CHEMESIS INTERNATIONAL INC.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended March 31, 2021 and 2020

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of Chemesis International Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three and nine months ended March 31, 2021 has not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars unless otherwise stated.

Chemesis International Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

As at		March 31, 2021		June 30, 2020
ASSETS				
Current assets				
Cash	$	727,682	$	185,279
Amounts receivable (Note 13)		115,361		79,544
Prepaid expenses and deposits		10,118		10,118
Note receivable (Note 5)		1,860,157		-
Assets held for sale (Note 5)		-		4,540,947
Inventory (Note 8)		40,088		38,506
		2,753,406		4,854,394
Non-current assets				
Assets held for sale (Note 5)		-		17,332,726
Deposits		316,681		-
Fixed assets (Note 11)		1,671,943		201,335
Note receivable (Note 5)		1,514,712		-
Intangible assets (Note 9)		416,560		51,143
Total non-current assets		**3,919,896**		**17,585,204**
TOTAL ASSETS	**$**	**6,673,302**	**$**	**22,439,598**
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 15)	$	1,639,690	$	2,748,962
Income tax payable		-		76,974
Convertible debt (Note 12)		232,881		1,063,562
Liabilities held for sale (Note 5)		-		4,615,960
		1,872,571		8,505,080
Non-current liabilities				
Liabilities held for sale (Note 5)		-		2,096,778
		-		2,096,778
TOTAL LIABILITIES	**$**	**1,872,571**	**$**	**10,602,236**
EQUITY				
Share capital (Note 14)		86,366,719		77,952,340
Subscriptions received		189,500		22,500
Contributed surplus		7,873,744		5,814,928
Accumulated other comprehensive income		(1,764,383)		240,078
Deficit		(90,429,107)		(76,517,929)
Equity attributable to shareholders of Chemesis		**2,236,473**		**7,511,917**
Non-controlling interests (Note 10)		2,564,258		4,325,445
TOTAL EQUITY		**4,800,731**		**11,837,362**
TOTAL LIABILITIES AND EQUITY	**$**	**6,673,302**	**$**	**22,439,598**

Subsequent events (Note 24) Contingent liabilities (Note 22)
Going concern (Note 2)

Approved on behalf of the Board of Directors:

"Brian Thurston", Director *"Aman Parmar",* Director

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

Chemesis International Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

(Unaudited)	For the three months ended March 31, 2021	For the three months ended March 31, 2020 (Restated)	For the nine months ended March 31, 2021	For the nine months ended March 31, 2020 (Restated)
REVENUES	$ 200,625	$ 15,496	$ 200,625	$ 164,852
COST OF GOODS SOLD (Note 8)	(151,720)	(7,039)	(151,720)	(93,111)
GROSS PROFIT	**48,905**	**8,457**	**48,905**	**71,741**
EXPENSES				
Depreciation (Notes 11)	26,095	24,692	49,387	1,725,964
Foreign exchange loss (gain)	434,375	409,871	424,596	403,024
General and administration (Note 16 and 17)	3,770,955	143,081	7,035,718	3,775,568
Share-based payments (Notes 14 and 15)	2,169,379	1,779,351	2,169,379	2,041,191
TOTAL OPERATING EXPENSES	**(6,400,804)**	**(2,356,995)**	**(9,679,080)**	**(7,945,747)**
LOSS BEFORE OTHER ITEMS	**(6,351,899)**	**(2,348,538)**	**(9,630,175)**	**(7,874,006)**
OTHER ITEMS:				
Interest expense	-	-	(42,692)	-
Impairment	(391,111)	2,306,153	(391,111)	2,306,153
Loss on sale of building	-	(3,993,425)	-	(7,435,117)
Loss on investment in GSRX Industries Inc.	651,670	-	651,670	(10,308,227)
	260,559	**(1,687,272)**	**217,867**	**(15,437,191)**
NET LOSS BEFORE DISCONTINUED OPERATIONS AND INCOME TAXES	**(6,091,340)**	**(4,035,810)**	**(9,412,308)**	**(23,311,197)**
Income (loss) on discontinued operations, net of tax (Note 5)	5,861,680	(5,287,100)	(6,699,919)	(5,630,774)
Income tax recovery (expense)	-	-	-	133,000
NET LOSS	**(229,660)**	**(9,322,910)**	**(16,112,227)**	**(28,808,971)**
OTHER COMPREHENSIVE INCOME (LOSS)				
Cumulative translation adjustment, attributable to:				
Continuing operations	(93,293)	65,041	-	(348,129)
Discontinued operations	(2,089,410)	(315,041)	(1,991,969)	17,198
COMPREHENSIVE LOSS	**$ (2,412,363)**	**$ (9,572,910)**	**$ (18,104,196)**	**$ (29,139,902)**
NET LOSS ATTRIBUTABLE TO:				
Chemesis International Inc.	1,632,888	(8,484,227)	(7,211,259)	(30,117,529)
Discontinued operations	(3,897,851)	(1,396,748)	(6,699,919)	(1,931,112)
Non-controlling interests	2,035,303	558,065	(2,201,049)	350,063
NET LOSS	**$** (229,660)	**$** (9,322,910)	**$** (16,112,227)	**$** (31,698,578)
			-	2,889,607
COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Chemesis International Inc.	1,613,078	(6,892,905)	(9,215,720)	(26,968,543)
Discontinued operations	(5,987,261)	(315,041)	(8,691,888)	17,198
Non-controlling interests	1,961,820	(2,364,964)	(196,588)	(2,188,557)
COMPREHENSIVE LOSS	**$ (2,412,363)**	**$ (9,572,910)**	**$ (18,104,196)**	**$ (29,139,902)**
Loss per share, basic and diluted	**$ (0.00)**	**$ (0.89)**	**$ (0.38)**	**$ (1.79)**
Loss per share, basic and diluted, continuing operations	**$ 0.07**	**$ (0.76)**	**$ (0.21)**	**$ (1.68)**
Loss per share, basic and diluted, discontinued operations	**$ (0.08)**	**$ (0.13)**	**$ (0.16)**	**$ (0.11)**
Weighted average number of common shares outstanding	**49,794,908**	**10,482,452**	**42,387,375**	**17,736,289**

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

Chemesis International Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital								
	Number	**Amount**	**Subscriptions received**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Equity attributable to shareholders of Chemesis**	**Non-controlling interests**	**Total equity**
		$	$	$	$	$	$	$	$
As at June 30, 2020	33,891,694	77,952,340	22,500	5,814,928	240,078	(76,517,929)	**7,511,917**	4,325,445	**11,837,362**
Shares issued for cash	6,230,399	2,471,400	(22,500)	-	-	-	**2,448,900**	-	**2,448,900**
Conversion of RSUs into common shares	125,000	110,563	-	(110,563)	-	-	**-**	-	**-**
Exercise of warrants	9,307,767	3,947,646	-	-	-	-	**3,947,646**	-	**3,947,646**
Shares for debt	2,016,678	1,265,047	-	-	-	-	**1,265,047**	-	**1,265,047**
Shares issued to settle convertible debentures	1,912,106	619,723	-	-	-	-	**619,723**	-	**619,723**
Subscriptions received	-	-	-	-	-	-	**-**	-	**-**
Disposal of non-controlling interests	-	-	-	-	-	-	**-**	427,370	**427,370**
Share-based payments	-	-	-	2,169,379	-	-	**2,169,379**	-	**2,169,379**
Net loss	-	-	-	-	-	(13,911,178)	**(13,911,178)**	(2,201,049)	**(16,112,227)**
Other comprehensive income	-	-	-	-	(2,004,460)	-	**(2,004,460)**	12,491	**(1,991,969)**
As at March 31, 2021	**53,483,644**	**86,366,719**	**-**	**7,873,744**	**(1,764,382)**	**(90,429,107)**	**2,046,974**	**2,564,257**	**4,611,231**

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Chemesis International Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital								
	Number	**Amount**	**Subscriptions received**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Equity attributable to shareholders of Chemesis**	**Non-controlling interests**	**Total equity**
		$	$	$	$	$	$	$	$
As at June 30, 2019 (Restated- Note 28)	**9,216,353**	**56,954,958**	**-**	**5,067,327**	**569,066**	**(39,527,486)**	**23,063,865**	**258,771**	**23,322,636**
Acquisition of GSRX common shares	1,488,071	8,437,358	-	-	-	-	8,437,358	4,811,232	13,248,590
Shares held internally	(729,187)	(6,027,801)	-	-	-	-	(6,027,801)	-	(6,027,801)
Acquisition of SAP	100,000	1,780,000	-	(2,602,879)	118,094	-	(704,785)	704,785	-
Acquisition of GSRX preferred shares	400,000	2,268,000	-	-	-	-	2,268,000	-	2,268,000
Shares issued for intangible asset	15,750	269,316	-	-	-	-	269,316	-	269,316
Shares issued to settle note payable	60,000	732,000	-	-	-	-	732,000	-	732,000
Shares for debt	5,717,617	2,457,573	-	-	-	-	2,457,573	-	2,457,573
Convertible debt	1,802,903	1,802,575	-	(244,000)	-	-	1,558,575	-	1,558,575
Private placements, net	10,812,900	3,849,427	-	-	-	-	3,849,427	-	3,849,427
Subscriptions received	-	-	173,920	-	-	-	173,920	-	173,920
Shares issued for options exercised	10,000	248,000	-	(108,000)	-	-	140,000	-	140,000
Shares issued for services	30,938	57,235	-	-	-	-	57,235	-	57,235
Issuance of shares by GSRX for services	-	-	-	(85,285)	-	-	(85,285)	111,109	25,824
Share-based payments	-	-	-	2,060,114	-	-	2,060,114	-	2,060,114
Net loss	-	-	-	-	-	(31,856,488)	(31,856,488)	350,063	(31,506,425)
Other comprehensive loss	-	-	-	-	700,384	-	700,384	39,942	740,326
As at March 31, 2020 (Restated – Note 28)	**28,925,345**	**72,828,641**	**173,920**	**4,087,277**	**1,387,544**	**(71,383,974)**	**7,093,408**	**6,275,902**	**13,369,310**

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

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Chemesis International Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital									
	Number	**Amount**	**Subscriptions received**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Equity attributable to shareholders of Chemesis**	**Non-controlling interests**	**Total equity**
		$	$	$	$	$	$	$	$
As at April 1, 2020 (Restated – Note 28)	**28,925,345**	**72,828,641**	**173,920**	**4,087,277**	**1,387,544**	**(71,383,974)**	**7,093,408**	**6,275,902**	**13,369,310**
Convertible debt	2,173,218	3,726,949	-	244,000	-	-	3,970,949	-	3,970,949
Private placements, net	2,793,131	1,396,750	-	-	-	-	1,396,750	-	1,396,750
Subscriptions received	-	-	(151,420)	-	-	-	(151,420)	-	(151,420)
Share-based payments	-	-	-	1,483,651	-	-	1,483,651	-	1,483,651
Net loss	-	-	-	-	-	(5,133,955)	(5,133,955)	(1,978,097)	(7,112,052)
Other comprehensive loss	-	-	-	-	(1,147,466)	-	(1,147,466)	27,640	(1,119,826)
As at June 30, 2020	**33,891,694**	**77,952,340**	**22,500**	**5,814,928**	**240,078**	**(76,517,929)**	**7,511,917**	**4,325,445**	**11,837,362**

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

Chemesis International Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the nine months ended March 31		2021		2020
Cash (used in) provided by:				
OPERATING ACTIVITIES				
Net loss from continuing operations	$	(7,211,259)	$	(30,117,529)
Net loss from non-controlling interests		(2,201,049)		(1,931,112)
Net loss from discontinued operations		(6,699,919)		350,063
	$	(16,112,227)	**$**	(31,698,578)
Items not involving cash:				
Share-based payments		2,169,379		199,666
Change in fair value of embedded derivative liabilities		-		(2,621,675
Interest/accretion		49.387		589,040
Impairment of assets		-		13,749,919
Depreciation		62,108		1,737,594
Gain on disposal of assets		(253,350)		7,178,507
Net changes in non-cash working capital items:				
Prepaid expenses and deposits		-		(362,516)
Inventory		(1,582)		777,370
Biological assets		-		-
Note receivable		(3,374,869)		-
Income tax payable		-		(133,000)
Unearned revenue		(76,974)		-
Net assets held for sale		10,315,533		6,028,371
Lease liability		-		(589,040)
Amounts receivable		(35,817)		2,000,189
Amounts payable and other payables		(306,628)		(2,750,978)
Net cash used in operating activities		**(7,584,756)**		**(5,895,131)**
INVESTING ACTIVITIES:				
Deposit		(316,681)		(246,051)
Proceeds received on sale of building		-		1,254,626
Proceeds from sale of subsidiaries		3,377,789		-
Acquisition of GSRX		-		2,074,166
Purchase of equipment and leasehold improvements		(1,519,995)		(730,580)
Net cash provided by (used in) investing activities		**1,541,113**		**2,352,161**
FINANCING ACTIVITIES:				
Proceeds from private placement, net		2,471,400		715,000
Proceeds from convertible debt		-		1,462,190
Proceeds from warrant exercise		3,947,646		-
Subscriptions received		167,000		743,500
Net cash provided by financing activities		**6,586,046**		**2,920,690**
Effect of exchange rate changes on cash		-		
Net increase (decrease) in cash		542,403		(622,280)
Cash, beginning of year		185,279		641,583
Cash, end of period	**$**	**727,682**	**$**	**19,303**

Non-cash investing and financing activities - See Note 18
The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Chemesis International Inc. (“Chemesis” or “the Company”) was incorporated under the Business Corporations Act of British Columbia on April 26, 2013. Chemesis’ registered records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver BC V6C 3E8 and the corporate head office is at 2710 – 200 Granville Street, Vancouver, BC V6C 1S4. The Company trades on the Canadian Securities Exchange (“CSE”) under the symbol CSI, on the OTC markets under the symbol CADMF, and on the Frankfurt Stock Exchange under the symbol CWAA.

During November 2020, the company entered into sale agreements with Puerto Rico Industrial Commercial Holdings Biotech Corp, for the sale of Natural Ventures Puerto Rico and all of the Puerto Rican assets of GSRX. Accordingly, the related assets and liabilities have been presented separately on the statement of financial position as at March 31, 2021 and June 30, 2020. Additionally, the sum of the post-tax loss of the discontinued operations and post-tax gain or loss recognized on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets has been presented as a single amount on the face of the statement of comprehensive income for the nine months ended March 31, 2021 and 2020.

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 Company’s operations have not been affected by the COVID-19 global pandemic.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the nine months ended March 31, 2021, the Company incurred a loss of $16,112,227 and as at March 31, 2021 has a working capital of $880,835 and an accumulated deficit of $90,429,107 and remains dependent upon the receipt of additional equity or debt financing. While management has been successful in obtaining required financing in the past, there is no assurance that additional financing will be available or be available on favourable terms. The Company’s ability to continue as a going concern is dependent upon the ability to raise financing and ultimately generate profitable operations. These consolidated financial statements do not reflect and adjustments to the carrying value of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

In the United States, 33 states, the District of Columbia, and four U.S. territories allow the use of medical cannabis. Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Washington, Vermont and the District of Columbia legalized the sale and adult-use of recreational cannabis.

2. GOING CONCERN (CONTINUED)

At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could also impact the ability of the Company to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the fiscal year ended June 30, 2020, filed October 28, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on March 1, 2020.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

3.1. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value. All amounts are presented in Canadian dollars unless otherwise specified.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

3. BASIS OF PRESENTATION (CONTINUED)

Critical Accounting Judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment. In assessing the Company's ability to continue as a going concern, market and regulatory factors are considered.

Business combinations

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Collectability of amounts receivable

The Company monitors its exposure for credit losses on its customer and related party receivable balances and the creditworthiness of the customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related party balances, where a risk of default is identified, and also include a provision for non-customer specific defaults based upon historical experience and aging of accounts.

Leases

Judgement is used when determining if the exercise of a lease renewal option is reasonably certain.

3. BASIS OF PRESENTATION (CONTINUED)

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest of the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Critical Accounting Estimates

Biological assets

Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales prices, wastage and expected yields of the cannabis plant. In determining final inventory value, the Company estimates obsolete or slow-moving inventory in determining net realizable value.

The Company's estimates are, by their nature, subject to change and differences from such change will be reflected in the gain or loss on biological assets in future periods.

Inventory

The Company estimates the net realizable value of inventory taking into account the most reliable evidence available at each reporting date.

Share-based payments

Where applicable, the fair value of certain equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Valuation of equity consideration granted

The valuation of share consideration granted involves management judgment in determining valuation of the share consideration granted. Judgment is exercised in the reliability of the fair value of consideration received.

3. BASIS OF PRESENTATION (CONTINUED)

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with limited lives are affected by judgments about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

3.3 Basis of consolidation

These consolidated financials are presented in Canadian dollars ("CAD") and incorporate the financial results of the Company and its controlled subsidiaries:

Entity	Country	Functional currency	Ownership %
Chemesis International Inc.	Canada	CAD	Parent
1145411 BC Ltd. ("1145411")	Canada	CAD	100%
Desert Zen LLC ("Desert Zen")	USA - California	US dollar ("USD")	100%
10998451 Canada Inc.	Canada	CAD	100%
Kieley Growth Management LLC ("Kieley")	USA - California	USD	60%
La Finca Interacviva Arachna Inc. SAS. (La Finca")	Colombia	Colombian Peso	100%
Bonhomie Labs LLC ("Bonhomie")	USA - California	USD	100%
SAP Global Inc. ("SAP Global")	USA - California	USD	100%
GSRX Industries Inc. ("GSRX")*	USA	USD	66%

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION (CONTINUED)

*List of subsidiaries and percentage of ownership held under GSRX includes the following:

Subsidiaries held by GSRX	Country	GSRX Ownership %
Andalucia 511, LLC;	USA	100%
Spirulinex, LLC;	USA	51%
Sunset Connect Oakland, LLC;	USA	55%
Green Spirit Essentials, LLC;	USA	55%
Green Spirit Mendocino, LLC;	USA	100%
138 Main Street PA, LLC.	USA	100%
GSRX SUPES, LLC	USA	100%
Point Arena Supply Co., LLC	USA	100%
Ukiah Supply Company, LLC	USA	100%
Pure and Natural, LLC	USA	100%
Point Arena Manufacturing, LLC	USA	94%
Point Arena Distribution, LLC	USA	100%
Pure and Natural-Lakeway, LLC	USA	51%
Pure and Natural One-TN, LLC	USA	51%
Green Room Palm Springs, LLC	USA	95%

Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

3.4 Non-controlling interests

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein., and are initially recognized at the pro-rata share of ownership of the Company's net identifiable assets. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. See Note 11 for non-controlling interests' disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's amended audited annual financial statement for the fiscal year ended June 30, 2020, filed October 28, 2020.

Discontinued Operations
The Company classifies a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Upon classification as a discontinued operation, assets and liabilities are measured at their fair value less costs to sell.

Current assets, non-current assets, current liabilities and non-current liabilities will be presented combined on one line under assets or liabilities held for sale, respectively.

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All income or loss on discontinued operations, including any impairment charges recorded on transfer of CGU assets to conformity with IFRS 5 *Assets Held for Sale and Discontinued Operations,* are charged to one line on the statement of profit or loss.

5. DISCONTINUED OPERATIONS

Consolidated discontinued operations as at March 31, 2021 and June 30, 2020 are below:

As at		March 31, 2021		June 30, 2020
Current				
Cash	$	2,086,495	$	859,306
Amounts receivable (Note 14)		889,110		673,124
Prepaids		54,627		75,044
Biological assets (Note 9)		2,396,211		1,842,848
Inventory (Note 10)		3,090,818		1,090,625
	$	**8,517,261**	**$**	**4,540,947**
Non-current assets				
Deposits		757,407		1,033,234
Fixed Assets (Note 12)		3,667,000		4,048,557
Right of use asset		1,467,277		2,916,092
Investments		-		-
Intangible assets (Note 11)		641,370		2,000,631
Goodwill (Note 6)		904,499		904,499
Total non-current assets	**$**	**7,437,553**	**$**	**10,903,013**
				-
TOTAL ASSETS	**$**	**15,954,814**	**$**	**15,443,960**
LIABILITIES				
Current				
Accounts payable	$	5,885,666		3,205,588
Unearned revenue		231,957		52,063
Lease liability		691,380		1,313,386
		6,809,003	**$**	**4,571,037**
Long-term				-
Lease liability - long term		2,117,835		2,096,778
TOTAL LIABILITIES	**$**	**8,926,838**	**$**	**6,667,815**
BOOK VALUE OF NET ASSETS	**$**	**7,027,976**		**8,776,145**
Fair value adjustment on net assets HFS		(1,281,761)		(2,372,597)
FAIR VALUE OF DISCONTINUED OPERATIONS	**$**	**5,746,215**	**$**	**6,403,548**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS (CONTINUED)

Loss on discontinued operations:

	For the nine months ended March 31, 2021	March 31, 2020
Revenue	$ 5,131,392	$ 9,750,325
Cost of sales	(2,135,000)	(5,120,592)
	2,996,392	4,629,733
Bio asset adjustment	68,705	(292,150)
Gross Margin	3,065,097	4,337,583
General and administrative costs	(1,972,594)	(6,021,132)
Fair value adjustment upon HFS	(1,281,761)	(2,372,597)
Other items	-	2,125,034
Total income (loss)	**$** (189,258)	$ (1,931,112)
Other comprehensive loss	53,980	317,198
Comprehensive income (loss)	**$ (135,278)**	**$ (1,613,914)**

A summary of cash flows:

	For the nine months ended March 31, 2021	March 31, 2020
Net income	**$** (189,258)	$ (1,931,112)
Non-cash items	1,281,761	2,372,597
Changes in non-cash working capital	(1,749,125)	(219,859)
Cash flows from operations	(656,622)	221,626
Cash used in investing activities	1,883,811	(3,468,261)
Cash from financing activities	-	3,127,776
Change in cash	**1,227,189**	**(118,859)**
Cash, beginning	859,306	978,165
Cash, end	**$ 2,086,495**	**$ 859,306**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS (CONTINUED)

Project 1493

On November 11, 2020, GSRX's subsidiary, Project 1493 entered into an asset purchase agreement (the "Asset Purchase Agreement") with Puerto Rico Industrial Commercial Holdings, LLC ("PRICH") to sell and transfer all of Project 1493's operating assets in Puerto Rico in consideration for US$4,643,333 (including Sales and Use Tax of Puerto Rico) (the "Project 1493 Asset Purchase Price"). US$2,243,333 cash was received by the Company, with the balance of US$2,400,000 receivable by the Company in monthly instalments of US$100,000. As at March 31, 2021, US$2,400,000 was outstanding.

Additionally, PRICH assumed all of Project 1493's liabilities in respect of the assets sold and the leases assumed. The fair value of the total consideration issued to the Company for Project 1493 was $5,859,753.

As at		**March 31, 2021**		**June 30, 2020**
Current				
Cash	$	1,724,654	$	789,500
Amounts receivable (Note 14)		-		73,455
Prepaids		-		6,760
Biological assets (Note 9)		-		-
Inventory (Note 10)		2,121,376		573,515
	$	**3,846,030**	**$**	**1,443,230**
Non-current assets				
Deposits		-		350,384
Fixed Assets (Note 12)		1,911,558		2,324,888
Right of use asset		170,393		1,413,810
Investments		-		-
Intangible assets		641,370		2,000,631
Goodwill		904,499		904,499
Total non-current assets	**$**	**3,627,820**	**$**	**6,994,212**
TOTAL ASSETS	**$**	**7,473,850**	**$**	**8,437,442**
LIABILITIES				
Current				
Accounts payable	$	3,196,365	$	650,875
Unearned revenue		-		
Lease liability		220,435		720,644
		3,416,800	**$**	**1,371,519**
Long-term				
Lease liability - long term		1,257,227		1,236,170
TOTAL LIABILITIES	**$**	**4,674,027**	**$**	**2,607,689**
				-
FAIR VALUE OF NET ASSETS	**$**	**2,799,823**	**$**	**5,829,753**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS (CONTINUED)

Loss on discontinued operations for Project 1493 is below:

	For the nine months ended March 31, 2021		For the nine months ended March 31, 2020	
Revenue	$	3,863,054	$	7,840,478
Cost of sales		(2,101,847)		(4,068,323)
		1,761,207		3,772,155
Bio asset adjustment		-		
Gross Margin		1,761,207		3,772,155
General and administrative costs		(1,690,339)		(4,380,437)
Fair value adjustment upon HFS		-		-
Other items		-		2,227,108
Total income	**$**	70,868	$	1,618,826
Other comprehensive loss		-		(86,768)
Comprehensive income	**$**	**70,868**	**$**	**1,532,058**

Upon recognition as an asset held for sale, the Company recorded an impairment charge against NVPR goodwill of $1,290,836 in accordance with IAS 36 and IFRS 5.

A summary of cash flows for Project 1493 is as follows:

	For the nine months ended March 31, 2021		For the nine months ended March 31, 2020	
Net income	**$**	70,868	$	1,618,826
Non-cash items		-		-
Changes in non-cash working capital		(1,467,646)		155,552
Cash flows from operations		(1,396,778)		1,774,378
Cash used in investing activities		2,331,932		(1,828,490)
Cash from financing activities		-		-
Change in cash		**935,154**		**(54,112)**
Cash, beginning		789,500		843,612
Cash, end	**$**	**1,724,654**	**$**	**789,500**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS (CONTINUED)

NVPR

On November 13, 2020, Natural Venture entered into an agreement (the "Natural Ventures Agreement") with Puerto Rico Industrial Commercial Holdings Biotech Corp. to sell and transfer all of Natural Ventures' operating assets in Puerto Rico in consideration for US$450,000 (received).

The completion of the sale and transfer of Natural Ventures' operating assets in Puerto Rico to PRICH is conditional upon receiving approval and authorization of the applicable governmental authorities, including, the approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health), and satisfactory due diligence of the operating assets of Natural Ventures by PRICH.

A summary of asset and liabilities held for sale for NVPR are below:

As at		**March 31, 2020**		**June 30, 2020**
Current				
Cash	$	361,841	$	69,806
Amounts receivable (Note 14)		889,110		599,669
Prepaids		54,627		68,284
Biological assets (Note 9)		2,396,211		1,842,848
Inventory (Note 10)		969,442		517,110
	$	**4,671,231**	**$**	**3,097,717**
Non-current assets				
Deposits		757,407		682,850
Fixed Assets (Note 12)		1,755,442		1,723,669
Right of use asset		1,296,884		1,502,282
Total non-current assets	**$**	**3,809,733**	**$**	**3,908,801**
TOTAL ASSETS	**$**	**8,480,964**	**$**	**7,006,518**
LIABILITIES				
Current				
Accounts payable	$	2,689,301	$	2,554,713
Unearned revenue		231,957		52,063
Lease liability		470,945		592,742
		3,392,203	**$**	**3,199,518**
Long-term				
Lease liability - long term		860,608		860,608
TOTAL LIABILITIES	**$**	**4,252,811**	**$**	**4,060,126**
BOOK VALUE OF NET ASSETS	**$**	**4,228,153**	**$**	**2,946,392**
Fair value adjustment on net assets HFS		(1,281,761)		(2,372,597)
FAIR VALUE OF DISCONTINUED OPERATIONS	**$**	**2,946,392**	**$**	**573,795**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS (CONTINUED)

Loss on discontinued operations for NVPR is below:

		For the nine months ended	
		March 31, 2021	**March 31, 2020**
Revenue	$	1,268,338	1,909,847
Cost of sales		(33,153)	(1,052,269)
		1,235,185	857,578
Bio asset adjustment		68,705	(292,150)
Gross Margin		1,303,890	565,428
General and administrative costs		(282,255)	(1,640,695)
Fair value adjustment upon HFS		(1,281,761)	(2,372,597)
Other items		-	(102,074)
Total income (loss)	**$**	(260,126)	(3,549,938)
Other comprehensive loss		53,980	403,966
Comprehensive income (loss)	**$**	**(206,146)**	**(3,145,972)**

Upon recognition as an asset held for sale, the Company recorded an impairment charge against NVPR goodwill of $1,281,761 (2020 - $2,372,597) in accordance with IAS 36 and IFRS 5.

A summary of cash flows for NVPR is as follows:

		For the nine months ended		
		March 31, 2021		**March 31, 2020**
Net income	**$**	(260,126)	$	(3,549,938)
Non-cash items		1,281,761		2,372,597
Changes in non-cash working capital		(281,479)		(375,411)
Cash flows from operations		740,156		(1,552,752)
Cash used in investing activities		(448,121)		(1,639,771)
Cash from financing activities		-		3,127,776
Change in cash		**292,035**		**(64,747)**
Cash, beginning		69,806		134,553
Cash, end	**$**	**361,841**	**$**	**69,806**

In accordance with IFRS 5, the Company determined that the sale constituted a discontinued operation as the net assets are to be expected principally through a sale transaction rather than through continual use. The sale constitutes a complete disposal of the Natural Ventures - Puerto Rico CGU and a significant disposal within the GSRX CGU (Note 6).

(Expressed in Canadian dollars)

5. GOODWILL, ACQUISITIONS AND ACQUISITIONS PAYABLE

Goodwill arose over the acquisition of Natural Ventures and GSRX due to the benefit of expected revenue growth in Latin American markets and future market developments. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were dealt with at arm's length with non-related parties at the time of transaction.

The Company's goodwill arose on acquisitions and are summarized as follows:

GSRX Industries Inc.

		Natural Ventures		GSRX		Total
		Puerto Rico		*Puerto Rico*		
Net						
Balance, June 30, 2020	$	3,557,713	$	5,577,799	$	11,769,422
Transfer to Discontinued Operations (Note 5)		(3,557,713)		(5,577,799)		(11,769,422)
Balance, March 31, 2021	**$**	**-**	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

6. GOODWILL, ACQUISITIONS AND ACQUISITIONS PAYABLE (CONTINUED)

During the year ended June 30, 2020, the Company acquired GSRX. The acquisition of GSRX was accounted for as a business combination as follows:

Consideration		
Fair value of initial investment in GSRX	$	4,658,381
Common shares		10,705,358
Total consideration	$	15,363,739
Fair value of net assets acquired		
Cash	$	2,026,139
Accounts receivable		47,627
Inventory		689,750
Deposits		367,027
Equipment		472,310
Land		322,316
Building		1,147,069
Leasehold improvements		954,273
License		2,727,986
Right of use assets		2,912,084
Construction in progress		897,157
Investment in Chemesis		6,027,801
Total assets	$	18,591,539
Current liabilities	$	1,082,159
Lease liabilities		2,912,084
Total liabilities	$	3,994,243
Net identifiable assets		**14,597,296**
Less: non-controlling interests portion	$	**(4,811,188)**
Company's share of net assets acquired		**9,786,027**
Goodwill	**$**	**5,577,799**

Goodwill arising from the acquisition represent expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Caribbean Green LLC

On September 9, 2019, Natural Ventures entered into an asset acquisition agreement to acquire three dispensaries in Puerto Rico for total payments of USD $1,200,000, due in monthly installments of USD $50,000. The closing of the agreement is subject to the Company successfully transferring the licenses into its name. This requires approval from the Puerto Rico Department of Health. The Caribbean Green agreement was transferred with the sale of Natural Ventures (Note 5). During the year ended June 30, 2020, the Company paid USD $450,000 ($615,000) and is included in deposits subject to the completion of the license transfer.

(Expressed in Canadian dollars)

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company's right-of-use asset relates to the lease of office space. On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 15%.

The carrying value of the Company's right of use assets is as follows:

Cost		
Balance, June 30, 2020	**$**	**4,003,665**
Effects of foreign exchange		625,137
Transfer to discontinued operations (Note 5)		(4,628,802)
Balance, March 31, 2021	**$**	**-**
Accumulated depreciation		
Balance, June 30, 2020	$	1,087,573
Depreciation		231,131
Transfer to discontinued operations		(1,318,704)
Balance, March 31, 2021	**$**	-
Balance, June 30, 2020	**$**	**2,916,092**
Balance, March 31, 2021	**$**	-

The carrying value of the lease liabilities is as follows:

Lease liabilities		
Balance, June 30, 2020	$	3,410,542
Interest		219,723
Repayments		(697,873)
Effects of foreign exchange		(134,443)
Balance, transferred to discontinued operations	**$**	**2,797,949**

(Expressed in Canadian dollars)

8. INVENTORY

All inventory consists of finished goods Cannabis products held at our California dispensary.

9. INTANGIBLE ASSETS

Cost		**License rights**
Balance, June 30, 2020	**$**	**4,490,611**
Transfer to Discontinued Operations (Note 5)		(2,727,986)
Balance, March 31, 2021	**$**	**1,762,625**
Accumulated amortization		
Balance, June 30, 2020	**$**	**(2,438,837)**
Additions		(25,000)
Transfer to Discontinued Operations (Note 5)		1,117,772
Balance, March 31, 2021	**$**	**(1,346,065)**
Net, June 30, 2020	$	**2,051,774**
Net, March 31, 2021	$	**416,560**

The Company's license rights are summarized as follows:

La Finca
During the year ended June 30, 2019, the Company acquired a license in La Finca for $100,000. The remaining balance on this license after accumulated amortization is $26,143.

Natural Ventures License
On November 30, 2018, the Company acquired Natural Ventures which holds a cultivation license and a cannabis manufacturing license. These licenses had a fair value of $1,662,625 and had a useful life of one year. Due to the disposal of the US – Puerto Rico CGU subsequent to March 31, 2021, these assets were reclassified to Assets Held for Sale (Note 5).

GSRX Licenses
GSRX operated 5 cannabis dispensaries in Puerto Rico, through its wholly owned subsidiary, Project 1493, LLC. The licenses were measured at a fair value of $2,727,986, at the acquisition date of GSRX on August 28, 2019. The licenses have a useful life of 3 to 5 years. Due to the disposal of the majority of the US – Puerto Rico CGU during the nine months ended March 31, 2021, these assets were recognized withing discontinued operations.

(Expressed in Canadian dollars)

10. NON-CONTROLLING INTERESTS

A continuity of the Company's non-controlling interests is below:

		Natural Ventures		Kieley Growth		GSRX		SAP		Total
		Puerto Rico		*United States*		*United States*		*United States*		
Balance, June 30, 2020	**$**	**44,932**	**$**	**99,679**	**$**	**4,180,834**	**$**	**-**	**$**	**4,325,445**
Net loss		(897,656)		0		(1,303,393)		-		(2,201,049)
Other comprehensive loss		5,542		-		6,950		-		12,492
Disposal		852,724				(425,354)				427,370
Balance, March 31, 2021	**$**	**5,542**	**$**	**99,679**	**$**	**2,459,037**	**$**	**-**	**$**	**2,564,258**

Summarized financial information from SAP is as follows:

		SAP
Total liabilities	$	12,141

11. FIXED ASSETS

		Machinery and equipment		Leasehold improvements		Buildings		Construction in progress		Land		Total
Cost												
Balance, June 30, 2020	$	1,465,215	$	2,175,189	$	251,011	$	918,168	$	-	$	4,809,583
Additions		-		-		-		-		-		-
Transfer		-		(311,522)		-		311,522		-		-
Transfer to assets held for sale (Note 5)		(1,052,136)		(1,863,667)		(251,011)		(1,229,690)		-		(4,396,504)
Balance, March 31, 2021	**$**	**413,079**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**413,079**
Depreciation												
Balance, June 30, 2019	$	219,540	$	334,793	$	5,358	$	-	$	-	$	559,691
Additions		(29,174)		-		-		-		-		(29,174)
Transfer to assets held for sale		(219,540)		(334,793)		(5,358)		-		-		(559,691)
Balance, March 31, 2021	**$**	**(29,174)**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**(29,174)**
Net book value												
June 30, 2020	**$**	**1,245,675**	**$**	**1,840,396**	**$**	**245,653**	**$**	**918,168**	**$**	**-**	**$**	**4,249,892**
March 31, 2021	**$**	**442,253**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**442,253**

Included in fixed assets is $1,229,690 in construction in Progress relating to building construction in the Company's partially-owned subsidiary, GSRX.

(Expressed in Canadian dollars)

12. CONVERTIBLE DEBT

During the year ended June 30, 2020, the Company completed a convertible debt financing for total gross proceeds of $1,455,080 (USD$1,100,000). The convertible debentures bear interest at a rate of 10% per year and mature two years from the closing date. The convertible debentures are unsecured and are convertible, at the option of the holder, into common shares of the Company at a price of USD$1.00 per common share. The debentures carry a derivative liability whereby the number of shares is fixed to the US dollar. The Company recognized a derivative liability of $620,960 and re-measures the liability at the end of each reporting period using the Black-Scholes option pricing model.

The Company has the right to repay and cancel convertible debentures at any time prior to the maturity date at a price equal to 105% of the principal amount of the convertible debentures then outstanding plus accrued and unpaid interest thereon.

During the year ended June 30, 2019, the Company completed two tranches of convertible debt financing for total gross proceeds of $3,500,000. The first tranche of $2,000,000 closed on December 4, 2018 and the final tranche of $1,500,000 closed on December 20, 2018. The convertible debentures bear interest at a rate of 8% per year and mature two years from the closing date. The convertible debentures are unsecured and are convertible, at the option of the holder, into common shares of the Company at a price of $12.50 per common share. In addition, the Company granted one common share purchase warrant for each common share underlying the convertible debentures for a total of 280,000 warrants. Each warrant is exercisable into one common share at an exercise price of $15.00 for a period of 24 months.

The Company has the right to repay and cancel the convertible debentures at any time prior to the maturity date at a price equal to 105% of the principal amount of the convertible debentures then outstanding plus accrued and unpaid interest thereon. In addition, the Company has the right to compel the conversion of the convertible debentures in the event that the daily volume weighted average trading price of the common shares exceeds $2.50 per common share for 10 consecutive trading days. The Company recognized a derivative liability of $1,079,782 relating to the first tranche closed on December 4, 2018 and a derivative liability of $692,013 on the second tranche closed on December 20, 2018 and re-measures the liability at the end of each reporting period using the Black-Scholes option pricing model. There was no residual value allocated to the warrants attached to the debentures.

During the nine months ended March 31, 2021, the Company settled $869,723 on its 2018 convertible debenture (Note 14) through the issuance of common shares.

As at March 31, 2021 and June 30, 2020, the fair value of the Company's derivative liability was $nil.

The following table summarizes the Company's convertible debt:

Balance, June 30, 2020	**$**	**1,063,551**
Accretion and interest		32,774
Settlement		(869,723)
Foreign exchange		6,279
Balance, March 31, 2021	**$**	**232,881**

During the nine months ended March 31, 2021, the Company repaid $250,000 in convertible debentures and settled $617,723 through the issuance of shares (Note 14).

(Expressed in Canadian dollars)

13. AMOUNTS RECEIVABLE

Amounts receivable consist of Canadian GST receivables. As of March 31, 2021, the Company recorded an allowance for doubtful accounts of $nil (June 30, 2020 - $728,274). If circumstances related to specific customers and related parties change, estimates of the recoverability of amounts receivable could also change.

14. SHAREHOLDERS' EQUITY

14.1 Authorized share capital

Unlimited number of common shares with no par value.

Effective December 20, 2019, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share. All common share and per share amounts in these consolidated financial statements are retroactively presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

As at March 31, 2021, 688,072 common shares were held in escrow.

14.2 Issued share capital

Common shares issued and outstanding as at March 31, 2021 are 40,906,091, of which 729,187 common shares are classified as held internally and deducted from the consolidated statement of changes in equity.

i) On November 20, 2020, the Company issued 63,313 with a fair value of $22,223 to settle the same amount in liabilities with an arm's length third party.
ii) Further, on November 20,2020, the Company issued 250,000 shares with a fair value of $87,750 pursuant to a settlement and termination agreement with GEM Financial (Note 20).
iii) During the nine months ended March 31, 2021, the Company issued 2,573,431 common shares pursuant to warrant exercises for proceeds of $1,042,000.

Subsequent to March 31, 2021, a further 4,257,523 common shares were issued pursuant to warrants exercises for proceeds of $1,902,297.

14.3Warrants

As of March 31, 2021, the following warrants were outstanding:

	Warrants		Exercise Price
June 30, 2020	**21,523,680**	**$**	**3.48**
Issued	3,305,216		0.97
Cancelled/Expired	(280,010)		(15.00)
Exercised	(6,830,954))		0.50
March 31, 2021	**21,975,455**	**$**	**1.10**

(Expressed in Canadian dollars)

14. SHAREHOLDERS' EQUITY (CONTINUED)

14.3 Warrants (continued)

As of March 31, 2021, the following warrants were outstanding:

Expiry date	Warrants		Exercise Price
December 20, 2023	**31,250**		15.00
January 21, 2024	**38,460**		24.50
March 3, 2022	**150,000**		25.00
April 22, 2024	**18,918**		25.00
May 8, 2024	**18,900**		25.00
May 30, 2024	**37,837**		25.00
June 13, 2024	**5,405**		25.00
September 18, 2021	**54,053**		15.00
January 21, 2022	**9,962,490**		0.41
January 23, 2022	**370,192**		0.70
January 23, 2022	**1,232,711**		1.12
May 19, 2022	**1,220,000**		1.00
May 20, 2022	**1,272,500**		1.00
July 3, 2022	**2,612,800**		1.00
July 24, 2022	**692,416**		0.85
Balance, March 31, 2021	**17,717,932**	**$**	**1.10**

As at March 31, 2021, the weighted-average remaining life of the outstanding warrants was 1.20 years (June 30, 2020 – 2.37).

14.4 Options and share-based compensation

The Company has adopted a stock option plan whereby up to 10% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance to its employees, officers, directors and consultants. Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the CSE. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. The stock option plan provides for full vesting of the stock options on the date of approval of the options by the appropriate regulatory authority. Stock options granted to any person engaged in investor relations activities will vest over a period of not less than 12 months with no more than 25% of the stock options vesting in any six-month period. The exercise price of any stock options granted under the plan shall be determined by the Board but may not be less than the market price of the common shares on the Exchange on the date of grant (less any discount permissible under Exchange rules). The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed ten years.

As at March 31, 2021, 3,795,000 stock options were outstanding, which the weighted average remaining life of the outstanding options was 4.04 years (June 30, 2020 - 4.53), expiring on January 12, 2025 at an exercise price of $0.90. During the nine months ended March 31, 2021, 430,000 of these options were cancelled. As such, 3,365,000 options were outstanding as at March 31, 2021.

The stock options were granted to directors, officers and consultants of the Company. These options allow the holder to exercise into one common share of the Company at a price of USD$0.70 for a period of 5 years. The fair value of these stock options was $$994,333 using the Black-Scholes option pricing model using volatility of 100%, discount rate of 0.95% and a 5-year expected life.

(Expressed in Canadian dollars)

14. SHAREHOLDERS' EQUITY (CONTINUED)

14.5 Restricted Share Rights ("RSR")

As at March 31, 2021, the Company has 3,875,000 RSRs outstanding and exercisable.

On January 12, 2021, the Company granted 1,500,000 restricted share units to directors, officers and consultants of the Company. These RSRs vest 50% on April 13, 2021 with the balance vesting on June 13, 2021. These RSRs had a fair value of $1,175,045.

The Company's RSRs allow the holder to convert one RSR into one common share of the Company at the holder's election.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the nine months ended March 31, 2021 and 2020 is summarized as follows:

		2021		2020
Management fees	$	728,265	$	225,643
Share-based payments		-		-
Total	**$**	**728,265**	**$**	**225,643**

As at March 31, 2021, $449,773 (June 30, 2020 - $49,875) is owed to directors and officers of the Company for unpaid fees and expenses paid on behalf of the Company.

During the nine months ended March 31, 2021, the Company accrued $145,600 (2020 - $126,000) included in management fees to the CEO and Director of the Company pursuant to CEO and director services provided.

During the nine months ended March 31, 2021, the Company accrued $102,125 (2020 - $90,000) included in management fees to the CFO of the Company pursuant to CFO services provided, included in accounts payable and accrued liabilities.

During the nine months ended March 31, 2021, the Company accrued $144,107 (2020 - $112,500) included in management fees to a director of the Company pursuant to director services provided, included in accounts payable and accrued liabilities. Also included in accrued liabilities as at March 31, 2021 is $81,641 in expenses paid for on behalf of the Company.

During the nine months ended March 31, 2021, the Company paid $6,300 (2020 - $27,000) included in consulting fees to the Corporate Secretary and Director and of the Company pursuant to corporate secretary and director services provided.

During the nine months ended March 31, 2021, the Company accrued $140,625 (2020 - $nil) included in consulting fees to the President and Director and of the Company pursuant to related services provided.

During the nine months ended March 31, 2021, the Company repaid $250,000 in convertible debentures to a director of the Company and accrued $41,889 interest, which is included in accounts payable and accrued liabilities.

During the nine months ended March 31, 2021, the Company granted 1,500,000 stock options and 1,500,000 RSRs to directors and officers of the Company (Note 14).

(Expressed in Canadian dollars)

16. GENERAL AND ADMINISTRATION

General and administrative costs during the nine months ended March 31 are as follows:

		2021		**2020**
Advertising and marketing	$	4,153,502	$	1,189,728
Bad debt expense (Note 13)		-		-
Consulting and payroll (Note 17)		577,142		615,214
Finders' fee		35,000		-
Management fees (Note 17)		477,080		355,500
Office and miscellaneous		424,227		2,230
Professional fees		1,177,660		971,279
Rent		45,000		460,881
Security		-		90,033
Transfer agent and filing fees		106,282		81,002
Travel		39,825		353,711
	$	**7,035,718**	**$**	**3,775,568**

17. NON-CASH INVESTING AND FINANCING ACTIVITIES

See the following for non-cash note disclosures:

i) Assets and Liabilities Held for Sale (Note 5)
ii) Investment in GSRX (Note 6)
iii) Right of use asset included in leases (Note 7)
iv) Shareholders' Equity (Note 14)

18. RISK MANAGEMENT

18.1 Financial risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Capital risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

b. Credit risk
Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low. The maximum amount exposed to credit risk is equal to trade receivables (see Note 14).

c. Liquidity risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at March 31, 2021, the Company's working capital of $880,835. The Company plans to seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

(Expressed in Canadian dollars)

18. RISK MANAGEMENT (CONTINUED)

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Contractual undiscounted cash flow requirements for contractual obligations as at March 31, 2021 are as follows:

	Less Than 1 Year $	Years 2 and 3 $	Years 4 and 5 $	More Than 5 Years $	Total $
Accounts payable and accrued liabilities	1,639,690	-	-	-	-
Convertible debt (Note 12)	234,177	-	-	-	-

d. Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company does not have a practice of trading derivatives

Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies.

18.2 Fair values

The carrying values of trade receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The carrying value of convertible debt approximates its fair value based on current market rates.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As at March 31, 2021 and June 30, 2020, the Company held the following measured at their stated fair value hierarchy level:

	March 31, 2021	June 30, 2020
Level 1		
Cash	$ 727,682	$ 185,279

During the nine months ended March 31, 2021 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers in and out of Level 3 fair value measurements.

19. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

20. EQUITY FUNDING FACILITIES

On August 8, 2018, the Company entered into an equity financing agreement for up to $25,000,000, a New York-based private equity firm.

The agreement details the purchase of up to $25,000,000 of units of the Company, consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the Company's shares, with each equity financing occurring exclusively at the option of the Company, throughout the 24-month term of the agreement. The exercise price of the warrants will be at a 50% premium over the market price of the shares at the date of any funding loaned. There are no upfront fees or interest associated with the use of this financing. As of March 31, 2021, the Company has drawn down $750,000 (2019 2020 - $750,000) on the equity financing arrangement. Either party to this agreement has the right to terminate this agreement by providing ten business days written notice to the other party of its intention to do so.

On November 17, 2020, the Company entered into a settlement and termination agreement, whereby the Company issued 250,000 shares measured at a value of USD $0.26 per share and paid $75,000 as consideration for terminating the agreement with GEM. See Note 14.

(Expressed in Canadian dollars)

21. SEGMENTED INFORMATION

The Company currently has four operating segments and generates external revenues from the sale of cannabis products. The operating segments have been disclosed by geographical region as follows:

	Assets $	Liabilities $	Revenues $	Depreciation $	Interest $	Income tax recovery $	Profit (loss) $
Canada	716,651	792,298	-	25,000	(42,692)	-	(7,357,459)
United States – California Manufacturing	-	95,309	-	-	-	-	-
United States – California – Bulk CBD	-	137,116	-	-	-	-	-
United States - Puerto Rico							
Discontinued operations – NVPR	-	-	1,268,338	287,549	15,768	-	(4,488,279)
Discontinued operations – Project 1493	-	-	3,863,054	402,054	158,465	-	(3,866,489)
Columbia	107,280	847,848	-	-	-	-	-
	823,931	1,872,571	5,131,392	714,603	131,541	-	(15,712,227)

**Revenues, interest and depreciation for the nine months ended March 31, 2021 are included in loss from discontinued operations (Note 5).*

The Company's reportable segments are organized by geographic regions and by nature of operations which include: Canada, US-California, Columbia and discontinued operations pursuant to the sale during the period of the Company's US-Puerto Rico cultivation and manufacturing and US-Puerto Rico dispensaries.

Canada is the parent company with operations focused on governance and assets consisting of equipment. US-California revenues consists of manufacturing and extraction of THC oil sold to dispensaries. The assets of California were written off during the year ended June 30, 2020, as the market has took a significant downturn.

Segmented disclosure above is presented in the same manner than management evaluates performance, net of intercompany eliminations. There were no such intercompany transactions during the period.

(Expressed in Canadian dollars)

22. RESTATEMENT

During the preparation of the 2020 year-end consolidated financial statements the Company identified an error in the accounting treatment of the convertible debentures issued in the fiscal 2019 period. The Company identified there was a clause that allowed for the number of shares to be converted was not fixed thereby resulting in an embedded derivative that was required to be accounted for as at FVTPL. These adjustments, cumulatively, impacted the consolidated statement of financial position as at June 30, 2019 and the consolidated statement of loss and comprehensive loss. These restatements resulted in no change to other comprehensive income nor earnings per share.

The table below summarizes the impact of the restated consolidated financial statements for March 31, 2020:

INCOME STATMENT		**As previously reported**		**Restatement**		**Restated, Mar 31, 2020**
Fair value change of derivative liability	$	-	$	-	$	-
Interest - convertible debenture	$	290,364	$	(222,164)	$	68,200
STATEMENT OF FINANCIAL POSITION						
Derivative Liability	**$**	-	$	(361,322)	$	(361,322)
Convertible debt		(4,941,107)		351,151		(4,589,956)
Contributed Surplus		(506,145)		(211,993)		(718,138)
Deficit		(58,199,356)		222,164		(57,977,192)

22. SUBSEQUENT EVENTS

Subsequent to March 31, 2021, the Company issued 396,913 common shares with a fair value of $234,178 to settle convertible debentures and accrued interest outstanding with a third party.