

GAIA GROW CORP.
(Formerly Spirit Bear Capital Corp.)
Consolidated Interim Financial Statements
For the Three months Ended March 31, 2020 and 2019
Unaudited
Expressed in Canadian dollars

GAIA GROW CORP.
(Formerly Spirit Bear Capital Corp.)
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For the Three Months Ended March 31, 2020 and 2019

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

The accompanying unaudited consolidated interim 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 consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of consolidated interim financial statements by an entity's auditor.

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

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

	March 31, 2020	December 31, 2019 (audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,656,599	\$ 1,924,135
Receivables (note 3)	100,037	79,451
Prepaid	32,540	83,654
Inventory (note 5)	3,737,980	3,737,980
Total current assets	5,527,156	5,825,220
Property (note 6)	190,000	190,000
Total assets	\$ 5,717,156	\$ 6,015,220
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Payables (note 7)	\$ 41,062	\$ 81,966
Accrued liabilities	39,771	31,500
Total liabilities	80,833	113,466
Shareholders' equity (deficit)		
Share capital (note 10)	9,116,256	9,116,256
Reserve (note 10)	277,980	277,980
Deficit	(3,757,913)	(3,492,482)
Total shareholders' equity (deficit)	5,636,323	5,901,754
Total liabilities and shareholders' equity (deficit)	\$ 5,717,156	\$ 6,015,220

Nature of business and continuance of operations (note 1)
Subsequent events (note 13)

Approved and authorized for issuance on behalf of the Board of Directors on May 27, 2020 by:

/s/ Frederick Pels
Frederick Pels, Director

/s/ James Tworek
James Tworek, Director

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

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	For the three months ended	
	March 31	
	2020	2019
Revenue	\$ 3,737	\$ -
Expenses		
Advertising and promotion	89,533	\$ 844
Consulting	1,987	-
Directors' fee (note 7)	49,500	-
Insurance	8,508	-
Interest	403	-
Office and administration (note 7)	15,159	126
Professional fees	70,679	3,500
Repair and maintenance	14,297	-
Shipping	1,258	-
Testing	1,475	-
Transfer agent	7,369	-
Total expense	269,168	4,470
Net and comprehensive loss for the period	\$ (265,431)	\$ (4,470)
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding, basic and diluted	202,501,981	101,743,820

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

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Consolidated Statement of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Share capital		Reserve	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount			
Balance, December 31, 2018	60,000,000	51	-	(220)	(169)
Issued for cash	51,600,000	439	-	-	439
Net loss for the period	-	-	-	(4,470)	(4,470)
Balance, March 31, 2019	111,600,000	490	-	(4,690)	(4,200)
Balance, December 31, 2019	202,501,981	\$ 9,116,256	\$ 277,980	\$ (3,492,482)	\$ 5,901,754
Net loss for the year	-	-	-	(265,431)	(265,431)
Balance, March 31, 2020	202,501,981	\$ 9,116,256	\$ 277,980	\$ (3,757,913)	\$ 5,636,323

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

GAIA GROW CORP.
(Formerly Spirit Bear Capital Corp.)
Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended March 31,	
	2020	2019
Operating activities		
Net loss for the year	\$ (265,431)	\$ (4,470)
Adjustments:		
Receivables	(20,586)	(42)
Prepays	51,114	-
Payables and accrued liabilities	(32,633)	3,500
Net cash used in operating activities	(267,536)	(1,012)
Investing activities		
Deposit	-	(76,000)
Net cash provided by (used in) investing activities	-	(76,000)
Financing activities		
Repayment of loans	-	(66,782)
Proceeds from loan payable	-	200,000
Net cash provided by financing activities	-	133,218
Increase (decrease) in cash and cash equivalents	(267,536)	56,206
Cash and cash equivalents, beginning	\$ 1,924,135	31
Cash and cash equivalents, ending	\$ 1,656,599	\$ 56,237
Cash and cash equivalents are comprised of:		
Cash	\$ 1,526,366	\$ 56,237
Cash equivalents	130,233	-
Cash, end of the period	\$ 1,656,599	\$ 56,237

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

GAIA GROW CORP.
(Formerly Spirit Bear Capital Corp.)

Notes to the Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)

1. Nature of Business and Continuance of Operations

Gaia Grow Corp. (formerly Spirit Bear Capital Corp.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company was listed on the TSX Venture Exchange (“TSX-V”) until April 15, 2020 when it was subsequently delisted and commenced trading on the Canadian Securities Exchange (“CSE”). The Company’s head and registered office is located at 10th Floor, 595 Howe Street, Vancouver, BC, Canada.

On July 23, 2019, the Company completed a reverse takeover transaction (the “RTO”), which was effected pursuant to an amalgamation agreement between Spirit Bear and Gaia Holdings Corp. (formerly Gaia Investments Inc.) (“Gaia Holdings”), a privately held arm’s length company continued under the laws of the *Business Corporations Act* (British Columbia). See note 9.

On March 22, 2019, prior to the RTO, Gaia Holdings acquired all of the issued and outstanding common shares of Gaia Bio-Pharmaceuticals Inc. (“Gaia Bio”), a privately held arm’s length company continued under the laws of the *Business Corporations Act* (Alberta). See note 9.

Subsequent to the RTO, the Company is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations and continue its operations for its next fiscal year.

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 about the Company’s ability to continue as a going concern. These 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. Realization values may be substantially different from carrying values as shown.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

These consolidated interim financial statements were approved by the Board of Directors of the Company on May 27, 2020.

GAIA GROW CORP.
(Formerly Spirit Bear Capital Corp.)

Notes to the Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)

2. Basis of Preparation

(i) 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 (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* (“IAS 34”), using accounting policies which are consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for full annual consolidated financial statements in compliance with IAS I *Presentation of Financial Statements* (“IAS 1”).

These consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019. The accounting policies applied in the preparation of these consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2019. The Company’s interim results are not necessarily indicative of its results for a full year.

(ii) Basis of Measurement

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

(iv) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Gaia Holdings Corp., Gaia Bio Pharmaceuticals Inc.

The consolidated accounts include the accounts of Spirit Bear from July 23, 2019, the date of the RTO. The financial statements prior to this date include only the accounts of Gaia Holdings Corp. Inter-company transactions and balances are eliminated upon consolidation.

GAIA GROW CORP.

(Formerly Spirit Bear Capital Corp.)

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Basis of Preparation (continued)

(v) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the 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 preparation of the consolidated financial statements requires management to make judgments regarding going concern of the Company as discussed in note 1.

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

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 plants up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, oil conversion factor and expected yields of the plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value. Refer to Notes 5 and 6 for further information.

Share-based payments

In determining the fair value of options and related expenses, 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 10 for further information.

Reverse take-over

Refer to note 9 for disclosure on the reverse takeover transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

GAIA GROW CORP.

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For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Receivables

Receivables represent amounts due from a government agency.

4. Biological assets

Biological assets are valued in accordance with IAS 41 and presented at their fair value less costs to sell up to the point of harvest. The Company defines biological assets as hemp plants to the point of harvest and reallocated it to inventory (note 5).

Biological assets are measured at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in kilograms for plants currently being cultivated, and then adjusts the amount by the expected selling costs per kilogram (“Kg”).

The following significant unobservable inputs were used by management as part of the fair value model:

- Estimated selling price per kg – With no previous sales history, Company’s management evaluated industry data and expects to closely approximate its inventory based on the selling price of product sold subsequent to the year end, which can vary based on the market price of the milled product.
- Stage of growth – The Company applied a weighted average number of days out of the 120 day growing cycle that biological assets have reached as of the measurement date based on completed harvest. The Company assigns fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Plant yield – represented by the expected number of Kg of finished hemp and content of cannabidiol as a percentage of weight to be obtained from each harvested hemp plant based on completed harvest. Expected yield is also subject to a variety of factors including weather conditions.

Other unobservable inputs include: Estimated post-harvest costs, costs to complete and wastage.

During the current year the Company incurred insurance of \$235,148 related to its hemp crop which recorded as insurance expensed to the statement of operations and loss.

All inputs noted above are classified as level three on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

4. Biological assets (continued)

The changes in the carrying value of biological assets as of December 31, 2019 are as follows:

	Biological assets
Carrying amount, December 31, 2018	\$ -
Purchase of seeds and biological transformation expenses during the year	1,333,365
Changes in fair value less costs to sell	2,404,615
Reallocated to inventory (note 5)	(3,737,980)
Carrying amount, December 31, 2019 and March 31, 2020	\$ -

One of the significant unobservable inputs used to calculate the fair value of biological asset is harvest yield per acre. At March 31, 2020 and December 31, 2019, the Company did not hold biological assets as all hemp crop was harvested therefore was not susceptible to yield risk.

5. Inventory

Inventory is comprised of harvested product packed in bales, ready to be milled. At March 31, 2020 and December 31, 2019, the Company has no biological assets and only holds inventory.

The changes in the carrying value of inventory as of December 31, 2019 and March 31, 2020 are as follows:

Carrying amount, December 31, 2018	\$ -
Reallocated from biological assets (note 5)	3,737,980
Carrying amount, December 31, 2019	\$ 3,737,980
Carrying amount, March 31, 2020	\$ 3,737,980

The Company has quantified the sensitivity of the significant unobservable inputs used to calculate the fair value of inventory recorded in its consolidated interim financial statements and determined the following:

Selling price— a decrease in the average selling price of dried milled hemp per kilogram of 10% would result in a decrease in inventory of \$373,798 (December 31, 2019: \$373,980).

6. Property

Concurrent with the acquisition of Gaia Bio, pursuant to an Offer to Purchase Agreement (the “Offer to Purchase”), the Company assumed Gaia Bio’s commitment to purchase a plot of land (the “Property”) located in Lamont County, Alberta. The purchase price of the Property was \$190,000.

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Notes to the Consolidated Interim Financial Statements

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(Expressed in Canadian dollars)

7. Related Party Transactions

During the three months ended March 31, 2020, the Company recorded:

- (a) \$49,500 (2019 - \$nil) was paid to directors of the Company;
- (b) \$15,000 (2019 - \$nil) in administrative fees recorded in office and administrative expenses, was paid to a company of which officers of the Company are employees; and

As at March 31, 2020 \$12,000 (December 31, 2019 - \$14,269) is payable to a director of the Company and included in payables.

8. Acquisition

On March 22, 2019, pursuant to a Purchase of Business Agreement, Gaia Holdings acquired all of the issued and outstanding shares of Gaia Bio for the following consideration:

- (a) \$200,000 to the shareholders of Gaia Bio;
- (b) the issuance of 8,400,000 common shares, at a fair value of \$840,000, of the issued and outstanding common shares of Gaia Holdings;
- (c) The shareholders of Gaia Bio 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 the date at which Gaia Bio receives a license to produce and sell cannabis by Health Canada under the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”). 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. At March 31, 2020, the Company has not applied or received a license to sell cannabis from Health Canada under ACMPR.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the primary asset is an intangible asset for license under Health Canada’s ACMPR, which was still in the application stage and not operational at the time of acquisition. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from Gaia Bio are included in the consolidated financial statements since the date of acquisition.

GAIA GROW CORP.

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Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

8. Acquisition (continued)

The details of the consideration paid and the assets and liabilities of Gaia Bio is as follows:

Consideration paid:	\$ 1,040,000
Less: Value of net assets acquired	
Cash	8
Receivables	5,389
Payables	(71,532)
Loan payable ¹	(6,270)
Net assets acquired	(72,405)
Excess of consideration over net assets acquired	\$ 1,112,405

¹The Company assumed a business loan which was interest bearing at a rate of 8.93%. The business loan was repaid to the financial institution upon acquisition of Gaia Bio.

The excess of consideration over net assets was initially capitalized as an intangible. At December 31, 2019, the Company is no longer pursuing the license application and recognized an impairment of the intangible of \$1,112,405.

The Company also assumed Gaia Bio's commitment pursuant to the Offer to Purchase (note 6). The Offer to Purchase was contingent upon Gaia Bio receiving a Health Canada LTB, which it had not received at the date of the acquisition. As such, the Property had a \$Nil carrying value at the date of acquisition.

9. Reverse take-over transaction

On July 23, 2019 ("RTO Date"), the Company completed an RTO transaction with Gaia Holdings (note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Gaia Holdings.

Pursuant to the RTO, the Company issued an aggregate of 120,000,000 common shares of the Company in exchange for all of the issued and outstanding shares of Gaia Holdings. Upon closing of the transaction, the shareholders of Gaia Holdings owned 80% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Gaia Holdings. The Company changed its year end from January 31st to December 31st in order to align the fiscal year period to that of Gaia Holdings.

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.

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

9. Reverse Take-Over (continued)

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 operations as a listing transaction expense.

The fair value of the 28,800,012 common shares issued was determined to be \$2,880,012, or \$0.10 per common share.

- (iii) The fair value of all the consideration given and the listing expense was as follows:

	Number	Amount
Consideration:		
Shares issued	28,800,012	\$ 2,880,001
Less: Identifiable assets (liabilities) acquired		
Cash		657,506
Receivables		227,650
Prepays		379
Payables and accrued liabilities		(177,351)
		708,184
Unidentified asset acquired		
Listing expense		2,171,817
Total net identifiable assets and transaction costs		\$ 2,880,001

- (iv) The Company paid a finder's fee of 6,325,000 common shares at the completion of the RTO. Accordingly, the Company recorded the fair value of \$632,500 as a listing expense.
- (v) The comparative figures as at December 31, 2018 and for the period from June 22, 2018 (date of incorporation) to December 31, 2018 are those of Gaia Holdings.

10. Share Capital**(a) Share capital**

Authorized: Unlimited number of common shares without par value.

GAIA GROW CORP.

(Formerly Spirit Bear Capital Corp.)

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

10. Share Capital (continued)

Issued:

During the period from June 22, 2018 (date of incorporation) to December 31, 2018:

Gaia Grow issued 60,000,000 (510,000 pre-forward share split) common shares at \$0.00001 for proceeds of \$51, of which \$50 was recorded in other receivables at December 31, 2018.

Issued during the year ended December 31, 2019:

- (i) On January 18, 2019, Gaia Holdings completed a forward share split on the basis of 1:117.647. All share amounts have been stated on a post-forward share split basis. On January 18, 2019, Gaia Holdings issued 51,600,000 common shares for proceeds of \$439.
- (ii) On July 23, 2019, in accordance with the RTO (note 9), the Company issued 120,000,000 common shares to acquire all the issued and outstanding shares of Gaia Holdings and adopted the Company's authorized share capital. .

Concurrent with the completion of the RTO, the Company completed a private placement financing of 44,076,969 common shares at a price of \$0.10 per share for proceeds of \$4,407,697. The Company paid finders' fees of \$140,632.

- (iii) The Company issued 1,000,000 common shares at a fair value of \$100,000, for consulting services.
- (iv) Issued 2,300,000 common shares pursuant to the exercise of 2,300,000 stock options for proceeds of \$230,000. Accordingly, the Company reallocated \$166,210 from reserve to share capital for the exercise of stock options.

No shares were issued during the three months ended March 31, 2020.

Subsequent to the period ended March 31, 2020 the company issued 30,000,000 shares for acquisition of two subsidiaries which owned three retail stores, one in Nelson, BC and two in Powell River, BC.

(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.

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

10. Share Capital (continued)**(b) Stock options (continued)**

On August 23, 2019 the Company granted 1,000,000 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 \$72,200 on grant date using the 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 August 28, 2019 the Company granted 3,850,000 stock options to directors and officers 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 \$277,970 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of \$0.08; 151.86% volatility; risk free interest rate of 1.17; and a dividend yield of 0%.

On August 29, 2019 the Company granted 300,000 stock options to a consultant 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 \$21,670 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of \$0.08; 151.94% volatility; risk free interest rate of 1.18; and a dividend yield of 0%.

On August 30, 2019 the Company granted 500,000 stock options to a consultant 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 \$36,150 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of \$0.08; 152.01% volatility; risk free interest rate of 1.18; and a dividend yield of 0%.

On September 10, 2019 the Company granted 500,000 stock options to a consultant 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 the 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%.

GAIA GROW CORP.**(Formerly Spirit Bear Capital Corp.)**

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

10. Share Capital (continued)**(b) Stock options (continued)**

No stock options were granted during the three months ended March 31, 2020.

The movement in the Company's stock options for the year ended December 31, 2019 and three months ended March 31, 2020 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, December 31, 2019 and March 31, 2020	3,850,000	\$ 0.10

As at March 31, 2020, the Company has the following stock options outstanding:

Number of options outstanding and exercisable	Exercise price	Expiry date	Weighted average life
3,850,000	\$0.10	August 28, 2024	4.41 years

(c) Warrants

As at March 31, 2020 the Company does not have any warrants outstanding.

(d) Escrow Shares

122,730,000 shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the TSX-V requirements. Pursuant to the terms of the escrow agreements, 7,195,324 of the escrowed shares were released from escrow on July 23, 2019 and 8,254,147 on January 23, 2020. The remaining 107,280,529 shares held within escrow will be released during the period ending July 23, 2022.

(e) Reserve

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

11. Financial Instruments and Risk Management

Financial Instruments

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).

The following table shows the classification of the Company's financial instruments:

<u>Financial asset/ liability</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Payables	Amortized cost

The fair value of cash and cash equivalents and payables approximate fair value due to the short-term nature of the financial instruments.

Risk Management

(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 held in bank accounts, which is mainly held with reputable Canadian banks. Therefore, credit risk on the Company's cash deposits is assessed as relatively low.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable Canadian government sales taxes.

11. Financial Instruments and Risk Management (continued)

Risk Management (continued)

(b) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is not exposed to any significant interest rate risk.

Foreign Exchange Rate

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

Price Risk

The Company is exposed to a price risk related to changes in market prices on hemp and its products.

(c) 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.

12. 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, 2019 to the period ended March 31, 2020.

GAIA GROW CORP.

(Formerly Spirit Bear Capital Corp.)

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

13. Subsequent Events

Subsequent to the period ended March 31, 2020, on April 16, 2020 the common shares of the Company commenced trading on the CSE. In connection with completion of the listing, the common shares of the Company were delisted from the TSX-V effective at the closing of markets on April 15, 2020.