GAIA GROW CORP.

Condensed Interim Consolidated Financial Statements
For the Six and Three Months Ended June 30, 2021 and 2020
Expressed in Canadian Dollars
(Unaudited)

GAIA GROW CORP.
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For the Six and Three Months Ended June 30, 2021 and 2020

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

GAIA GROW CORP.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 308,285	$ 774,754
Advances (note 7)	17,145	23,591
Receivables (note 3)	34,636	53,791
Prepaids (note 12)	62,433	32,228
Total current assets	422,499	884,364
Property and equipment (note 5)	421,592	140,615
Goodwill (note 8)	4,343,300	-
Right-of-use assets (note 6)	1,412,908	236,191
Total assets	$ 6,600,299	$ 1,261,170
Liabilities and equity		
Current liabilities		
Trade payables (note 7)	$ 331,476	$ 47,167
Accrued liabilities (note 12)	171,055	216,000
Lease liabilities – current (note 6)	250,086	74,345
Total current liabilities	752,617	337,512
Lease liabilities – long-term (note 6)	1,192,702	176,542
Total liabilities	1,945,319	514,054
Equity		
Share capital (note 9)	14,786,256	10,166,256
Reserve (note 9)	277,980	277,980
Deficit	(10,409,256)	(9,697,120)
Total equity	4,654,980	747,116
Total liabilities and equity	$ 6,600,299	$ 1,261,170

Nature of business and continuance of operations (note 1)
Commitments (note 12)
Subsequent events (note 8, 9, 13)

Approved and authorized for issuance on behalf of the Board of Directors on August 27, 2021 by:

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

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

GAIA GROW CORP.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ -	$ -	$ -	$ 3,737
Expenses				
Advertising and promotion	5,981	49,844	7,406	139,377
Consulting (note 7)	40,250	-	70,250	987
Amortization (note 6)	32,807	-	50,505	-
Directors' fees (note 7)	43,500	38,000	93,500	97,500
Insurance	16,882	8,509	33,763	17,017
Interest (note 6)	25,687	291	35,552	694
Land payments	-	94,554	-	94,554
Licenses and permits	1,791	9,072	1,791	9,072
Office and administration (note 7)	39,185	17,806	60,237	35,197
Payroll	29,645	-	29,645	-
Professional fees	116,184	75,378	138,766	146,057
Rent (note 12)	(3,179)	12,770	9,281	12,770
Repair and maintenance	-	-	-	14,297
Shipping	-	750	-	2,008
Testing	-	450	800	1,925
Transfer agent	914	19,043	5,845	26,412
Travel	3,202	-	3,202	-
Utilities	5,580	2,232	7,332	-
Total expenses	358,429	328,699	547,875	597,867
Interest income	-	-	-	-
Other expense	114,231	-	164,261	-
Loss on acquisition of subsidiary	-	1,049,251	-	1,049,251
Advances (note 7)	-	-	-	-
Net loss and comprehensive loss for the period	$ (472,660)	$ (1,377,950)	$ (712,136)	$ (1,643,381)
Net loss per share, basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average shares outstanding, basic and diluted	245,574,203	202,501,981	239,038,092	214,269,937

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

GAIA GROW CORP.

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

(Expressed in Canadian dollars)

	Share capital								
	Number of shares		Amount		Reserve		Deficit		Total equity (deficit)
Balance, December 31, 2019	202,501,981	$	9,116,256	$	277,980	$	(3,492,482)	$	5,901,754
Shares issued for acquisition of subsidiaries (note 8)	30,000,000		1,050,000		-		-		1,050,000
Net loss for the period	-		-				(1,643,381)		(1,643,381)
Balance, June 30, 2020	232,501,981	$	10,166,256	$	277,980	$	(5,135,863)	$	5,308,373

Balance, December 31, 2020	232,501,981	$	10,166,256	$	277,980	$	(9,697,120)	$	747,116
Shares issued for acquisition of subsidiaries (note 8)	84,000,000		4,620,000		-		-		4,620,000
Net loss for the period	-		-				(712,136)		(712,136)
Balance, June 30, 2021	316,501,981	$	14,786,256	$	277,980	$	(10,409,256)	$	4,654,980

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

GAIA GROW CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Six months ended June 30,			
		2021		2020
Operating activities				
Net loss for the period	$	(712,136)	$	(1,643,381)
Amortization		50,505		-
Acquisition of subsidiary		-		1,050,000
Adjustments:				
Receivables		14,878		(7,183)
Prepaids		(30,205)		60,143
Payables and accrued liabilities		239,364		28,815
Interest expense for right-of-use asset		35,552		-
Advances		6,446		-
Net cash used in operating activities		(395,596)		(511,606)
Financing activities				
Lease payments made		(70,873)		-
Net cash used in investing activities		(70,873)		-
Increase (decrease) in cash and cash equivalents	$	(466,469)	$	(511,606)
Cash and cash equivalents, beginning	$	774,754	$	1,924,135
Cash and cash equivalents, ending	$	308,285	$	1,412,529
Cash and cash equivalents are comprised of:				
Cash	$	176,960	$	1,282,911
Cash equivalents		131,325		130,348
Cash, end of the period	$	308,285	$	1,412,259

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

1. Nature of Business and Continuance of Operations

Gaia Grow Corp. (formerly Spirit Bear Capital Corp.) ("Spirit Bear") (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 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) (note 11). 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). Subsequent to the RTO, and to today's date, the Company was in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

On April 21, 2020, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Blackhawk Growth Corp. ("Blackhawk"), a public company with directors in common. Pursuant to the Share Exchange Agreement, the Company acquired all of the issued and outstanding shares of 1202465 B.C. Ltd. and Patriot Cannabis Brands Inc., two private companies incorporated in British Columbia (the "target entities") (note 9). Subsequent to acquisition of the target entities, the Company is in the process of applying for retail cannabis licenses for the sale of cannabis-based products in Canada.

On May 31, 2021 the Company acquired all of the issued and outstanding common shares of Canna Stream Solutions Ltd. ("CSS"), a privately held arm's length company continued under the laws of the Business Corporations Act (Alberta) by issuing 12,500,000 common shares at a market price of $0.055.

On June 1, 2021 the Company acquired all of the issued and outstanding common shares of TruExtracts Inc. ("True"), a privately held arm's length company under the laws of the Business Corporations Act (Alberta) by issuing 30,000,000 common shares at a market price of $0.055 to the owners of True and 3,000,000 to finders.

On June 14, 2021 the Company acquired all of the issued and outstanding common shares of Regenco Technology Inc. ("Regenco"), a privately held arm's length company under the laws of the Business Corporations Act (Alberta) by issuing 35,000,000 common shares at a market price of $0.055 to the owners of Regenco and 3,500,000 to finders.

These condensed interim consolidated financial statements are 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. The Company's operations have not been significantly adversely affected by the COVID-19 pandemic. However, the Company cannot accurately predict the impact COVID-19 will have on its future operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

2. Basis of Preparation

(i) Statement of Compliance and Basis of Preparation

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 issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated 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 condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020. The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020. The Company's interim results are not necessarily indicative of its results for a full year.

(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 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 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 wholly owned Canadian subsidiaries, Gaia Holdings Corp., Gaia Bio Pharmaceuticals Inc., 1202465 B.C. Ltd., Patriot Cannabis Brands Inc. TruExtracts Inc., Canna Stream Solutions Ltd. and Regenco 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. The consolidated accounts also include the accounts of 1202465 B.C. Ltd. and Patriot Cannabis Brands Inc. from April 21, 2020, the date of acquisition of these subsidiaries by the Company. In addition, the consolidated accounts also include the accounts of TruExtracts Inc from June 1, 2021, accounts of Canna Stream Solutions Inc. from May 31, 2021 and Regenco Technology Inc. from June 14, 2021, the date of acquisition of these subsidiaries by the Company.

Inter-company transactions and balances are eliminated upon consolidation.

(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.

Significant judgments are as follows:

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

Business acquisitions
Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

(Expressed in Canadian dollars)

Significant areas requiring the use of estimates relate to the following:

Inventory
In determining final inventory values, the Company estimates spoiled or expired inventory in as well as future selling price in determining net realizable value.

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.

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.

3. Receivables

Included in receivables is $12,476 (December 31, 2020 - $12,476) in amounts receivable due from related parties (note 7) and $20,106 (December 31, 2020 - $41,315) due from a government agency for input tax credits.

4. Inventory

Inventory is comprised of raw materials in the form of harvested product packed in bales, ready to be milled, as well as the finished product in the form of CBD powder.

The changes in the carrying value of inventory as of December 31, 2020 and June 30, 2021 are as follows:

	Raw materials	**Finished goods**	**Total**
Balance, December 31, 2019	**$ 3,737,980**	**$ -**	**$ 3,737,980**
Moved to finished goods	(397,361)	397,361	-
Incurred in production costs	-	294,244	294,244
Impairment write-down	(2,558,730)	(647,605)	(3,206,335)
	781,889	44,000	825,889
Provision for slow-moving inventory	(781,889)	(44,000)	(825,889)
Balance, December 31, 2020 and June 30, 2021	**$ -**	**$ -**	**$ -**

(Expressed in Canadian dollars)

During the year ended December 30, 2020, the Company recorded an impairment write-down of $3,206,335 due to a decline in the estimated net realizable value of finished goods inventory due to lower prices and as a result a similar decrease in the estimated net realizable value of raw materials inventory. The Company also recorded a provision for slow-moving inventory of $825,889 due to minimal sales during the year ended December 31, 2020. There have been no changes to the assessment as of June 30, 2021 and the value of inventory remained the same.

5. Property and equipment

		Property		Equipment		Total
Cost						
Balance, December 31, 2019	**$**	**190,000**	**$**	**-**	**$**	**190,000**
Acquisition		-		80,505		80,505
Impairment		(49,385)		(80,505)		(129,890)
Balance, December 31, 2020	**$**	**140,615**	**$**	**-**	**$**	**140,615**
Acquisition		292,125		-		292,125
Balance, June 30, 2021	**$**	**432,740**	**$**	**-**	**$**	**432,740**
Accumulated Amortization						
Balance, December 31, 2019	**$**	**-**	**$**	**-**	**$**	**-**
Amortization		-		4,025		4,025
Impairment		-		(4,025)		(4,025)
Balance, December 31, 2020	**$**	**-**	**$**	**-**	**$**	**-**
Amortization		11,148		-		11,148
Balance, June 30, 2021		**11,148**		**-**		**11,148**
Net book value – December 31, 2020	**$**	**140,615**	**$**	**-**	**$**	**140,615**
Net book value – June 30, 2021	**$**	**421,592**	**$**	**-**	**$**	**421,592**

Concurrent with the acquisition of Gaia Bio (note 8), pursuant to an Offer to Purchase Agreement, the Company assumed Gaia Bio's commitment to purchase a plot of land located in Lamont County, Alberta, for a purchase price of $190,000. During the year ended December 31, 2019, the Company paid $14,400 in extension fees related to the right to purchase, which was expensed. To December 31, 2019, the Company had received a Health Canada's pre-approval letter-to-build. The Company recorded a $49,385 impairment charge in the statement of operations and loss for the year ended December 31, 2020. To December 31, 2020 and June 30, 2021, the Company has not commenced building on the site.

6. Right-of use assets and lease liabilities

In accordance with IFRS 16, the Company has recognized right-of-use assets and lease obligations of in relation to its leases which were acquired upon the acquisition of the target entities (note 8) and pursuant to a lease agreement (note 12).

(Expressed in Canadian dollars)

The lease liabilities have been recorded at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate estimated at 16% per annum. The associated right-of-use asset is measured at the amount equal to the corresponding lease liability and subsequently depreciated and the Company will record a related interest expense from the commencement date to the earlier of the end of the lease term on a straight-line basis.

The lease liabilities are as follows:

Right-of-use assets		
Balance as at 2019	**$**	**-**
Additions (Note 8 and 12)		281,477
Amortization		(45,286)
Balance as at December 31, 2020	**$**	**236,191**
Additions (Note 8 and 12)		1,227,233
Amortization		(50,516)
Balance as at June 30, 2021	**$**	**1,412,908**

Lease liabilities		
Balance as at 2019	**$**	**-**
Additions (Note 8 and 12)		281,477
Interest expense		27,728
Lease payments		(58,318)
Balance as at December 31, 2020	**$**	**250,887**
Additions (Note 8 and 12)		**1,227,233**
Interest expense		35,552
Lease payments		(70,884)
Balance as at June 30, 2021	**$**	**1,442,788**
Current portion of lease liabilities	$	250,086
Non-current portion of lease liabilities	$	1,192,702

7. Related party transactions

During the six months ended June 30, 2021 and 2020, the Company recorded:

(a) $93,500 (2020 - $97,500) in directors fees paid or payable to directors of the Company;
(b) $30,000 (2020- $30,000) in administrative fees recorded in office and administrative expenses, and paid to a company of which officers of the Company are employees;
(c) $60,000 (2020 - $nil) in consulting fees paid to a company with a director in common;

On October 1, 2020, the Company entered into an Agreement (the "Agreement") with CFPM Management Services Ltd. a company with a director in common. Pursuant to the Agreement, the Company is entitled to a fee for promotional services in the amount equal to net profits earned from business conducted at the Company's leased retail premise. To December 31, 2020 and June 30, 2021, the Company has not earned nor recorded any such fees. General advances made to CFPM are non-refundable and, as such, the Company has recorded total advances of $82,994 in the statement of operations and comprehensive loss for the six months ended June 30, 2021 (2019 - $Nil). Advances designated for the use of inventory purchases by CFPM are to be settled upon the transfer of a cannabis retail license from CFPM to the Company. The total of such advances at June 30, 2021 was $17,145 (December 31, 2020 - $23,591). To December 31, 2020 and to date, the application for transfer is in progress, however has not been completed.

During the year ended December 31, 2020, the Company entered into a Share Exchange Agreement with Blackhawk, a public company with directors in common, for the acquisition of all of the issued and outstanding shares of the target entities (note 8).

As at June 30, 2021 and December 31, 2020, $12,476 is due from a company with a director in common and included in receivables (note 3) and $21,000 is payable to a director of the Company and included in trade payables.

8. Acquisitions

Gaia Bio

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 CSE at the time of issuance, and (ii) $0.10 per share.

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 did not meet the definition of a business combination as the primary asset was 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 was recorded as an acquisition of an asset. The results of operations from Gaia Bio were included in the consolidated financial statements since the date of acquisition.

(Expressed in Canadian dollars)

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

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

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

<u>1202465 B.C. Ltd. and Patriot Cannabis Brands Inc. (the "target entities")</u>

Pursuant to the Share Exchange Agreement with Blackhawk (note 1), the Company acquired all of the issued and outstanding shares of the target entities for the issuance of 30,000,000 common shares of the Company, at a fair value of $1,050,000.

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 did not meet the definition of a business combination as the primary asset acquired were leases. The target entities had minimal assets, liabilities nor an integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as an acquisition of an asset. The results of operations from the target entities were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of the target entities were as follows:

Consideration paid:	$ 1,050,000
Less: Value of net assets acquired	
Prepaids	10,056
Right-of-use assets (notes 7 and 12)	245,168
Lease liabilities (notes 7 and 12)	(245,168)
Net assets acquired	10,056
Excess of consideration over net assets acquired	$ 1,039,944

(Expressed in Canadian dollars)

Upon acquisition of the target entities, the Company evaluated the impact of a remeasurement as new leases and the recording of an intangible asset or liability for any favourable or unfavourable terms of the leases. The cost of the acquisition, as a result, was allocated to the right-of-use asset and the excess of consideration was initially capitalized as a lease intangible. The Company could not substantiate recognition of a lease intangible or other type of asset at the date of acquisition and, as such, the Company recognized an impairment of the intangible of $1,039,944 in fiscal 2020.

Canna Stream Solutions Ltd. (the "CSS")

Pursuant to the Option to Purchase Agreement with CSS (note 1), the Company acquired all of the issued and outstanding shares of the target entities for the issuance of 12,500,000 common shares of the Company, at a fair value of $687,500.

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 met the definition of a business combination. CSS had assets, liabilities and integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as a business combination. The results of operations from the target entity were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of CSS were as follows:

Consideration paid:	$ 687,500
Less: Value of net assets acquired	
Cash	23,371
Receivable	57,138
Liabilities	(13,622)
Net assets acquired	66,887
Goodwill	$ 620,613

TruExtracts Inc. ("True")

Pursuant to the Share Exchange Agreement with True (note 1), the Company acquired all of the issued and outstanding shares of the target entities for the issuance of 30,000,000 common shares of the Company and 3,000,000 shares were issued to finders, at a fair value of $1,815,000.

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 met the definition of a business combination. True had assets, liabilities and integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as a business combination. The results of operations from the target entity were included in the consolidated financial statements since the date of acquisition.

(Expressed in Canadian dollars)

The details of the consideration paid and the assets and liabilities of the target entities were as follows:

Consideration paid:	$ 1,815,000
Less: Value of net assets acquired	
Cash	19,631
Receivable	51,722
Prepaid	35,754
Leasehold improvements	215,349
Computer software	18,501
Other	1,312
Payables	(132,456)
Right-of-use assets (notes 7 and 12)	1,056,194
Lease liabilities (notes 7 and 12)	(1,056,194)
Net assets acquired	209,813
Goodwill	$ 1,605,187

Regenco Technology Inc. ("Regenco")

Pursuant to the Option to Purchase Agreement with Regenco (note 1), the Company acquired all of the issued and outstanding shares of the target entities for the issuance of 35,000,000 common shares of the Company, and 3,500,000 shares were issued to finders, at a fair value of $2,117,500.

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 met the definition of a business combination. Regenco had assets, liabilities and integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as a business combination. The results of operations from the target entity were included in the consolidated financial statements since the date of acquisition.

(Expressed in Canadian dollars)

The details of the consideration paid and the assets and liabilities of CSS were as follows:

Consideration paid:	$ 2,117,500
Right-of-use assets (notes 7 and 12)	1,056,194
Lease liabilities (notes 7 and 12)	(1,056,194)
Net assets acquired	-
Goodwill	$ 2,117,500

9. Share Capital

(a) Share capital

Authorized: Unlimited number of common shares without par value.

Issued during the six months ended June 30, 2021:

On June 11, 2021 the Company issued 30,000,000 shares, at a fair value of $1,650,000, for acquisition of TruExtracts (Calgary) Inc. 3,000,000 shares at a fair value of $165,000 were issued to finders (note 8).

On June 18, 2021 the Company issued 35,000,000 shares, at a fair value of $1,925,000, for acquisition of Regenco Technology Inc. 3,500,000 shares at a fair value of $192,500 were issued to finders (note 8).

On June 11, 2021 the Company issued 12,500,000 shares, at a fair value of $687,500, for acquisition of Canna Stream Solutions Ltd.

Subsequent to the period ended June 30, 2021 the Company issued 750,000 shares to settle debt of $37,500 and 16,720,000 shares in private placement with units at $0.055.

Issued during the year ended December 31, 2020:

On April 21, 2020 the Company issued 30,000,000 shares, at a fair value of $1,050,000, for acquisition of 1202465 B.C. Ltd. and Patriot Cannabis Brands Inc. (note 8).

(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.

(Expressed in Canadian dollars)

No stock options were granted during the six months ended June 30, 2021 or the fiscal year ended December 31, 2020.

The movement in the Company's stock options for the year ended December 31, 2020 and six months ended June 30, 2021 are as follows:

	Number of options	Exercise price
Outstanding, December 31, 2019	3,850,000	$ 0.10
Granted	-	0.10
Outstanding and exercisable, December 30, 2020 and June 30, 2021	3,850,000	$ 0.10

As at June 30, 2021, 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	3.16 years

(c) Warrants

As at June 30, 2021, the Company does not have any warrants outstanding. Subsequent to the period ended June 30, 2021 the Company issued 17,020,000 warrants exercisable at $0.055 until July 29, 2024.

(d) Escrow Shares

122,730,000 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements. As of June 30, 2021, the remaining 71,087,470 common shares held within escrow will be released over a period of 13 months.

(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.

10. 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:

Financial asset/ liability	Classification
Cash and cash equivalents	Amortized cost
Advances	Amortized cost
Trade payables	Amortized cost
Lease liabilities	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.

(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.

11. 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, 2020 to the period ended June 30, 2021.

12. Commitments

a) On April 3, 2020, the Company entered into an Offtake Agreement (the "Offtake Agreement") with Enagon Inc. ("Enagon"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (Alberta). Pursuant to the Offtake Agreement, the Company would acquire all of the milled hemp at Enagon's milling facility. The Company concurrently entered into an exclusive Milling Agreement (the "Milling Agreement") with Enagon, whereby Enagon will provide hemp separation and milling services to the Company. The term of each agreement was for an initial term of 2 years and to December 31, 2020, the conditions pursuant to the Offtake Agreement and Milling Agreement were not executed, mutually, by either party. To December 31, 2020, the Company has accrued $173,500 in related inventory production costs. On April 21, 2021, the Offtake Agreement and Milling Agreement were terminated.

(Expressed in Canadian dollars)

b) On April 21, 2020, the Company acquired a lease obligation (note 8) that provides for a monthly base rent of $2,643 for 2020, $2,779 for 2021, $2,915 for 2022, $3,050 for 2023 and $3,186 for 2024. The underlying lease commitment term is for a period from November 1, 2019 to October 31, 2024. The Company was also transferred a security deposit of $4,556 which has been recorded in prepaids.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $111,487, with no impact on remeasurement. During the year ended December 31, 2020, the Company paid lease obligations of $21,422 thereby reducing the lease liability, recorded $16,578 in depreciation of the right-of-use asset and $11,446 in interest expense. During the six months ended June 30, 2021, the Company paid lease obligations of $16,677 thereby reducing the lease liability, recorded $12,433 in depreciation of the right-of-use asset and $7,831 in interest expense.

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

		Depreciation		**Interest**
2021	$	12,433	$	7,097
2022		24,867		11,582
2023		24,867		7,380
2024		20,722		2,217
Total	$	82,889		$28,876

c) On April 21, 2020, the Company acquired a lease obligation (note 8) that provides for a base rent of $2,057 per month commencing in 2020, with $100 monthly increase increments until 2024. The underlying lease commitment term is for a period from August 1, 2019 to July 31, 2024. The Company was also transferred a security deposit of $3,000 which has been recorded in prepaids.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $83,398, with no impact on remeasurement. During the year ended December 31, 2020, the Company paid lease obligations of $16,896 thereby reducing the lease liability, recorded $13,106 in depreciation of the right-of-use asset and $8,529 in interest expense. During the six months ended June 30, 2021, the Company paid lease obligations of $12,944 thereby reducing the lease liability, recorded $9,863 in depreciation of the right-of-use asset and $5,778 in interest expense.

(Expressed in Canadian dollars)

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

		Depreciation		Interest
2021	$	9,864	$	5,172
2022		19,726		8,198
2023		19,726		4,767
2024		11,506		882
Total	$	60,822	$	19,019

d) On April 21, 2020, the Company acquired a lease obligation (note 8) that provides for a base rent of $1,600 per month. The underlying lease commitment term is for a period from September 1, 2018 to September 1, 2023. The Company was also transferred a security deposit of $2,500 which has been recorded in prepaids.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $50,283, with no impact on remeasurement. During the year ended December 31, 2020, the Company paid lease obligations of $12,800 thereby reducing the lease liability, recorded $9,908 in depreciation of the right-of-use asset and $5,007 in interest expense. During the six months ended June 30, 2021, the Company paid lease obligations of $9,600 thereby reducing the lease liability, recorded $7,431 in depreciation of the right-of-use asset and $3,189 in interest expense.

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

		Depreciation		Interest
2021	$	7,431	$	2,659
2022		14,862		3,547
2023		11,147		915
Total	$	33,440	$	7,121

e) On July 1, 2020, the Company entered into a lease agreement that provides for a base rent of $1,200 per month. The underlying lease commitment term is for a period from July 1, 2020 to September 1, 2023. The Company paid a security deposit of $1,500 which has been recorded in prepaids.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $36,309. During the year ended December 31, 2020, the Company paid lease obligations of $7,200 thereby reducing the lease liability, recorded $5,694 in depreciation of the right-of-use asset and $2,759 in interest expense. During the six months ended June 30, 2021, the Company paid lease obligations of $7,200 thereby reducing the lease liability, recorded $5,649 in depreciation of the right-of-use asset and $2,391 in interest expense.

(Expressed in Canadian dollars)

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

	Depreciation	Interest
2021	$ 5,649	$ 1,994
2022	11,298	2,660
2023	8,473	686
Total	$ 25,420	$ 5,340

f) On June 1, 2021, the Company acquired a lease obligation (note 8) that provides for a base rent of $20,153 per month for the period up to May 31, 2025 and $21,126 per month thereafter. The underlying lease commitment term is for a period from June 1, 2021 to September 30, 2028.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $1,056,194. During the six months ended June 30, 2021, the Company paid lease obligations of $20,153 thereby reducing the lease liability, recorded $11,961 in depreciation of the right-of-use asset and $14,082 in interest expense.

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

	Depreciation	Interest
2021	$ 71,769	$ 82,757
2022	143,537	155,784
2023	143,537	140,959
2024	143,537	123,580
2025	143,537	102,928
2026	143,537	77,208
2027	143,537	46,836
2028	107,654	12,079
Total	$ 1,040,645	$ 742,131

g) On June 15, 2021, the Company acquired a lease obligation (note 8) that provides for a base rent of $4,300 per month for the period up to December 31, 2022, $4,400 in 2023 and increasing by $100 per month thereafter. The underlying lease commitment term is for a period from June 1, 2021 to December 31, 2025.

The Company recognized a lease liability obligation and associated right-of-use asset related to its lease commitment for the retail premise lease of $171,039. During the six months ended June 30, 2021, the Company paid lease obligations of $4,300 thereby reducing the lease liability, recorded $3,167 in depreciation of the right-of-use asset and $2,281 in interest expense.

(Expressed in Canadian dollars)

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

		Depreciation		Interest
2021	$	19,004	$	13,105
2022		38,009		22,973
2023		38,009		17,949
2024		38,009		11,853
2025		38,008		4,501
Total	$	171,039	$	70,381

13. Subsequent events

Subsequent to the period ended June 30, 2021 the Company issued:

- 750,000 shares to settle debt of $37,500;

- closed an initial tranche of a non-brokered private placement for gross proceeds of $836,000. In connection with closing, the Company has issued 16,720,000 units at a price of $0.05 per Unit. Each "Unit" consists of one common share and one common share purchase warrant exercisable at a price of $0.055 until July 29, 2024. In connection with closing of the initial tranche of the Offering, the Company has paid $17,500 and issued 350,000 Warrants;