THE GUMMY PROJECT INC.

(Formerly Potent Ventures Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended March 31, 2022

(Expressed in United States Dollars)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these 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.

THE GUMMY PROJECT INC. (Formerly Potent Ventures Inc.)
CONSOLIDATED INTERIM BALANCE SHEETS (UNAUDITED)
(Expressed in United States Dollars)

	Note	March 31 2022	September 30 2021
ASSETS			
Current			
Cash		$ 704,262	$ 716,801
Deposits for inventory		87,217	-
Prepaid expenses and deposits		59,433	10,683
		850,912	727,484
Non-Current			
Investments	*7*	13,500	128,216
Right of use asset	*8*	20,065	32,674
Total assets		**$ 884,477**	**$ 888,374**
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		$ 94,261	$ 29,711
Lease liability	*8*	18,227	11,516
		112,488	41,227
Non-Current			
Lease liability	*8*	5,725	25,910
Total Liabilities		118,213	67,137
Equity			
Share capital	*11*	45,828,962	45,313,655
Subscriptions receivable	*11*	8,083	-
Reserves	*11*	8,082,920	7,768,906
Deficit		(53,048,452)	(52,156,075)
Total equity attributable to shareholders of the Company		871,513	926,486
Non-controlling interest		(105,249)	(105,249)
Total equity		766,264	821,237
Total liabilities and equity		**$ 884,477**	**$ 888,374**

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors and authorized for issuance on May 30, 2022:

"Signed"
Charlie Lamb, Director

"Signed"
Brian Keane, Director

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

POTENT VENTURES INC. (Formerly Potent Ventures Inc.)
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
(Expressed in United States Dollars)

		Three Months Ended		Six Months Ended	
		March 31	March 31	March 31	March 31
	Note	2022	2021	2022	2021
Revenue		$ -	$ 16,937	$ -	$ 45,143
Cost of goods sold		-	13,113	-	33,857
Gross margin		-	3,824	-	11,286
Expenses					
General and administrative	*15*	341,204	500,704	607,799	667,559
Professional fees		122,237	62,640	153,434	120,905
Share-based compensation	*11*	-	206,404	-	206,404
Depreciation	*8*	6,295	6,285	12,609	12,392
Total expenses		469,736	776,033	773,842	1,007,260
Loss before other items		(469,736)	(772,209)	(773,842)	(995,974)
Impairment - loan receivable	*6*	-	-	-	(45,000)
Impairment - assets held for sale	*10*	-	(1,204)	-	(83,721)
Unrealized loss on investments	*7*	(47,619)	-	(116,074)	-
Interest and other		(1,111)	(2,000)	(2,461)	(4,138)
Net loss for the period		(518,466)	(775,413)	(892,377)	(1,128,833)
Other comprehensive loss					
Translation adjustment		56,153	(2,755)	60,411	12,746
Comprehensive loss for the period		$ (462,313)	$ (778,168)	$ (831,966)	$ (1,116,087)
Loss per share					
Basic and diluted		$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares					
Basic and diluted		102,514,768	52,210,366	98,780,452	52,210,366

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

POTENT VENTURES INC. (Formerly Potent Ventures Inc.)
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Expressed in United States Dollars)

	Number of common shares	Share Capital	Share subscriptions receivable	Reserves	Translation adjustment reserve	Non-controlling interest	Deficit	Total equity
Balance, September 30, 2020	45,039,684	$ 44,072,332	$ -	$ 7,479,220	$ (201,113)	$ (105,249)	$ (50,172,722)	$ 1,072,468
Common shares issued for cash	35,272,004	1,192,053	-	-	-	-	-	1,192,053
Shares issuance costs - cash	-	(40,339)	-	-	-	-	-	(40,339)
Finders' warrants	-	(13,904)	-	13,904	-	-	-	-
Share-based compensation	-	-	-	206,404	-	-	-	206,404
Translation adjustment	-	-	-	-	12,746	-	-	12,746
Net loss for the period	-	-	-	-	-	-	(1,128,833)	(1,128,833)
Balance, March 31, 2021	80,311,688	$ 45,210,142	$ -	$ 7,699,528	$ (188,367)	$ (105,249)	$ (51,301,555)	$ 1,314,499
Balance, September 30, 2021	81,566,088	$ 45,313,655	$ -	$ 7,957,342	$ (188,436)	$ (105,249)	$ (52,156,075)	$ 821,237
Common shares issued for cash	28,430,000	503,629	8,083	242,068	-	-	-	753,780
Shares issuance costs - cash	-	(33,840)	-	-	-	-	-	(33,840)
Common shares issued for service	2,257,142	57,053	-	-	-	-	-	57,053
Finders' warrants	-	(11,534)	-	11,534	-	-	-	-
Translation adjustment	-	-	-	-	60,411	-	-	60,411
Net loss for the period	-	-	-	-	-	-	(892,377)	(892,377)
Balance, March 31, 2022	**112,253,230**	**$ 45,828,962**	**$ 8,083**	**$ 8,210,945**	**$ (128,025)**	**$ (105,249)**	**$ (53,048,452)**	**$ 766,264**

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

POTENT VENTURES INC. (Formerly Potent Ventures Inc.)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in United States Dollars)

		March 31 2022		**March 31 2021**
Operating activities				
Net loss for the period	$	(892,377)	$	(1,128,833)
Adjusted for:				
Depreciation		12,768		12,392
Shares issued for service		57,053		206,404
Fair value adjustment - long term investment		114,823		-
Impairment - loan receivable		-		45,000
Impairment - assets held for sale		-		82,517
Changes in non-cash working capital:				
Receivables		-		6,469
Prepaid expenses		(48,280)		404
Accounts payable and accrued liabilities		63,805		211,755
Inventory and inventory deposits		(86,528)		26,613
Cash flows from operating activities		(778,736)		(537,279)
Investing activities				
Property and equipment		-		70,803
Loans receivable - repaid		-		55,000
Cash flows from investing activities		-		125,803
Financing activities				
Common shares issued for cash		753,780		1,192,053
Share issue costs		(33,840)		(40,339)
Lease repayments		(13,474)		(11,524)
Cash flows from financing activities		706,466		1,140,190
Effect of exchange rate changes on cash		59,731		(41,960)
Increase (Decrease) in cash		(12,539)		686,754
Cash, beginning of period		716,801		638,982
Cash, end of period	**$**	**704,262**	**$**	**1,325,736**

Supplemental cash flow information				
Subscription receivable	$	8,083	$	-
Fair value of finders' warrants	$	11,534	$	13,904

No cash was paid for interest or income taxes for the periods presented.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Gummy Project Inc. (the "Company", Formerly Potent Ventures Inc.) was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on September 21, 2017. The Company's registered and records office address is 1066 West Hastings Street, Vancouver BC V6E 3X1. On May 26, 2022, the Company changed its name from Potent Ventures Inc. to The Gummy Project Inc.

The Company is in the process of developing a line of low sugar branded gummies. The Company's focus is on building and facilitating the growth of a diversified portfolio of branded consumer products.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. The inability to achieve these objectives may cast significant doubt about the Company's ability to continue as a going concern.

On April 28, 2021 the Company completed a roll forward of its common shares ("share consolidation") on the basis of four post-roll forward common share for every one pre-roll forward common shares held (1-to-4). All references contained in these consolidated financial statements to issued and outstanding common shares, warrants, per share amounts, and exercise prices, have been retroactively restated to reflect the effect of the share roll forward.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations. The extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Presentation and functional currency

The consolidated financial statements of the Company are presented in United States dollars. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's wholly owned subsidiaries is detailed below.

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The list below sets out the principal subsidiaries of the Company. These subsidiaries engage in intercompany transactions, all of which are eliminated upon the preparation of these consolidated financial statements:

Name of subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
The Gummy Project Holdings Inc.	USA	100%	USD	Holding Company
The Gummy Project, LLC	USA	100%	USD	Inactive
The Gummy Project WA, LLC	USA	100%	USD	Inactive

3. USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously 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. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Impairment of long-lived assets

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

Share-based payments

The Company utilizes the Black-Scholes option pricing model ("Black-Scholes") to estimate the fair value of warrants and stock options granted to directors, officers, employees, consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is the volatility. The Company estimated volatility based on historic share prices of companies operating in the regulated cannabis industry. Historical volatility is not necessarily indicative of future volatility. The expected life of stock options or warrants is determined based on the estimate that they would be exercised evenly over their term. There was no recent history of stock option exercises available to consider in the estimate of expected life at the time of grant.

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"). The functional currency of the Company and its subsidiaries is included within Note 2.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of operations which have a different presentation currency than the Company are translated to US dollars at appropriate average rates of exchange during the period. The assets and liabilities of these operations are translated to US dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of these operations to US dollars at period end are recognized in accumulated other comprehensive income as a translation adjustment.

Share-based payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities is classified on the statement of financial position at amortized cost.

Inventory

Inventories of finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventory consists of infused products, accessories, and product packaging. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value. During the period the Company expensed $Nil of inventory to cost of goods sold (March 31, 2021 - $13,113).

4. SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and other-non-current assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm’s length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the term of the office lease.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets’ residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of branded products for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiaries is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Upon adoption of IFRS 16 the Company recorded a right of use asset of $20,065 and a lease liability of a corresponding amount. The right of use asset was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of 15%.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting policies

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date on or later than January 1, 2022. Many of these updates are not currently relevant to the Company and are therefore not discussed herein.

(Expressed in United States Dollars unless otherwise noted)

6. LOANS RECEIVABLE

A summary of the Company's loans receivable is as follows:

	Love Hemp Group Plc	Ruby Mae's LLC	MDFD Holdings LLC	Total
Balance, September 30, 2020	$ 105,129	$ 25,000	$ 100,000	$ 230,129
Impairment	-	-	(44,906)	(44,906)
Loans repaid	-	(25,000)	(55,000)	(80,000)
Loan settled for shares	(116,347)	-	-	(116,347)
Foreign exchange variance	11,218	-	(94)	11,124
Balance, September 30, 2021 and March 31, 2022	$ -	$ -	$ -	$ -

Love Hemp Group Plc

In February 2020, the Company advanced Love Hemp Group Plc ("LHG") an unsecured demand loan of $116,347 (CAD $140,000) bearing interest of 5%. The loan matured November 1, 2020. LHG was considered a related party due to common directors of each Company. On November 1, 2020 the Company amended the maturity date to May 1, 2021. During the year ended September 30, 2021 the Company settled the loan balance in exchange for 3,000,000 Ordinary shares of LHG. LHG is no longer considered a related party as both Charlie Lamb and Robert Payment have now resigned from LHG.

Ruby Mae's LLC

During the year ended September 30, 2019, the Company received a non-interest bearing secured note in the amount of $25,000 from Ruby Mae's LLC. The maturity date of the note was February 28, 2020. The maturity date was extended to March 30, 2021. During the year ended September 30, 2021 the balance owing was recovered in full.

MDFD Holdings LLC

In relation to the sale of equipment and inventory at the Company's former facility in Wenatchee Washington the Company received a promissory note of $100,000. Under the note monthly payments to the Company are to commence January 3, 2021 of $6,666 per month until the balance is repaid. The note bears interest of 5%. During the year ended September 30, 2021 the Company accepted $55,000 as final payment of the outstanding balance.

(Expressed in United States Dollars unless otherwise noted)

7. INVESTMENTS

A continuity of the Company's investments is as follows:

		Love Hemp Group Plc.
Balance, September 30, 2020	**$**	-
Shares received for debt settle ment (note 6)		116,347
Unrealized fair value gain		18,303
Foreign exchange		(6,434)
Balance, September 30, 2021	**$**	**128,216**
Unrealized fair value loss		(116,691)
Foreign exchange		1,975
Balance, March 31, 2022	**$**	**13,500**

During the year ended September 30, 2021 the Company entered a debt settlement agreement to settle an outstanding loan totaling $116,347 in exchange for 3,000,000 Ordinary Shares of Love Hemp Group Plc.

8. PROPERTY AND EQUIPMENT

A continuity of the right of use asset and lease liability is as follows:

Right of use asset recognized on adoption of IFRS 16	$	81,531
Depreciation of right of use asset		(23,668)
Balance - September 30, 2020	$	57,863
Depreciation of right of use asset		(25,189)
Balance - September 30, 2021	$	32,674
Depreciation of right of use asset		(12,609)
Balance - March 31, 2022	$	20,065

Lease liability recognized on adoption of IFRS 16	$	81,531
Lease payments		(29,911)
Interest		10,071
Balance - September 30, 2020	$	61,691
Lease payments		(31,833)
Interest		7,568
Balance - September 30, 2021	$	37,426
Lease payments		(15,935)
Interest		2,461
Balance - March 31, 2022	$	23,952

Current portion	$	18,227
Long term		5,725
Total	$	23,952

The Company recorded interest expense of $3,107 in relation to the lease liability during the period. The lease expires in February 2023. The monthly rent expense is $3,351. The effective date of the lease was February 1, 2018.

10. ASSETS HELD FOR SALE

During the period ended December 31, 2020, the Company reached an agreement to sell its land in Northern British Columbia for $70,803 (CAD $90,000). In relation to the sale, the Company recorded an impairment of $82,517 on the book value of the land.

11. SHARE CAPITAL AND RESERVES

Authorized

Unlimited common shares with no par value and unlimited preferred shares with no par value. As of March 31, 2022, there were 112,253,230 common shares outstanding (September 30, 2021 – 81,566,088).

Escrow Shares

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2022. As at March 31, 2022, a total of Nil common shares were subject to these escrow restrictions.

Issued and Outstanding – Common Shares Fiscal 2022:

On October 13, 2021, the Company closed a non-brokered private placement of 15,430,000 units at a price of CAD $0.04 per unit, raising gross proceeds of $498,883 (CAD $617,200). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CAD $0.05 for a period of 2 years from the issue date. As of March 31, 2022, a total of $8,083 (CAD$10,000) was included in subscriptions receivable. The Company paid finder's fees of $24,585 (CAD $30,416) in cash and issued 760,400 finder's warrants. The finder's warrants hold the same terms of the warrants issued as part of the Units. The grant date fair value of the broker warrants was $9,219, using the Black-Scholes option Pricing Model with the following assumptions: expected life – 2 years, expected volatility – 80%, dividend yield - $0, and risk-free rate – 0.23%.

On March 10, 2022, the Company closed a non-brokered private placement of 13,000,000 units at a price of CAD $0.025 per Unit, raising gross proceeds of $ $254,897 (CAD $325,000). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CAD $0.05 for a period of 2 years from the issue date. All of the securities issuable in connection with the offering will be subject to a hold period expiring four months and one day after date of issuance. The Company paid finder's fees of $9,255(CAD $11,800) in cash and issued 472,000 finder's warrants. The finder's warrants hold the same terms of the warrants issued as part of the Units. The grant date fair value of the broker warrants was $2,315, using the Black-Scholes option Pricing Model with the following assumptions: expected life – 2 years, expected volatility – 80%, dividend yield - $0, and risk-free rate – 1.55%.

Issued and Outstanding – Common Shares Fiscal 2021:

On February 22, 2021, the Company closed a non-brokered private placement of 35,272,004 units at a price of CAD $0.0425 per unit, raising gross proceeds of $1,188,455 (CAD $1,499,060). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CAD $0.0575 for a period of 2 years from the issue date.

In connection with the closing of the private placement, the Company paid finder's fees of $40,217 in cash and issued 1,193,600 finder's warrants. The finder's warrants hold the same terms of the warrants issued as part of the Units. The grant date fair value of the broker warrants was $13,862, using the Black-Scholes option Pricing Model with the following assumptions: expected life – 2 years, expected volatility – 80%, dividend yield - $0, and risk-free rate – 0.23%.

(Expressed in United States Dollars unless otherwise noted)

11. SHARE CAPITAL AND RESERVES (Continued)

Warrants

A summary of warrant activity is as follows:

	Number of Warrants		Weighted Average Exercise Price ($CAD)
Balance, September 30, 2020	22,472,088	$	**1.7500**
Granted	36,465,604		0.0575
Expired	(14,863,488)		1.5236
Exercised	(254,400)		0.0575
Balance, September 30, 2021	**43,819,804**	**$**	**0.0844**
Expired	(7,608,600)		0.2125
Granted	29,662,400		0.0500
Balance, March 31, 2022	**65,873,604**	**$**	**0.0552**

The following table summarizes warrants outstanding as of March 31, 2022:

	Number of Warrants	Weighted Average Exercise Price ($CAD)	Weighted Average Remainning Years
February 22, 2023	36,211,204	$0.0575	0.90
October 23, 2023	16,190,400	$0.0500	1.54
March 4, 2024	13,472,000	$0.0500	1.93
Balance, March 31, 2022	**65,873,604**	**$0.0552**	**1.10**

During the period ended March 31, 2022, the Company recorded share issue costs of $11,534 (2021 - $40,339) with respect to 1,232,400 broker warrants granted as finders' fees. The weighted average fair value of these broker warrants was CAD $0.0095 per warrant and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

	March 31 2022	March 31 2021
Risk-free interest rate	1.55%	N/A
Expected life of warrants	2	N/A
Annualized volatility	80%	N/A
Dividend rate	0%	N/A
Weighted average fair value per warrant ($CAD)	$0.00625	N/A

(Expressed in United States Dollars unless otherwise noted)

11. SHARE CAPITAL AND RESERVES (Continued)

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The aggregate number of stock options granted shall not exceed 20% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the exercise price permitted by the CSE, and all stock options granted under the plan will have a maximum term of seven years.

A summary of stock option activity is as follows:

	Number of Options		Weighted Average Exercise Price ($CAD)
Balance, September 30, 2020	3,944,000	**$**	**0.1563**
Cancelled	(2,152,000)		0.1563
Exercised	(1,000,000)		0.0713
Granted	15,400,000		0.0642
Balance, September 30, 2021 and March 31, 2022	**16,192,000**	**$**	**0.0740**

The following table summarizes stock options outstanding and exercisable as of March 31, 2022:

	Number of Options	Number of Exerciseable Options	Weighted Average Exercise Price ($CAD)	Weighted Average Remainning Years
March 25, 2025	1,792,000	1,792,000	$0.1563	2.99
March 9, 2026	4,800,000	4,800,000	$0.0713	3.94
June 29, 2026	9,600,000	9,600,000	$0.0600	4.25
Balance, March 31, 2022	**16,192,000**	**16,192,000**	**$0.0740**	**4.02**

The following is a summary of the changes in reserves:

Reserves

		Stock options		Warrants		Total
Balance, September 30, 2020	$	2,033,171	**$**	**5,446,049**	**$**	**7,479,220**
Finders' warrants		-		13,862		13,862
Exercised of stock options		(36,811)		-		(36,811)
Share-Based Payments		501,071		-		501,071
Balance, September 30, 2021	**$**	**2,497,431**	**$**	**5,459,911**	**$**	**7,957,342**
Finders' warrants		-		11,534		11,534
Balance, March 31, 2022	**$**	**2,497,431**	**$**	**5,471,445**	**$**	**7,968,876**

(Expressed in United States Dollars unless otherwise noted)

12. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the periods ended March 31, 2022, and 2021 the Company entered the following key management transactions:

Key Management Remuneration:		March 31 2022		March 31 2021
Charlie Lamb - CEO, Director	$	77,378		84,227
Robert Payment - CFO, Director		59,905		71,111
Anthony Gindin - CMO		42,789		-
Brian Keane - Director		7,500		32,500
Michael Young - Former Director		-		26,900
Total	$	187,572	$	214,738

Share-based compensation of $Nil (2021 - $Nil) was related to directors, officers, and a former officer.

13. FINANCIAL INSTRUMENTS

Fair value

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

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

Cash and investments are carried at fair value using a level 1 fair value measurement. The recorded values of accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

13. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022 the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to price risk with respect to its investments. A 10% change in the share prices would affect their fair values and net loss by approximately $6,000.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at March 31, 2022, the Company had cash, investments, and, accounts payable and accrued liabilities, denominated in Canadian dollars ("CAD"). A 10% fluctuation in the foreign exchange rate between the USD and Canadian dollar would have a $ 75,000 impact on profit or loss for the year. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

14. CAPITAL MANAGEMENT

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, and securing additional financing. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

(Expressed in United States Dollars unless otherwise noted)

15. GENERAL AND ADMINISTRATIVE EXPENSE

For the six months ended:

General and administrative		March 31 2022		March 31 2021
Advertising, marketing, and brand development	$	85,976	$	1,838
Investor relations		24,366		12,817
Office expenses and general administration		107,604		83,837
Management fees		135,045		214,738
Consulting		254,808		347,095
Travel and entertainment		-		7,234
Total	$	607,799	$	667,559

For the three months ended:

General and administrative		March 31 2022		March 31 2021
Advertising, marketing, and brand development	$	73,750	$	932
Investor relations		11,867		5,470
Office expenses and general administration		67,104		39,426
Management fees		58,799		133,475
Consulting		129,684		318,162
Travel and entertainment		-		3,239
Total	$	341,204	$	500,704

16. SEGMENTED INFORMATION

During the period ended March 31, 2022, the Company presently operated in one segment, the sales and distribution of low sugar plant based gummies in Canada.

During the period ended March 31, 2022, the Company operated in two segments, referred to as Business to Business ("B2B") and its administrative costs center, ("Corporate"). B2B is focused on the provision of services to cultivators, and processors in Washington State and Oklahoma. The corporate head office is located in Canada.
Segmented info as at and for the period ended March 31, 2022, is as follows:

		B2B (USA)		Corporate (Canada)		Total
Revenue	$	-	$	-	$	-
Cost of good sold		-		-		-
Gross margin		-		-		-
Expenses						
General and administrative		45,914		561,885		607,799
Professional fees		40,159		113,275		153,434
Share-based compensation		-		-		-
Depreciation		-		12,609		12,609
Total expenses		86,073		687,769		773,842
Net loss before other items	$	(86,073)	$	(687,769)	$	(773,842)
Total assets		35,858		848,619		884,477
Total liabilities	$	21,719	$	96,494		118,213

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company completed the following transactions:

a) On May 17, 2022, pursuant to Mr. Anthony Gindin's contract, the Company issued 1,166,666 common shares of the Company at a deemed value of $0.03 per share for services provided. The Company also issued to a consultant 166,667 common shares at a deemed value of $0.03 per share for services provided.

b) On May 24, 2022, the Company closed a private placement of 8,915,000 units at a price of CAD $0.03 per unit raising gross proceeds of $ CAD 267,450. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at a price of CAD $0.05 for a period of two years.