2018 - $35,173) is payable on demand, unsecured and bearing no interest.

## 7. LOANS RECEIVABLE AND PAYABLE

Loan receivable consists of $3,516 (December 31, 2018 - $Nil) due from a shareholder of the Company. The loan is non-interest bearing and due on demand.

On November 24, 2017, the Company entered into a loan agreement for a principal balance of $29,500 with a Canadian financial institution. The loan bears interest at 8.93% and is amortized over 60 months with monthly payments of $611.

| **Repayment** | March 31, 2019 | December 31, 2018 |
|---|---|---|
| | $ | $ |
| Within 12 months | 6,123 | 6,890 |
| Over 12 months | - | 1,468 |
| | 6,123 | 8,358 |

At March 31, 2019, the Company has the following additional loans outstanding:

a) $71,532 (December 31, 2018 - $10,250) due to Gaia Grow Corp. This loan is non-interest bearing and due on demand.

b) Loan payable of $Nil (December 31, 2018 - $28,396) due to a shareholder of the company. The loan is non-interest bearing and due on demand.

## 8. COMMITMENT

On April 3, 2015, the Company entered into an Offer to Purchase Agreement (“Offer to Purchase”) whereby the Company agreed to purchase a plot of land (the “Property”) located in Lamont County, Alberta for the purposes of growing hemp. The purchase price was $160,000 and 5% of the total number of common shares of the Company, subject to the condition that the number of shares may change depending on whether more shares are issued. During the year ended December 31, 2018, the Offer to Purchase terms were amended such that the purchase price is $190,000. Closing of the transaction is to be 30 days after the Company receives Health Canada’s pre-approval “letter-to-build” (“LTB”).

**8. COMMITMENT** (continued)

During the year ended December 31, 2018, due to a number of extensions to the Offer to Purchase, the Company paid the sellers $9,000.

During the three months ended March 31, 2019, the Company paid an additional $7,500 in extension fees to the seller.

To date, the Company has not received LTB approval.

# Gaia Bio-Pharmaceuticals Inc.

**Financial Statements**
**December 31, 2018**
**(Expressed in Canadian Dollars)**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Directors of Gaia Bio-Pharmaceuticals Inc.

**Opinion**

We have audited the financial statements of Gaia Bio-Pharmaceuticals Inc. (the "Company"), which comprises the statements of financial position as at December 31, 2018 and 2017, and the statements of operations, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $42,478 for the year ended December 31, 2018, and, as of that date, the Company's current liabilities exceeded its total assets by $80,073. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

June 28, 2019

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

**Gaia Bio-Pharmaceuticals Inc.**
**Statement of Financial Position**
**As at**
**(Expressed in Canadian Dollars)**

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | $ 5 | $ 2 |
| Accounts receivable (note 8) | 4,951 | 50,000 |
| | 4,956 | 50,002 |
| | $ 4,956 | $ 50,002 |
| **Liabilities and Shareholders' Deficit** | | |
| **Current liabilities** | | |
| Accounts payable | $ 4,320 | $ 27,795 |
| Due to related parties (note 6) | 35,173 | 47,132 |
| Current portion of loan payable (note 7) | 45,536 | 6,039 |
| | 85,029 | 80,966 |
| **Long-term liabilities** | | |
| Long-term portion of loan payable (note 7) | 1,468 | 8,099 |
| | 86,497 | 89,065 |
| **Shareholders' deficit** | | |
| Share capital (note 5) | 100 | 100 |
| Deficit | (81,641) | (39,163) |
| | (81,541) | (39,063) |
| | $ 4,956 | $ 50,002 |

Approved on behalf of the Board:

*/s/ James Kilpatrick*
…………………………………………
James Kilpatrick, Director

Nature of business and continuance of operations (Note 1)
Commitments (Note 8)
Subsequent events (Note 10)

The accompanying notes are an integral part of these financial statements.

## Gaia Bio-Pharmaceuticals Inc.
**Statement of Operations**
**Years Ended December 31**
**(Expressed in Canadian Dollars)**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Bank fees and interest | $ | 1,374 | $ | 1,710 |
| Business licenses, taxes and dues | | - | | 112 |
| Land payments (note 8) | | 9,000 | | - |
| Professional fees | | 33,869 | | 22,283 |
| | | (44,243) | | (24,105) |
| **Other Income** | | | | |
| Other income (note 8) | | - | | 50,000 |
| **Net Income (loss) before tax** | | (44,243) | | 25,895 |
| **Income tax** | | | | |
| Income tax recovery (expense) (note 9) | | 1,765 | | (4,111) |
| **Net and comprehensive income (loss)** | $ | (42,478) | $ | 21,784 |

The accompanying notes are an integral part of these financial statements.

## Gaia Bio-Pharmaceuticals Inc.
### Statement of Changes in Shareholders' Equity
### (Expressed in Canadian Dollars)

| | Share Capital | | | |
|---|---|---|---|---|
| | Number | Amount | Deficit | Total |
| **Balance, December 31, 2016** | 100 | $ 100 | $ (60,947) | $ (60,847) |
| Net income for the year | - | - | 21,784 | 21,784 |
| **Balance, December 31, 2017** | 100 | 100 | (39,163) | (39,063) |
| Net loss for the year | - | - | (42,478) | (42,478) |
| **Balance, December 31, 2018** | 100 | $ 100 | $ (81,641) | $ (81,541) |

The accompanying notes are an integral part of these financial statements.

**Gaia Bio-Pharmaceuticals Inc.**
**Statement of Cash Flows**
**Years Ended December 31**
**(Expressed in Canadian Dollars)**

| | 2018 | 2017 |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) for the year | $ (42,478) | $ 21,784 |
| Changes in non-cash working capital | | |
| Accounts receivable | 50,000 | (50,000) |
| Accounts payable and accrued liabilities | (28,426) | 24,161 |
| **Cash used in Operating Activities** | (20,904) | (4,055) |
| **Financing Activities** | | |
| Loan (repayment) from related parties | (17,739) | 9,781 |
| Loans payable | 38,646 | (5,725) |
| **Cash provided by Financing Activities** | 20,907 | 4,056 |
| **Increase in cash** | 3 | 1 |
| **Cash, beginning of year** | 2 | 1 |
| **Cash, end of year** | $ 5 | $ 2 |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE OF OPERATIONS

Gaia Bio-Pharmaceuticals Inc. (the "Company" or "Gaia") is an Alberta, Canada corporation that was incorporated on September 4, 2014. The Company's operations are based in Tofield, Alberta, Canada. The Company is a privately held company in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

The Company's shareholders entered into a share purchase agreement with Gaia Grow Corp. ("Gaia Grow") dated August 6, 2018, which was subsequently amended and closed on March 22, 2019 and amended subseuqenlty on June 7, 2019. Gaia Grow, a private company, acquired all of the issued and outstanding shares of the Company for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit paid by Gaia Grow to the shareholders of the Company ($76,000 has subsequently been recorded in accounts payable and $124,000 was paid directly to the shareholders of the Company). The $76,000 was recorded as a distribution to the shareholders of the Company;
(b) the issuance of 7% of the issued and outstanding common shares of Gaia Grow (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) A conditional payment of $1,600,000 in cash or equivalent in common shares of Gaia Grow, in the event that the common shares of Gaia Grow are valued less than $2,000,000 at any time during the 60 day period after Gaia Grow is in receipt of a license to cultivate from Health Canada;
(d) Gaia Grow will assume the Company's business loan in the amount of $10,625; and
(e) Gaia Grow will assume the Company's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") (Note 8). Further, Gaia Grow will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

Consequently, the Company became a wholly-owned subsidiary of Gaia Grow.

On January 31, 2019, Gaia Grow entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of the Company. See Note 10.

The principal business office of the Company is located at Site 4, Box 17, RR 4, Tofield AB T0B 4J0.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

As at December 31, 2018, the Company had working capital deficit of $80,073 (2017 – deficit of $30,964 and accumulated shareholders deficit of $81,641 (2017 – deficit of $39,163). During the year ended December 31, 2018, the Company incurred a net loss of $42,478. The continuing operations of the Company are dependent upon its ability to continue to achieve profitable operations in the future, and raise additional funds as and when required. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The 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 values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on June 28, 2019.

(c) Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of estimates and judgment include the ability to continue as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to the periods presented.

(a) Financial instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date; therefore, comparative figures have not been restated. The following is the Company's new accounting policy for financial instruments under IFRS 9:

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(a) Financial instruments (Continued)

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the operations in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(a) Financial instruments (Continued)

(iii) Impairment of financial assets at amortized cost (continued)

recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

| Financial Assets | Previous classification under IAS 39 | New classification under IFRS 9 |
|---|---|---|
| Cash | Financial assets - FVTPL | Financial assets - FVTPL |
| Accounts receivable | Loans and receivables – amortized cost | Amortized cost |

| Financial Liabilities | Previous classification under IAS 39 | New classification under IFRS 9 |
|---|---|---|
| Accounts payable | Other financial liabilities – amortized cost | Amortized cost |
| Due to related parties | Other financial liabilities – amortized cost | Amortized cost |
| Loan payable | Other financial liabilities – amortized cost | Amortized cost |

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(b) Income taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

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

(c) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these financial statements. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

IFRS 16 – “Leases”, Amendments to IFRS 11, “Joint Arrangements” and Amendments to International Accounting Standard 1, “Presentation of Financial Statements”

Other 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. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is $5 (2017 - $2).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is $4,951 (2017 - $50,000).

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At December 31, 2018, the Company has $5 (2017 - $2) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of $4,320 (2017 - $27,795) are due within three months. Current portion of loans payable of $45,536 (2017 - $6,039) are due within twelve months. Loans from related parties of $35,173 (2017 - $47,132) are due on demand.

The Company manages its liquidity risk by relying upon its revenues and may have to raise additional funds through equity or debt financing to fund its current liabilities and operations. Liquidity risk in assessed as high.

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk. The Company is not exposed to any significant market risk.

(d) Foreign Exchange Rate
The Company is not exposed to any significant foreign exchange risk.

(e) Interest Rate Risk
The Company is not exposed to any significant interest rate risk.

## 5. SHARE CAPITAL

Authorized: Unlimited number of Class "A" and Class "B" voting common shares, Class "C" non-cumulative redeemable preferred voting shares, Class "D" and Class "E" non-cumulative redeemable preferred non-voting shares and Class "F" and Class "G" non-voting common shares without par value.

Issued: 100 Class "A" voting common shares

**(Expressed in Canadian Dollars)**

## 6. RELATED PARTY TRANSACTIONS

The Company entered into a series of loan agreements with a related party lender. As of December 31, 2018, the Company received gross proceeds of $35,173 (2017 - $47,132), payable on demand, unsecured and bearing no interest.

## 7. LOANS PAYABLE

On November 24, 2017, the Company entered into a loan agreement for a principal balance of $29,500 with a Canadian financial institution. The loan bears interest at 8.93% and is amortized over 60 months with monthly payments of $611.

| **Repayment** | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Within 12 months | 6,890 | 6,039 |
| December 31, 2020 | 1,468 | 8,099 |
| | 8,358 | 14,138 |

At December 31, 2018, the Company has the following additional loans outstanding:

a) $10,250 (2017 - $Nil) due to Gaia Grow Corp. This loan is non-interest bearing and due on demand.
b) $28,396 (2017 - $Nil) due to a shareholder of the Company. The series of loans are non-interest bearing and due on demand.

## 8. COMMITMENT

On April 3, 2015, the Company entered into an Offer to Purchase Agreement (“Offer to Purchase”) whereby the th Company agreed to purchase a plot of land (the “Property”) located in Lamont County, Alberta for the purposes of growing hemp. The purchase price was $160,000 and 5% of the total number of common shares of the Company, subject to the condition that the number of shares may change depending on whether more shares are issued. During the year ended December 31, 2018, the Offer to Purchase terms were amended such that the purchase price is $190,000. Closing of the transaction is to be 30 days after the Company receives Health Canada’s pre-approval “letter-to-build” (“LTB”).

During the year ended December 31, 2017, the Company received $50,000 from potential buyers as a non-refundable deposit to purchase the Property. The buyers defaulted in the agreement and, accordingly the $50,000 was recorded in other income on the statement of operations.

Additionally, due to a number of extensions to the Offer to Purchase, the Company paid the sellers $9,000 (2017 - $Nil). Subsequent to December 31, 2018, the Company paid an additional $7,500 in extension fees to the seller.

To date, the Company has not received LTB approval.

**(Expressed in Canadian Dollars)**

## 9. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|---|---|
| Net income (loss) before tax | $ (44,243) | $ 25,895 |
| Statutory tax rate | 12.0% | 12.0% |
| Expected tax (recovery) at the statutory tax rate | $ (5,309) | $ 3,107 |
| Differences due to recognition of items for tax purposes: | | |
| Permanent differences | 3,544 | 1,004 |
| Income tax expense (recovery) | $ (1,765) | $ 4,111 |

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

| | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|---|---|
| Deferred income tax assets | | |
| Loss carry-forwards | $ 2,240 | $ - |
| | 2,240 | - |
| Deferred tax asset not recognized | (2,240) | - |
| Deferred income tax asset | $ - | $ - |

The Company has available for deduction against future taxable income non-capital losses of approximately $2,240 (2017 - $Nil). These losses, if not utilized, will expire starting 2038. Deferred tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial due to the uncertainty of their realization.

The tax pools relating to these deductible temporary differences expire as follows:

| Year of origin | Non-capital loss | Year of expiry |
|---|---|---|
| 2018 | $ 2,240 | 2038 |

## 10. SUBSEQUENT EVENTS

Subsequent to year end, the Company received a further $67,405 from Gaia Grow. This loan is non-interest bearing and due on demand. Additionally, the transaction to sell all of the issued and outstanding shares of the Company to Gaia Grow (Note 1) closed on March 22, 2019.

On January 31, 2019, Gaia Grow entered into an amalgamation agreement with Spirit Bear Capital Corp. and its wholly-owned subsidiary 1193805 B.C. Ltd. (collectively known as “SBG”). SBG is a public company listed on the TSX Venture Exchange. Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of the Company.

## Gaia Bio-Pharmaceuticals Inc.

**Financial Statements**
**December 31, 2017**
**(Expressed in Canadian Dollars)**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Gaia Bio-Pharmaceuticals Inc.

We have audited the accompanying financial statements of Gaia Bio-Pharmaceuticals Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gaia Bio-Pharmaceuticals Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Gaia Bio-Pharmaceuticals Inc.s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
June 28, 2019

**Gaia Bio-Pharmaceuticals Inc.**
**Statement of Financial Position**
**As at**
**(Expressed in Canadian Dollars)**

| | December 31, 2017 | December 31, 2016 (Unaudited) |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | $ 2 | $ 1 |
| Accounts receivable (note 9) | 50,000 | - |
| | $ 50,002 | $ 1 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities** | | |
| Accounts payable | $ 27,795 | $ 3,634 |
| Due to related parties (note 6) | 47,132 | 37,351 |
| Current portion of loan payable (note 7) | 6,039 | 5,461 |
| | 80,966 | 46,446 |
| **Long-term liabilities** | | |
| Long-term portion of loan payable (note 7) | 8,099 | 14,402 |
| | 89,065 | 60,848 |
| **Shareholders' deficit** | | |
| Share capital (note 5) | 100 | 100 |
| Deficit | (39,163) | (60,947) |
| | (39,063) | (60,847) |
| | $ 50,002 | $ 1 |

Approved on behalf of the Board:

*/s/ James Kilpatrick*
…………………………………………
James Kilpatrick, Director

Nature of business and continuance of operations (Note 1)
Commitment (Note 8)
Subsequent events (Note 11)

The accompanying notes are an integral part of these financial statements.

## Gaia Bio-Pharmaceuticals Inc.
**Statement of Operations**
**Years Ended December 31**
**(Expressed in Canadian Dollars)**

| | 2017 | 2016 (Unaudited) |
|---|---|---|
| **Operating Expenses** | | |
| Bank fees and interest | $ 1,710 | $ 2,195 |
| Business licenses, taxes and dues | 112 | - |
| Professional fees | 22,283 | 1,969 |
| | (24,105) | (4,164) |
| **Other** | | |
| Other income (note 9) | 50,000 | - |
| **Net income (loss) before tax** | 25,895 | (4,164) |
| **Income tax** | | |
| Income tax expense (note 10) | (4,111) | - |
| **Net income (loss) and comprehensive income (loss)** | $ 21,784 | $ (4,164) |

The accompanying notes are an integral part of these financial statements.

## Gaia Bio-Pharmaceuticals Inc.
**Statement of Changes in Shareholders' Equity**
**Years Ended December 31**
**(Expressed in Canadian Dollars)**

| | Share Capital | | | |
|---|---|---|---|---|
| | **Number** | **Amount** | **Deficit** | **Total** |
| **Balance, December 31, 2015** | 100 | $ 100 | $ (56,783) | $ 0 |
| Net loss for the year | - | - | (4,164) | (4,164) |
| **Balance, December 31, 2016** | 100 | 100 | (60,947) | (60,847) |
| Net income for the year | - | - | 21,784 | 21,784 |
| **Balance, December 31, 2017** | 100 | $ 100 | $ (39,163) | $ (39,063) |

The accompanying notes are an integral part of these financial statements.

## Gaia Bio-Pharmaceuticals Inc.

**Statement of Cash Flows**
**Years Ended December 31**
**(Expressed in Canadian Dollars)**

| | 2017 | 2016 (Unaudited) |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) for the year | $ 21,784 | $ (4,164) |
| Changes in non-cash working capital | | |
| Accounts receivable | (50,000) | - |
| Accounts payable | 24,161 | 3,313 |
| **Cash used in operating activities** | (4,055) | (851) |
| **Financing Activities** | | |
| Loan from related parties | 9,781 | 6,010 |
| Loans payable | (5,725) | (5,404) |
| **Cash used in financing activities** | 4,056 | 606 |
| **Change in cash** | 1 | (245) |
| **Cash, beginning of year** | 1 | 246 |
| **Cash, end of year** | $ 2 | $ 1 |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE OF OPERATIONS

Gaia Bio-Pharmaceuticals Inc. (the "Company") is an Alberta, Canada corporation that was incorporated on September 4, 2014. The Company's operations are based in Tofield, Alberta, Canada. The Company is a privately held company in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

The Company's shareholders entered into a share purchase agreement with Gaia Grow Corp. ("Gaia Grow") dated August 6, 2018, which was subsequently amended and closed on March 22, 2019 and amended subseuqenlty on June 7, 2019. Gaia Grow, a private company, acquired all of the issued and outstanding shares of the Company for the following consideration:

(a) $200,000, paid in a series of tranches, as a non-refundable deposit paid by Gaia Grow to the shareholders of the Company ($76,000 has subsequently been recorded in accounts payable and $124,000 was paid directly to the shareholders of the Company). The $76,000 was recorded as a distribution to the shareholders of the Company;
(b) the issuance of 7% of the issued and outstanding common shares of Gaia Grow (estimated to be an aggregate of 8,400,000 common shares of the Company) (pending);
(c) A conditional payment of $1,600,000 in cash or equivalent in common shares of Gaia Grow, in the event that the common shares of Gaia Grow are valued less than $2,000,000 at any time during the 60 day period after Gaia Grow is in receipt of a license to cultivate from Health Canada;
(d) Gaia Grow will assume the Company's business loan in the amount of $10,625; and
(e) Gaia Grow will assume the Company's commitment pursuant to an Offer to Purchase Agreement ("Offer to Purchase") (Note 8). Further, Gaia Grow will pay $1,000/month in purchase extension fees until closing of the Offer to Purchase.

Consequently, the Company became a wholly-owned subsidiary of Gaia Grow.

On January 31, 2019, Gaia Grow entered into an amalgamation agreement (the "Amalgamation Agreement") with Spirit Bear Capital Corp. and its wholly owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"), a public company listed on the TSX Venture Exchange ("TSX-V"). Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of the Company. See Note 11.

The principal business office of the Company is located at Site 4, Box 17, RR 4, Tofield AB T0B 4J0.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

As at December 31, 2017, the Company had working capital deficit of $30,964 (2016 – deficit of $46,445 and accumulated shareholders deficit of $39,163 (2017 – deficit of $60,947). During the year ended December 31, 2017, the Company incurred a net and comprehensive income of $21,784. The continuing operations of the Company are dependent upon its ability to continue to achieve profitable operations in the future, and raise additional funds as and when required. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The 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 values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on June 28, 2019.

(c) Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of estimates and judgment include the ability to continue as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to the periods presented.

(a) Financial instruments

_Financial assets_
The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Financial instruments (Continued)

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Financial assets (continued)*

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive loss. Where a decline in the fair value of an available-
for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*
The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried 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 method, and includes trade payables.

For the years presented, the Company did not have any derivative financial assets or liabilities.

(b) Income taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income taxes (continued)

*Deferred income tax Deferred income tax*

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

(c) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the revised standard which will be effective to the Company's financial statements for the year ending December 31, 2018 or later:

IFRS 9 – "Financial Instruments" , IFRS 15 – "Revenue from Contracts with Customers", IFRS 16 – "Leases" and IAS 12 – Income Taxes."

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

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivable and accounts payables approximate their carrying value. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (Continued)

The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is $2 (2016 - $1).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is $50,000 (2016 - $nil).

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At December 31, 2017, the Company has $2 (2016 - $1) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of $27,795 (2016 - $3,634) are due within three months. Current portion of loans payable of $6,039 (2016 - $5,461) are due within twelve months. Loans from related parties of $47,132 (2016 - $37,351) are due on demand.

The Company manages its liquidity risk by relying upon its revenues and may have to raise additional funds through equity or debt financing to fund its current liabilities and operations. Liquidity risk in assessed as high.

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk. The Company is not exposed to any significant market risk.

(d) Foreign Exchange Rate
The Company is not exposed to any significant foreign exchange risk.

(e) Interest Rate Risk
The Company is not exposed to any significant interest rate risk.

## 5. SHARE CAPITAL

**(Expressed in Canadian Dollars)**

Authorized: Unlimited number of Class "A" and Class "B" voting common shares, Class "C" non-cumulative redeemable preferred voting shares, Class "D" and Class "E" non-cumulative redeemable preferred non-voting shares and Class "F" and Class "G" non-voting common shares without par value.

Issued: 100 Class "A" voting common shares

## 6. RELATED PARTY TRANSACTIONS

The Company entered into a series of loan agreements with a related party lender. As of December 31, 2017, the Company received gross proceeds of $47,132 (2016 - $37,351), payable on demand and bearing no interest.

## 7. LOAN PAYABLE

On November 24, 2017, the Company entered into a loan agreement for a principal balance of $29,500 with a Canadian financial institution. The loan bears interest at 8.93% and is amortized over 60 months with monthly payments of $611.

| **Repayment** | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Within 12 months | 6,039 | 5,461 |
| December 31, 2019 | 6,890 | 6,039 |
| December 31, 2020 | 1,209 | 8,363 |
| | 14,138 | 19,863 |

## 8. COMMITMENT

On April 3, 2015, the Company entered into an Offer to Purchase Agreement ("Offer to Purchase") whereby the Company agreed to purchase a plot of land (the "Property") located in Lamont County, Alberta for the purposes of growing hemp. The purchase price was $160,000 and 5% of the total number of common shares of the Company, subject to the condition that the number of shares may change depending on whether more shares are issued. Subsequent to December 31, 2017, the Offer to Purchase terms were amended such that the purchase price is $190,000. Closing of the transaction is to be 30 days after the Company receives Health Canada's pre-approval "letter-to-build" ("LTB").

Subsequent to December 31, 2017, due to a number of extensions to the Offer to Purchase, the Company has paid $9,000 in extension fees to the seller.

To date, the Company has not received LTB approval.

## 9. PURCHASE OF BUSINESS AGREEMENT

During the year ended December 31, 2017, the shareholders of the Company entered into a purchase of business agreement (the "Purchase of Business Agreement") with Greenfields Supply Corp. ("Greensfields"). Pursuant to the Purchase of Business Agreement, Greensfields agreed to purchase the issued and outstanding shares of the Company for $3,300,000. Of the total consideration, $50,000 was due on December 28, 2017 (subsequently received), of which $25,000 was a a non-refundable deposit.

**(Expressed in Canadian Dollars)**

During the year ended December 31, 2017, Greensfields defaulted on the terms of agreement and, accordingly the $50,000 has been recorded as other income on the statement of operations.

## 10. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Net income (loss) before tax | $ 25,895 | $ (4,164) |
| Statutory tax rate | 12.0% | 12.0% |
| Expected tax (recovery) at the statutory tax rate | $ 3,107 | $ (500) |
| Differences due to recognition of items for tax purposes: | | |
| Permanent differences | 1,004 | - |
| Change in deferred tax asset not recognized | - | 500 |
| Income tax expense | $ 4,111 | $ - |

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Deferred income tax assets | | |
| Loss carry-forwards | $ - | $ 11,724 |
| | - | 11,724 |
| Deferred tax asset not recognized | - | (11,724) |
| Deferred income tax asset | $ - | $ - |

The Company has available for deduction against future taxable income non-capital losses of approximately $Nil (2016 - $11,724). Deferred tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial due to the uncertainty of their realization.

## 11. SUBSEQUENT EVENTS

The transaction to sell all of the issued and outstanding shares of the Company to Gaia Grow (Note 1) closed on March 22, 2019.

On January 31, 2019, Gaia Grow entered into an amalgamation agreement with Spirit Bear Capital Corp. and its wholly-owned subsidiary 1193805 B.C. Ltd. (collectively known as "SBG"). SBG is a public company listed on the TSX Venture Exchange. Subsequent to the contemplated amalgamation, the resulting issuer will continue to carry on the business of the Company.