GAIA GROW CORP.

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

GAIA GROW CORP.
Index to Condensed Interim Consolidated Financial Statements
For the Nine and Three Months Ended September 30, 2021 and 2020

FINANCIAL STATEMENTS

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)

	September 30, 2021	December 31, 2020
	$	$
Assets		
Current assets		
Cash and cash equivalents	346,356	774,754
Prepayments and deposits (note 7 and 12)	127,432	55,819
Receivables (note 3)	102,107	53,791
Total current assets	575,895	884,364
Deferred tax assets	36,000	-
Goodwill (note 8)	4,344,612	-
Intangible assets (note 5)	12,876	-
Property and equipment (note 4)	381,650	140,615
Right-of-use assets (note 6)	1,349,777	236,191
Total assets	6,700,810	1,261,170
Liabilities and equity		
Current liabilities		
Trade payables (note 7)	361,586	47,167
Accrued liabilities (note 12)	129,120	216,000
Lease liabilities – current (note 6)	149,723	74,345
Total current liabilities	640,429	337,512
Lease liabilities – long-term (note 6)	1,287,628	176,542
Total liabilities	1,928,057	514,054
Equity		
Share capital (note 9)	15,010,611	10,166,256
Reserve (note 9)	1,135,075	277,980
Deficit	(11,372,933)	(9,697,120)
Total equity	4,772,753	747,116
Total liabilities and equity	6,700,810	1,261,170

Approved and authorized for issuance on behalf of the Board of Directors on November 10, 2021 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	$	$	$	$
Revenue	6,678	-	6,678	3,737
Expenses				
Advertising and promotion	2,113	1,796	9,519	141,173
Amortization on intangible assets	5,625	-	5,625	-
Consulting (note 7)	353,668	10,000	423,918	10,987
Depreciation on property and equipment (note 4)	11,762	-	11,762	-
Depreciation on right-of-use assets (note 6)	90,051	32,977	140,556	32,977
Directors' fees (note 7)	70,000	51,000	163,500	148,500
Insurance	16,364	20,687	50,127	37,704
Interest (note 6)	59,501	8,344	95,053	9,158
Land payments	-	2,221	-	96,775
Licenses and permits	29,891	-	31,682	9,072
Office and administration (note 7)	71,027	24,024	131,264	59,220
Payroll	123,765	-	153,410	-
Professional fees	50,500	38,225	189,266	184,282
Rent (note 12)	37,063	(179)	46,344	12,591
Repair and maintenance	19,018	-	19,018	14,297
Shipping	-	-	-	2,008
Testing	-	1,010	800	2,935
Transfer agent	5,084	4,308	10,929	30,720
Travel	2,971	4,970	6,173	4,970
Utilities	(4,718)	-	2,614	-
Total expenses	(943,685)	(199,383)	(1,491,560)	(797,369)
Interest income	839	523	839	-
Other expense	(27,509)	-	(191,770)	(643)
Loss on acquisition of subsidiary	-	-	-	(1,049,251)
Advances (note 7)	-	-	-	-
Net loss and comprehensive loss for the period	(963,677)	(198,860)	(1,675,813)	(1,842,240)
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of shares outstanding, basic and diluted	329,518,394	232,501,981	270,055,131	220,239,207

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, September 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
Debt settlement (note 8)	934,500	46,725	-	-	46,725
Cash	21,370,000	236,837	831,663	-	1,068,500
Finder's fee	-	(59,207)	25,432	-	(33,775)
Net loss for the period	-	-	-	(1,675,813)	(1,675,813)
Balance, September 30, 2021	338,806,481	15,010,611	1,135,075	(11,372,933)	4,772,753

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)

	Nine months ended September 30,	
	2021	2020
	$	$
Operating activities		
Net loss for the period	(1,675,813)	(1,842,240)
Acquisition of subsidiary	-	1,050,000
Amortization on intangible assets	5,625	-
Depreciation on property and equipment	11,762	32,977
Depreciation on right-of-use assets	140,556	
Interest expense for right-of-use asset	95,053	9,158
Adjustments:		
Receivables	101,066	34,315
Prepaids	(35,859)	59,484
Payables and accrued liabilities	47,941	10,836
Net cash used in operating activities	(1,309,669)	(645,470)
Financing activities		
Shares issued for debt settlement	46,725	-
Shares issued for cash	1,034,725	-
Lease payments made	(162,731)	(34,194)
Net cash generated from (used in) financing activities	918,719	(34,194)
Investing activities		
Purchase of equipment	(37,448)	(80,337)
Net cash used in investing activities	(37,448)	(80,337)
Increase (decrease) in cash and cash equivalents	(428,398)	(760,001)
Cash and cash equivalents, beginning	774,754	1,924,135
Cash and cash equivalents, ending	346,356	1,164,134
Cash and cash equivalents are comprised of:		
Cash	214,610	1,033,786
Cash equivalents	131,746	130,348
Cash, end of the period	346,356	1,164,134

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.

1. Nature of Business and Continuance of Operations (continued)

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.

2. Basis of Preparation (continued)

(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.

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.

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.

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 $45,961 (December 31, 2020 - $41,315) due from a government agency for input tax credits.

(Expressed in Canadian dollars)

4. Property and equipment

	Land	Leasehold Improvement	Equipment	Total
	$	$	$	$
Cost				
Balance, December 31, 2019	190,000	-	-	190,000
Additions	-	-	80,505	80,505
Impairment	(49,385)	-	(80,505)	(129,890)
Balance, December 31, 2020	140,615	-	-	140,615
Additions	-	215,349	37,449	252,798
Balance, September 30, 2021	**140,615**	**215,349**	**37,449**	**393,413**
Accumulated Amortization				
Balance, December 31, 2019	-	-	-	-
Depreciation	-	-	4,025	4,025
Impairment	-	-	(4,025)	(4,025)
Balance, December 31, 2020	-	-	-	-
Depreciation	-	9,789	1,974	11,763
Balance, September 30, 2021	**-**	**9,789**	**1,974**	**11,763**
Net book value – December 31, 2020	140,615	-	-	140,615
Net book value – September 30, 2021	**140,615**	**205,560**	**35,475**	**381,650**

(Expressed in Canadian dollars)

4. Property and equipment (continued)

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 September 30, 2021, the Company has not commenced building on the site.

5. Intangible assets

The details of intangible assets as of 31 September 2021 were as follows:

	Computer Software	**Total**
	$	**$**
Cost		
Balance, December 31, 2019	-	-
Balance, December 31, 2020	-	-
Additions	18,501	18,501
Balance, September 30, 2021	**18,501**	**18,501**
Accumulated Amortization		
Balance, December 31, 2019	-	-
Balance, December 31, 2020	-	-
Amortization	5,625	5,625
Balance, September 30, 2021	**5,625**	**5,625**
Net book value – December 31, 2020	-	-
Net book value – September 30, 2021	**12,876**	**12,876**

(Expressed in Canadian dollars)

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.

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
Depreciation	(45,286)
Balance as at December 31, 2020	**236,191**
Additions (Note 8 and 12)	1,235,469
Amortization	(121,883)
Balance as at September 30, 2021	**1,349,777**

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	**$**	**250,887**
Additions (Note 8 and 12)		**1,280,556**
Interest expense		95,053
Lease payments		(189,145)
Balance as at September 30, 2021	**$**	**1,437,351**
Current portion of lease liabilities	**$**	(149,723)
Non-current portion of lease liabilities	$	1,287,628

7. Related party transactions

During the nine months ended September 30, 2021 and 2020, the Company recorded $163,500 (2020 - $97,500) in directors fees paid or payable to directors of the Company.

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 September 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 nine months ended September 30, 2021 (2020 - $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 September 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 September 30, 2021 and December 31, 2020, $12,476 is due from a company with a director in common and included in receivables (note 3).

(Expressed in Canadian dollars)

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.

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.

(Expressed in Canadian dollars)

8. Acquisitions (continued)

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

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 (note 6)	245,168
Lease liabilities (note 6)	(245,168)
Net assets acquired	10,056
Excess of consideration over net assets acquired	$ 1,039,944

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.

8. Acquisitions (continued)

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

(Expressed in Canadian dollars)

8. Acquisitions (continued)

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.

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
Payables	(132,456)
Right-of-use assets (note 6)	1,056,194
Lease liabilities (note 6)	(1,056,194)
Net assets acquired	208,501
Goodwill	$ 1,606,499

8. Acquisitions (continued)

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.

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

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 July 29, 2021, the Company closed an initial tranche of a non-brokered private placement and issued 16,720,000 shares at a fair value of $836,000.

On August 30, 2021, the Company closed the final tranche of its non-brokered private placement for additional gross proceeds of $232,500. When combined with the initial tranche of the offering, the Company has raised $1,068,500 through the issuance of 21,370,000 shares at a price of five cents per share.

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.

No stock options were granted during the nine months ended September 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 nine months ended September 30, 2021 are as follows:

(Expressed in Canadian dollars)

9. Share Capital (continued)

(b) Stock options (continued)

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

As at September 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	2.91 years

(c) Warrants

On July 29, 2021, the Company issued 16,720,000 warrants exercisable at a price of 5.5 cents expiring on July 29, 2024, in connection with the initial tranche of the private placement. The Company also issued 350,000 warrants to the finder.

On August 30, 2021, the Company issued the additional 4,650,000 warrants exercisable at a price of 5.5 cents and expiring on August 30, 2024. The Company also issued 675,500 warrants to the finder.

The movement in the Company's warrants for the year ended December 31, 2020 and nine months ended September 30, 2021 are as follows:

	Number of warrants	Exercise price
Outstanding and exercisable, December 31, 2020	-	$ -
Granted	22,045,000	0.055
Outstanding and exercisable, September 30, 2021	22,045,000	$ 0.055

(Expressed in Canadian dollars)

9. Share Capital (continued)

(c) Warrants (continued)

As at September 30, 2021, the Company has the following warrants outstanding:

Number of warrants outstanding and exercisable	Exercise price	Expiry date	Weighted average life
	$		
17,070,000	0.055	July 29, 2024	2.83 years
4,975,000	0.055	August 30, 2024	2.92 years
22,045,000	0.055		2.85 years

(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 September 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).

10. Financial Instruments and Risk Management (continued)

Financial Instruments (continued)

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.

10. Financial Instruments and Risk Management (continued)

Risk Management (continued)

(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 September 30, 2021.

12. Commitments

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.

13. Subsequent events

Subsequent to 30 September 2021, the Company has the following events:

- On 12 October 2021, Canna Stream Solutions Ltd. (CSS) has received financing of $35,925 from Alberta Innovates through the Alberta Innovates Voucher Program for the "Development of a Novel Cleantech Method for the Production of Cellulose Nano-Materials from Cannabis Waste Streams."

- On 12 October 2021, the Company has closed the first tranche of the placement of its common shares to New Life Sciences Capital LLC (the investor), a United States-based institutional investor, under its agreement with the investor announced by the company on Sept. 29, 2021.

  Pursuant to the agreement, the company has received $1-million (before a $120,000 fee) from the investor as a lump sum prepayment for the subscription price of $1.09-million worth of shares. In addition, the company made an initial issuance of 2.48 million placement shares to the investor to be counted toward the ultimate number of placement shares to be issued or otherwise applied as set forth in the company's announcement on Sept. 29, 2021, and issued 4.8 million warrants exercisable until Oct. 12, 2025, at a price of five cents, entitling the investor to subscribe for one share per warrant.

- On 3 November 2021, Canna Stream Solutions Ltd. (CSS), in collaboration with Enagon Inc., has completed phase 1 of the development of novel biocomposites using Enagon's proprietary processed hemp biomass (both bast and hurd). The project was conducted at InnoTech Alberta's Bio-Industrial Services facilities and is critical for CSS' research & development efforts in creating added value from cannabis and industrial hemp.