

EDEN EMPIRE INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of
Eden Empire Inc.

Opinion

We have audited the consolidated financial statements of Eden Empire Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, the consolidated statements of loss and comprehensive loss, cash flows and changes in equity (deficiency) for the years ended July 31, 2019 and 2018, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audits resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 4, 2020

EDEN EMPIRE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JULY 31, 2019 AND 2018

	July 31, 2019	July 31, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 5,100,297	\$ -
Amounts receivable	68,389	2
Prepaid expenses and deposits	59,500	-
	<u>5,228,186</u>	<u>2</u>
Deposit (Note 5)	131,480	-
Bridge loan (Note 6)	465,257	-
Intangible assets (Note 7)	18,000	18,000
	<u>\$ 5,842,923</u>	<u>\$ 18,002</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 374,901	\$ 17,999
Convertible debentures (Note 8)	5,522,449	-
	<u>5,897,350</u>	<u>17,999</u>
Shareholders' equity (deficiency)		
Share capital (Note 9)	1,404,564	3
Subscriptions receivable (Note 9)	(101,250)	-
Reserves (Note 9)	44,293	-
Equity component of convertible debentures (Note 8)	171,926	-
Deficit	(1,573,960)	-
	<u>(54,427)</u>	<u>3</u>
	<u>\$ 5,842,923</u>	<u>\$ 18,002</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 15)

Approved and authorized by the Board on June 4, 2020

/s/ Gerry Trapasso Director /s/ Kolten Taekema Director

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

EDEN EMPIRE INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
EXPENSES		
Accounting and legal	\$ 408,062	\$ -
Consulting	351,992	-
Finance expense (Note 8)	188,696	-
Foreign exchange	22,677	-
Investor relations	135,299	-
Office and administration	24,980	-
Prospective location costs	150,017	-
Salaries	115,264	-
Share-based payments (Note 9)	35,045	-
Travel and meals	35,422	-
Total operating expenses	(1,467,454)	-
Interest and other income	16,940	-
Reverse takeover expense (Note 4)	(277,413)	-
	(260,473)	-
Loss before income taxes	(1,727,927)	-
Deferred income tax recovery (Note 11)	153,967	-
Loss and comprehensive loss for the year	\$ (1,573,960)	\$ -
Basic and diluted loss per common share	\$ (0.08)	\$ -
Weighted average number of common shares outstanding	20,374,273	2

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

EDEN EMPIRE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,573,960)	\$ -
Non-cash items:		
Finance expense	188,696	-
Share-based payments	35,045	-
Consulting fees issued in shares	262,500	-
Accrued interest	(7,545)	-
Unrealized foreign exchange	4,755	-
Reverse takeover expense	204,637	-
Deferred income tax recovery	(153,967)	-
Changes in non-cash working capital items:		
Amounts receivable	(56,832)	-
Prepaid expenses and deposits	(59,500)	-
Accounts payable and accrued liabilities	282,917	-
	<u>(873,254)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bridge loan – funds provided	(348,656)	-
Cash received upon completion of reverse take over	389,862	-
Deposit	(136,235)	-
	<u>(95,029)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible debentures	5,604,000	-
Issuance costs on convertible debentures	(235,106)	-
Proceeds on issuance of common shares	182,500	-
Issuance costs on common shares	(131,564)	-
Warrants exercised	648,750	-
	<u>6,068,580</u>	<u>-</u>
Change in cash and cash equivalents during the year	5,100,297	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ 5,100,297	\$ -
Supplementary cash flow information:		
Non-cash transactions:		
Acquisition of intangible assets through accounts payable	\$ -	\$ 13,750
Brokers' warrants for transaction costs	9,248	-
Interest paid	-	-
Income taxes paid	-	-

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

EDEN EMPIRE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 and 2018

	Share Capital		Subscriptions receivable	Reserves	Equity component of convertible debentures	Deficit	Total
	Number	Amount					
Balance, July 31, 2017	100	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Shares issued upon incorporation of 1160101 BC Ltd.	200	2	-	-	-	-	2
Balance, July 31, 2018	300	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 3
Acquisition of 11943630 B.C. Ltd. (Note 4)	45,000,000	-	-	23,625	-	-	23,625
Cancellation of incorporation shares	(300)	-	-	-	-	-	-
Conversion of special warrants	472,500	23,625	-	(23,625)	-	-	-
Private placement, net of share issue costs	10,000,000	368,436	-	-	-	-	368,436
Shares issued for warrants exercised	5,000,000	750,000	(101,250)	-	-	-	648,750
Shares issued for consulting fees	4,750,000	262,500	-	-	-	-	262,500
Brokers' and consultants' warrants	-	-	-	44,293	-	-	44,293
Issuance of convertible debentures	-	-	-	-	171,926	-	171,926
Loss and comprehensive loss for the year	-	-	-	-	-	(1,573,960)	(1,573,960)
Balance, July 31, 2019	65,222,500	\$ 1,404,564	\$ (101,250)	\$ 44,293	\$ 171,926	\$ (1,573,960)	\$ (54,427)

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

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

Eden Empire Inc. (with its subsidiaries, collectively, the “Company” or “Eden Empire”) was incorporated under the *Company Act* (British Columbia) on September 25, 2018 as Pemberton Acquisition Corp. The Company’s name was changed to Eden Empire Inc. on April 26, 2019. The Company maintains its registered office at 2300 – 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5. The Company’s principal place of business is 2300 - 1177 West Hastings Street, Vancouver, British Columbia, Canada V6E 2K3.

The Company is in the business of investments and operations in the cannabis sector and engaging in retail and activities in respect of cannabis in Canada and the United States. It is the intention that the Company becomes a fully integrated cannabis product retailer company in Canada and the United States. The Company has registered certain trademark brands and has entered into an agreement to acquire dispensary locations currently under licensing process (Note 6).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company reported a net loss and accumulated deficit of \$1,573,960 for the year ended and as at July 31, 2019. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The achievement of profitable operations is dependent on successful licensing of its storefront operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

Reverse Takeover

On April 18, 2019, the Company and the shareholders of 1194360 B.C. Ltd. (“1194360”) entered into a share purchase agreement whereby the Company acquired all of the issued and outstanding common shares of 1194360 for the issuance of 45,000,000 common shares. At the time of acquisition, the sole asset of 1194360 was a portfolio of trademarks encompassing the “Eden” trademark family (“Eden IP”). The acquisition was considered an asset acquisition and not a business combination for the purposes of financial reporting. After completion of the transaction, the shareholders of 1194360 B.C. Ltd. held approximately 98.96% of the Company. Accordingly, 1194360 is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by 1194360 shareholders (the “RTO”).

As 1194360 is deemed to be the acquirer for accounting purposes, these consolidated financial statements include its assets and liabilities and operations. The Company’s results of operations are included from April 18, 2019 onwards.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”).

Basis of consolidation and presentation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries to all periods presented.

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Deferred income tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

- Business combinations

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

The key areas of estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Intangible assets – impairment

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. The calculations for impairment testing of the Company's indefinite life intangible assets involve significant estimates and assumptions. Items estimated include cash flows, discount rates and assumptions on revenue growth rates. These estimates could affect the Company's future results if the current estimates of future performance and fair values change. Judgment is also exercised to determine whether an indication of impairment is present that would require the completion of an impairment test in addition to the annual testing.

- Convertible debentures

The valuation of convertible debentures at inception requires management to make estimates with respect to borrowing rates.

- Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services. As a private entity, the Company relies on concurrent or recent financings to provide guidance with respect to prevailing share prices.

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

- Share-based payments and compensation (cont'd...)

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

Subsidiary	Date of Incorporation	Location
1194360 B.C. Ltd.	January 17, 2019	Canada
4317 Fraser Street Operations Ltd.	March 14, 2019	Canada
King Edward & Cambie Operations Ltd.	January 9, 2019	Canada
Peaceful Park Inc.	August 12, 2018	Canada

All material intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee.

Cash equivalents

Cash equivalents consist of a cashable guaranteed investment certificate that is readily convertible into a known amount of cash within 90 days or less.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company classifies Bridge Loan (Note 6) as FVPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and cash equivalents, and receivables are recorded at amortized cost as they meet the required criteria.

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd...)

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and convertible debentures.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Leases

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Leases (cont'd...)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Intangible assets

The Company owns intangible assets consisting of trademarks. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with indefinite lives are carried at cost less any accumulated impairment losses and are not amortized. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Indefinite life intangible assets are tested for annually, or more frequently, if events or changes indicate that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In assessing value in use, the estimated future cash flows 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided by to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserve.

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments (cont'd...)

Consideration received on the exercise of stock options is recorded as share capital and the related reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from reserve. For those unexercised options that expire, the recorded value is transferred to deficit.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Company acquired 1194360 B.C. Ltd., as described in Note 4 and concluded that the transaction did not qualify as a business combination under IFRS 3, "Business Combinations".

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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4. ACQUISITION OF 1194360 B.C. LTD.

As described in Note 1, the Company acquired 1194360. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 – *Business Combinations* (“IFRS 3”) since 1194360, prior to acquisition, did not constitute a business. The transaction is accounted for in accordance with IFRS 2 – *Share-based payments* whereby the Company is deemed to have issued shares in exchange for the net assets of 1194360 together with any reverse takeover transaction costs at the fair value of the consideration received.

As a result of this transaction, a reverse takeover transaction cost of \$277,413 has been recorded. This reflects the difference between the estimated fair value of the Eden Empire’s shares deemed to have been issued to the Company’s shareholders, plus transaction costs incurred, less the net fair value of the assets acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of 1194360 are included in the statement of financial position at their carrying values.
- ii) The net liabilities of the Company are included at their fair value of \$181,011.

Fair value of share based consideration allocated:

Deemed issuance of 1 common share	\$	1
Special warrants		23,625
		<hr/> 23,626
Identifiable net assets acquired:		
Cash and cash equivalent		389,862
Amounts receivable		11,556
Bridge loan		109,056
Accounts payable		(73,985)
Convertible debentures		(300,000)
Share subscriptions received		(317,500)
		<hr/> (181,011)
Transaction costs		<hr/> (72,776)
Total RTO expense	\$	277,413

5. LAND PURCHASE DEPOSIT

In the year ended July 31, 2019, the Company entered into a purchase agreement for a building and contiguous land in Battle Creek, Michigan, US. The total purchase price payable on closing is US\$995,000 of which the Company has paid US\$100,000 (CAD \$131,480) deposit as at July 31, 2019. The closing of the purchase is contingent on certain inspections and transfers. Subsequent to July 31, 2019, the Company entered into a lease agreement on the Battle Creek property (Note 15) and completed the purchase by paying the remaining balance and transaction costs.

6. ACQUISITION OF B.C. DISPENSARIES

On May 16, 2019, as amended March 30, 2020, the Company entered into an agreement to acquire the issued and outstanding common shares of seven private companies, each holding a retail lease for a dispensary location, from 1175579 B.C. Ltd. (“1175579 B.C.”), a private company. Each lease holding company is identified as a “Retail Subsidiary”.

Pursuant to the agreement, the Company will acquire a Retail Subsidiary from 1175579 B.C. upon the issuance of a license to operate a private non-medical cannabis retail store under the Cannabis Control and Licensing Act (“License”). Each Retail Subsidiary will be acquired for \$65,000 payable in the form of cash or common shares at a price of \$0.30, escalating to \$0.90 over 6 months following a Retail Subsidiary acquisition (at a rate of \$0.10 per month), per share at the option of 1175579 B.C. Ltd. and an amount not exceeding \$15,000 for expenses in connection with certain allowable expenses incurred by 1175579 B.C. Ltd. in connection with the Retail Subsidiary. Four of the seven Retail Subsidiaries are subject to a cash payment of \$350,000 on acquisition. Should a Retail Subsidiary not be successful in obtaining a License, the Company will not be required to purchase that entity.

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6. ACQUISITION OF B.C. DISPENSARIES (cont'd...)

Additionally, on execution of the agreement, the Company extended a bridge loan to 1175579 B.C. Ltd. for the general working capital purposes to pursue Licenses and maintain operations of the Retail Subsidiaries ("Bridge Loan"). The Bridge Loan has a facility of \$1,100,000, which is advanced as and when needed, is subject to an interest rate of 8% and matures on June 30, 2021. At the date the Company acquires each Retail Subsidiary, the Company will forgive all accrued and unpaid interest on the Bridge Loan as at that date. The Bridge Loan is repayable in cash or in common shares of 1175579 B.C. Ltd. at the discretion of the 1175579 B.C. Ltd. The Bridge Loan is secured by a general security agreement over the assets of 1175579 B.C. Ltd.

In the event that 1175579 B.C. Ltd. requires further capital loans for the operations of the Retail Subsidiaries, 1175579 B.C. Ltd. will issue a request to the Company for funds under substantially the same terms as the Bridge Loan. If the Company declines to provide additional funds, 1175579 B.C. Ltd. will have the right to obtain external debt or capital financing.

As at July 31, 2019, the Company had advanced \$457,712 under the Bridge Loan and accrued \$7,545 of interest. The Company has not acquired any Retail Subsidiary as at July 31, 2019.

The Company has also committed to the issuance of a total of 855,000 common shares to 1175579 B.C. to be issued upon the closing of the transaction.

7. INTANGIBLE ASSETS

The Eden IP and underlying trademarks have been assigned an indefinite useful life, as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows and the Company's intention is to continue to utilize these trade names for the foreseeable future.

Cost	
Balance, July 31, 2017	\$ 4,250
Additions	13,750
Balance, July 31, 2019 and 2018	\$ 18,000

8. CONVERTIBLE DEBENTURES

In the year ended July 31, 2019, the Company issued convertible debentures for gross proceeds of \$5,904,000. The debentures accrue interest at a rate of 10%, payable in arrears on December 31st of each year, and mature 18 months from issuance. At the option of the holders, the debentures, and any accrued and unpaid interest, may be converted to common shares of the Company at a price of \$0.30 per common share. The debentures will be convertible upon the filing of a prospectus in Canada, becoming a reporting issuer in British Columbia, or similar liquidity transaction.

The Company has estimated that a similar borrowing without a conversion feature would be available to the Company at an interest rate of 14% per annum. The Company has discounted the convertible debentures to recognize the value of the conversion feature as \$325,893, reduced by a deferred income tax impact of \$153,967. The Company incurred other transaction costs of \$235,106 and issued brokers' warrants valued at \$9,248 (Note 9) which are being accreted over the term of the debentures.

Convertible debentures	
Balance, July 31, 2018 and 2017	\$ -
Proceeds on issuance	5,904,000
Equity feature	(325,893)
Transaction costs	(244,354)
Finance expense	188,696
Balance, July 31, 2019	\$ 5,522,449

EDEN EMPIRE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEARS ENDED JULY 31, 2019 AND 2018**9. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

b) Issued share capital

In the year ended July 31, 2019, the Company:

a) Issued 45,000,000 common shares for the reverse takeover transaction to acquire the Eden IP (Note 4).

b) Completed a private placement of 10,000,000 units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 for a period of two years. The Company incurred issuance costs of \$131,564 in connection with the financing.

c) Issued 472,500 common shares on the conversion of the special warrants (Note 9(c)).

d) Issued 5,000,000 common shares pursuant to the exercise of warrants for gross proceeds of \$750,000, of which \$101,250 was included in subscriptions receivable as at July 31, 2019 and received subsequent to year end.

e) Issued 4,750,000 common shares for consulting fees valued at \$262,500.

In the year ended July 31, 2018, the Company issued 200 common shares for the capitalization of 1160101 B.C. Ltd. which was subsequently amalgamated with DKBT Holdings Ltd. to become 1194360 B.C. Ltd.

c) Special Warrants

The Company assumed 472,500 special warrants with the RTO (Note 4). Special warrants automatically convert into common shares on a one for one basis upon the earlier of a prospectus document or June 21, 2019. The special warrants were converted into common shares of the Company on June 21, 2019. As at July 31, 2019, there are no special warrants outstanding.

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2018 and 2017	-	\$ -
Issued	5,661,630	0.17
Exercised	(5,000,000)	0.15
Balance outstanding, July 31, 2019	661,630	\$ 0.30

Warrants outstanding as at July 31, 2019:

	Number outstanding	Exercise price	Expiry date
Warrants	161,630	\$ 0.30	November 17, 2020
	500,000	0.30	May 31, 2021
	<u>661,630</u>		

As at July 31, 2019, the weighted average outstanding life of the Company's outstanding warrants is 1.7 years.

EDEN EMPIRE INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JULY 31, 2019 AND 2018**9. SHARE CAPITAL AND RESERVES (cont'd...)**

d) Warrants (cont'd...)

During the year ended July 31, 2019, the Company issued 661,630 brokers' and consultants' warrants with a weighted average fair value of \$0.07 per warrant. The Company recognized \$44,293 with respect to these warrants in reserves of which \$9,248 was allocated to transaction costs for convertible debentures and \$35,045 was included in consulting fees in the statement of loss and comprehensive loss.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of brokers' warrants granted during the year:

	2019	2018
Grant date share price	\$ 0.15	-
Risk-free interest rate	1.46%	-
Expected life of options	1.88 years	-
Expected annualized volatility	120.00%	-
Dividend rate	-	-

10. RELATED PARTY TRANSACTIONS AND BALANCES**Management Compensation**

Key management personnel comprise the Chairman, Chief Executive Officer, President & Chief Business Officer, Chief Financial Officer, and directors of the Company. The remuneration of the key management personnel is as follows:

Payments to key management personnel	2019	2018
Consulting fees paid to a company controlled by an officer	\$ 30,000	\$ -
Salaries paid to directors and officers of the Company	47,141	-

As at July 31, 2019, the Company had \$17,999 (2018 - \$17,999) due to a significant shareholder included in accounts payable. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

11. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2018 - 26.00%) to income before income taxes. The reasons for the differences are as follows:

	2019	2018
Income before income tax	\$ (1,727,927)	\$ -
Statutory income tax rate	27.00%	26.60%
Income tax expense computed at Canadian statutory rates	(467,000)	-
Items not deductible for tax purposes and other	94,033	-
Change in timing differences	(99,000)	-
Unused tax losses and tax offsets not recognized in tax assets	318,000	-
Income tax recovery	\$ (153,967)	\$ -

EDEN EMPIRE INC.

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FOR THE YEARS ENDED JULY 31, 2019 AND 2018**11. INCOME TAXES (cont'd...)**

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2019		2018	
	Temporary Difference	Tax Asset (Liability)	Temporary Difference	Tax Asset (Liability)
Non-capital losses	\$ 1,237,000	\$ 334,000	\$ -	\$ -
Share issue costs	352,000	95,000	-	-
Convertible debentures	(411,000)	(111,000)	-	-
Unrecognized deductible temporary differences	\$ 1,178,000	\$ 318,000	\$ -	\$ -

As at July 31, 2019, the Company has Canadian non-capital losses of \$1,237,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended July 31, 2039.

12. SEGMENTED INFORMATION

The Company operates in one segment, being cannabis retail. As at July 31, 2019 and 2018, all of the Company's non-financial long-term assets are situated in Canada.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial instruments**

Cash and cash equivalents and accounts payable are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments. The Company's Bridge Loan is carried at fair value using level 3 inputs. The Company's convertible debentures are carried at amortized cost. The total principal and accrued interest outstanding to settle the convertible debentures as at July 31, 2019 is \$6,001,695.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. As at July 31, 2019, the Company had cash equivalents of \$200,000 in term deposits. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada. The Company considers credit risk with respect to these amounts to be low.

The Company's ability to recover the Bridge Loan is assessed on an ongoing basis by management. The Bridge Loan is secured by a general security agreement against the assets of 1175579 B.C. Ltd.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2019, the Company had a working capital of \$4,853,285. The Company's ability to discharge its obligations under the convertible debentures is mitigated by the potential conversion of those instruments. The Company's financial liabilities mature within 30 days with the exception of the convertible debentures which mature 18 months from issuance (Note 8).

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FOR THE YEARS ENDED JULY 31, 2019 AND 2018

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

The interest rate applied to the Company's convertible debentures is fixed and reduces interest rate liability risk.

b) Foreign currency risk

The Company is pursuing an investment in the United States (Note 5). The investment in the US could increase the Company's exposure to foreign currency risk in the future. As at July 31, 2019, the Company held US\$500,000 in cash as its only financial instrument denominated in a foreign currency.

14. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

15. SUBSEQUENT EVENTS

King Edward & Cambie Operations Ltd.

On August 21, 2019, the Company entered into a lease agreement for a retail space. The lease is for a period of 5 years, subject to extension. The Company will pay a monthly rent charge of \$20,000 for the initial 5 years. Additionally, the Company must pay 3% of the gross sales of all goods or products legally sold from the leased premises up to \$5,000,000 annually. The Company must also pay \$110,000 in four non-refundable payments upon satisfaction of the following conditions:

- a) \$20,000 upon acceptance of the lease offer (paid prior to July 31, 2019);
- b) \$30,000 upon execution of the lease;
- c) \$30,000 on the date the Company obtains a development permit and the building permit from the City of Vancouver in order to use the premises for cannabis; and
- d) \$30,000 on the date the Company obtains a conditional cannabis permit issued by the applicable governmental authorities having jurisdiction over the sale of cannabis with respect to the premises.

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15. SUBSEQUENT EVENTS (cont'd...)

Option Agreement for the Acquisition of Actium Botanicals

On October 7, 2019, the Company entered into an option agreement (the "Michigan Option") to purchase all of the issued and outstanding shares of Actium Botanicals, Incorporated ("Actium"). Actium is in the process of applying for facility licenses at two locations: its Battle Creek facility and Stronach facility in Michigan, USA.

The Company paid a non-refundable deposit of US\$20,000 with respect to the Michigan Option, which may be applied against future payments due. The Michigan Option is valid for a period of one year, and may be extended for up to one year at the cost of US\$8,333 for each month extended.

As the purchase price for the Michigan Option, and until such time as the Company makes the Option Termination Payment, the Company shall make payments in an amount equal to 4% of the amount of all gross receipts actually received by Actium at the Battle Creek and Stronach facilities, due within 45 days after each calendar quarter until payment of the Option Termination Payment. The Option Termination Payment is a one-time payment to the vendor of US\$5,000,000.

The Michigan Option provides that, concurrently with its execution, the Company and Actium will enter into a service agreement and a lease for the real estate owned by Actium and an affiliate, on which the Stronach Facility is situated. Pursuant to the service agreement, the Company will provide certain services to support Actium's operation of the Battle Creek and Stronach facilities prior any exercise of the Michigan Option.

1674 Davie Street, Vancouver, BC

On December 5, 2019, the Company entered into a lease agreement for retail space at 1674 Davie Street, Vancouver, BC for a period of five years at an annual rent of \$180,000, increasing annually by \$12,000.

4317 Fraser Street, Vancouver, BC

On March 30, 2020, the Company completed the sale of its wholly-owned subsidiary 4317 Fraser Street Operations Ltd. ("4317 Fraser"). The Company received \$1,010,000 in proceeds on the sale of the entity and paid a finder's fee of \$30,000 with respect to the transaction. The Company is entitled to additional proceeds contingent on certain revenue targets which may or may not be met by the purchaser. The sole asset of 4317 Fraser was a right-of-use asset with respect to a lease agreement for retail space at 4317 Fraser Street Vancouver, BC.

Promissory Note Receivable

On March 1, 2020, the Company provided a promissory note ("Promissory Note") of \$391,137 to a private entity in St. Vincent & the Grenadines for the purpose of applying for one or more licenses in that jurisdiction. The promissory note is unsecured, accrues interest at a rate of 1% per annum and is payable on demand after March 1, 2021.

Amalgamation with Rosehearty Energy Inc.

On May 14, 2020, Rosehearty Energy Inc. ("Rosehearty") acquired all issued and outstanding common shares of the Company by way of a three-cornered amalgamation, whereby a wholly-owned subsidiary of Rosehearty amalgamated with the Company ("Resulting Issuer") and the resulting issuer became a subsidiary of Rosehearty (the "Transaction"). Pursuant to the terms of the Transaction, all issued and outstanding common shares and share purchase warrants of the Company were exchanged for common shares and share purchase warrants of the Resulting Issuer on a one-for-one basis.

Rosehearty has applied to list (the "Listing") its common shares on the Canadian Securities Exchange (the "CSE") under the ticker symbol "EDEN", subject to meeting listing requirements and obtaining approval of the CSE. Upon obtaining conditional approval of the CSE for the Listing, the principal amount of the approximately \$5.9 million outstanding convertible debentures will be converted into common shares of the Company at a conversion price of \$0.30 resulting in 19,679,985 common shares being issued.

In connection with the Transaction, Rosehearty changed its name to Eden Empire Inc. The Transaction is an arm's length amalgamation and constituted a "reverse takeover" pursuant to the policies of the CSE.