EDEN EMPIRE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JANUARY 31, 2021 AND 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED 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 condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated 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.

EDEN EMPIRE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

		January 31, 2021		July 31, 2020
ASSETS				
Current				
Cash and cash equivalents	$	47,662	$	688,346
Amounts receivable		99,394		67,128
Prepaids (Note 4)		93,910		48,977
Inventory (Note 5)		40,626		27,312
		281,592		831,763
Bridge loan (Note 7)		951,504		842,065
Option agreement (Note 8)		31,950		26,808
Lease inducements (Note 9)		85,000		80,000
Property and equipment (Note 10)		3,479,198		2,968,114
Intangible assets (Note 12)		25,155		18,000
	$	4,854,399	$	4,766,750
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 17)	$	1,196,531	$	532,491
Lease liabilities (Note 13)		316,540		306,529
		1,513,071		839,020
Lease liabilities (Note 13)		1,258,031		1,256,505
Loan payable (Note 14)		812,418		40,000
		3,583,520		2,135,525
Shareholders' equity				
Share capital (Note 16)		8,873,458		8,873,458
Reserves (Note 16)		130,070		130,070
Accumulated other comprehensive loss		(75,684)		(3,289)
Deficit		(7,656,965)		(6,369,014)
		1,270,879		2,631,225
	$	4,854,399	$	4,766,750

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Notes 7, 14 and 21)

Approved and authorized by the Board on March 29, 2021

/s/ Gerry Trapasso Director *\/s/ Kolten Taekema* Director

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

EDEN EMPIRE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended January 31, 2021	For the three months ended January 31, 2020	For the six months ended January 31, 2021	For the six months ended January 31, 2020
EXPENSES				
Accounting and legal	$ 46,413	$ 91,854	$ 142,675	$ 399,994
Consulting	46,150	54,500	80,900	117,095
Depreciation (Note 10)	136,974	67,099	230,125	75,217
Filing and transfer agent fees	17,500	824	17,500	824
Foreign exchange gain	3,210	-	3,210	-
Interest, accretion, and bank charges	105,472	257,100	160,450	478,275
Investor relations	19,728	188,275	22,478	282,421
Licenses and applications	12,975	58,468	23,848	71,051
Management fees	45,000	30,000	90,000	60,000
Office and administration	29,309	7,756	44,698	18,205
Property costs	5,939	33,423	6,206	34,866
Prospective location costs	-	10,800	-	331,564
Salaries	229,064	163,016	445,837	343,655
Travel and meals	14,984	20,812	30,166	55,054
Total operating expenses	(712,718)	(983,927)	(1,298,093)	(2,268,221)
Other items:				
Expense recoveries	-	156,000	-	156,000
Gain on settlement of loan (Note 14)	-	-	10,000	-
Interest and other income	18,702	16,818	36,426	38,360
Allowance for amounts receivables (Note 7)	(18,673)	-	(36,284)	-
	29	172,818	10,142	194,360
Loss for the period	(712,689)	(811,109)	(1,287,951)	(2,073,861)
OTHER COMPREHENSIVE INCOME				
Foreign exchange on translating foreign operations	(68,440)	11,662	(72,395)	4,226
Loss and comprehensive loss for the period	$ (781,129)	$ (799,447)	$ (1,360,346)	$ (2,069,635)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	90,292,546	65,222,500	90,292,546	65,222,500

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

EDEN EMPIRE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JANUARY 31,

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(1,287,951)	$	(2,073,861)
Non-cash items:				
Accrued interest income		(36,284)		(21,853)
Allowance for amounts receivables		36,284		-
Accrued interest expense		12,418		-
Depreciation		230,125		75,217
Finance expense		110,193		477,209
Gain on settlement of loan		(10,000)		-
Changes in non-cash working capital items:				
Amounts receivable		(32,266)		(11,625)
Prepaids		(44,933)		40,354
Inventory		(13,314)		(27,312)
Accounts payable and accrued liabilities		49,639		311,392
		(986,089)		(1,230,479)
CASH FLOWS FROM INVESTING ACTIVITIES				
Bridge loan – funds provided		(109,439)		(167,645)
Promissory note – funds provided		-		(391,137)
Investment property		(54,052)		(1,301,312)
Property and equipment		(249,498)		(145,163)
Lease inducements		(5,000)		(80,000)
Option agreement payment		(6,523)		-
Deposit		-		(26,399)
		(424,512)		(2,111,656)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on convertible debentures		-		(361,670)
Funds received from loan		800,000		-
Loan repayment		(30,000)		-
Lease payments		-		(53,708)
Warrants exercised		-		101,250
		770,000		(314,128)
Effect of foreign exchange on cash		(83)		-
Change in cash and cash equivalents during the period		(640,684)		(3,656,263)
Cash and cash equivalents, beginning of period		688,346		5,100,297
Cash and cash equivalents, end of period	$	47,662	$	1,444,034
Supplementary cash flow information:				
Acquisition of intangible assets through accounts payable	$	7,155	$	-
Acquisition of investment property through accounts payable		88,742		-
Acquisition of property and equipment through accounts payable		224,724		
Interest paid		-		-
Income taxes paid		-		-

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

EDEN EMPIRE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian Dollars)

	Share capital							
	Number	**Amount**	**Subscriptions receivable**	**Reserves**	**Equity component of convertible debentures**	**Accumulated other comprehensive loss**	**Deficit**	**Total**
Balance, July 31, 2019	65,222,500	$ 1,404,564	$ (101,250)	$ 44,293	$ 171,926	$ -	$ (1,573,960)	$ (54,427)
Subscriptions received	-	-	101,250	-	-	-	-	101,250
Loss and comprehensive loss for the period	-	-	-	-	-	4,226	(2,073,861)	(2,069,635)
Balance, January 31, 2020	65,222,500	$ 1,404,564	$ -	$ 44,293	$ 171,926	$ 4,226	$ (3,647,821)	$ (2,022,812)
Balance, July 31, 2020	90,292,546	$ 8,873,458	$ -	$ 130,070	$ -	$ (3,289)	$ (6,369,014)	$ 2,631,225
Loss and comprehensive loss for the period	-	-	-	-	-	(72,395)	(1,287,951)	(1,360,346)
Balance, January 31, 2021	90,292,546	$ 8,873,458	$ -	$ 130,070	$ -	$ (75,684)	$ (7,656,965)	$ 1,270,879

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Eden Empire Inc. (formerly Rosehearty Energy Inc.) ("Eden Empire" or the "Company") was incorporated in the Province of Ontario on September 1, 2000 under the name Phoenix Matachewan Mines Inc. Effective December 30, 2008, the Company changed its name to Galahad Metals Inc., effective July 31, 2014, changed its name to Rosehearty Energy Inc. and effective May 14, 2020, changed its name to Eden Empire Inc. and continued into the Province of British Columbia. The records office of the Company is located at 408 – 150 24th Street, West Vancouver, British Columbia, V7V 4G8. The Company is listed on the Canadian Securities Exchange under the symbol "EDEN".

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 8).

These condensed consolidated interim 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 condensed consolidated interim 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 loss of $1,287,951 for the six months ended January 31, 2021 and had an accumulated deficit of $7,656,965 as at January 31, 2021. 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 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. The pandemic has not had a drastic impact on the Company's operations. Management continues to monitor the situation.

Reverse Takeover

On May 14, 2020, the Company completed a reverse takeover transaction ("Eden RTO") whereby Eden Empire Inc. (predecessor), amalgamated with a wholly-owned subsidiary of the Company and the shareholders of Eden Empire Inc. (predecessor) received corresponding securities of the Company on a 1:1 basis. Upon completion of the Eden RTO, the shareholders of Eden Empire Inc. (predecessor) obtained control of the consolidated entity. In applying acquisition accounting to a reverse acquisition, Eden Empire Inc. (predecessor) was identified as the accounting acquirer, and, accordingly, the Company is considered to be a continuation of Eden Empire Inc. (predecessor), with the net assets of the Company at the date of the Eden RTO deemed to have been acquired by Eden Empire Inc. (predecessor). The Company continued under the name of Eden Empire Inc. following the completion of the Eden RTO.

As Eden Empire Inc. (predecessor) is deemed to be the acquirer for accounting purposes, these condensed consolidated interim financial statements include its assets and liabilities and operations. The Company's results of operations are included from May 14, 2020 onwards.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended July 31, 2020.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation and presentation

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

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries as follows:

Subsidiary	Date of Incorporation	Location
Eden Empire Inc. (formerly Rosehearty)	September 1, 2000	Canada
1194360 B.C. Ltd.	January 17, 2019	Canada
1268495 B.C. Ltd.	October 2, 2020	Canada
King Edward & Cambie Operations Ltd.	January 9, 2019	Canada
Peaceful Park Inc.	August 12, 2018	Canada
Eden Empire Ontario One Ltd.	April 28, 2020	Canada
Eden Empire Manitoba One Ltd.	June 3, 2020	Canada
Eden Empire US, Inc.	August 7, 2019	United States
Eden Empire Michigan, LLC	August 7, 2019	United States
Eden Empire Battle Creek RE, LLC	August 7, 2019	United States

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.

Use of judgments and estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim 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.

2. BASIS OF PREPARATION (cont'd…)

Use of judgments and estimates (cont'd…)

- Right-of-use assets and lease liability

  The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

- 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 condensed consolidated interim 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.

- Right-of-use assets and lease liability

  The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

- 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 applies 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.

  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.

(Expressed in Canadian Dollars)

3. REVERSE TAKEOVER TRANSACTION

As described in Note 1, the Company acquired Rosehearty Energy Inc. ("Rosehearty"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 – *Business Combinations* ("IFRS 3") since Rosehearty, 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 Rosehearty together with any reverse takeover transaction costs at the fair value of the consideration received.

As a result, a reverse takeover transaction cost of $1,306,349 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 Rosehearty 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 $57,131.

Fair value of consideration allocated:		
Fair value of 3,690,094 shares issued at $0.30 per share	$	1,107,028
Fair value of 1,011,166 warrants(1)		85,777
		1,192,805
Identifiable net assets acquired:		
Cash		825
Amounts receivable		7,988
Prepaids		3,675
Accounts payable		(69,618)
		(57,131)
Transaction costs		(56,413)
Total RTO expense	**$**	**1,306,349**

(1) The fair value of the warrants was determined using the following weighted average Black-Scholes assumptions:

Grant date share price	$	0.60
Risk-free interest rate		0.27%
Expected life of warrants		0.8 years
Expected annualized volatility		120.00%
Dividend rate		-

4. PREPAIDS

		January 31, 2021		July 31, 2020
Purchase prepayments	$	54,513	$	-
Prepaid expenses		29,751		39,331
Deposits		9,646		9,646
Balance, end of period	$	93,910	$	48,977

(Expressed in Canadian Dollars)

5. INVENTORY

Inventory		**January 31, 2021**		**July 31, 2020**
Packaged Dried Cannabis	$	11,228	$	-
Packaged Cannabis Derived		2,086		-
Promotional materials		27,312		27,312
Balance, end of period	$	40,626	$	27,312

6. PROMISSORY NOTE

In the year ended July 31, 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. The Company recognized interest income of $1,693 in the year ended July 31, 2020. As at July 31, 2020, the Company recorded an allowance for the promissory note receivable of $392,830 to write down the fair value of the promissory note to $Nil.

7. ACQUISITION OF B.C. DISPENSARIES

On May 16, 2019, as amended March 13, 2020, the Company entered into an agreement to acquire all of 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"), a private company. Each lease holding company is identified as a "Retail Subsidiary".

Pursuant to the agreement, the Company will acquire the Retail Subsidiaries from 1175579 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 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.

Additionally, on execution of the agreement, the Company extended a bridge loan to 1175579 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 up to $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. The Bridge Loan is repayable in cash or in common shares of 1175579 B.C. Ltd. at the discretion of 1175579. The Bridge Loan is secured by a general security agreement over the assets of 1175579.

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 January 31, 2021, the Company had advanced $951,504 (July 31, 2020 - $842,065) under the Bridge Loan and accrued interest of $94,179 (July 31, 2020 - $57,896). The Company has not acquired any Retail Subsidiary as at January 31, 2021. As at January 31, 2021, the Company has recorded an allowance for the interest receivable on the bridge loan of $94,179 (July 31, 2020 - $57,896).

On November 16, 2020, the Company entered into agreement with 1175579 which permitted a Retail Subsidiary to dispose of substantially all of its assets for proceeds of $750,000. The proceeds will be paid to the Company over a period of 10 months beginning the earlier of receiving a retail license for the Retail Subsidiary or February 15, 2021. As party to the agreement, the Company will reimburse 1175579 for the associated legal fees, make a payment of $65,000 in cash or common shares and pay the additional cash consideration of $350,000 within 14 months. Subsequent to January 31, 2021, the Company received proceeds of $150,000 with respect to the transaction.

8. OPTION AGREEMENT

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 its Stronach facility in Michigan, USA. Pursuant to the Actium Option, the seller agrees to use reasonable best efforts for Actium to obtain the required licenses, consents and approvals to initiate the operations of the facilities.

The Company paid a non-refundable deposit of USD$20,000 with respect to the Michigan Option, which may be applied against future payments due under the option. The Michigan Option was valid for a period of one year, then extended for up to one year at the cost of US$1,667 for each month extended. On January 5, 2021, Eden Michigan elected to extend the Michigan Option for three successive periods of 30 days by paying Tondu an extension payment in the amount of US$5,000 and, as a result, the Option Termination Date is now May 5, 2021. Eden Michigan anticipates extending the Michigan Option for further periods in the event that the Michigan Option is not exercised prior to May 5, 2021.

As the purchase price for the Michigan Option, the Company shall make payments in an amount equal to 4% of the amount of all gross receipts received by Actium at the Battle Creek and Stronach facilities, due within 45 days after each calendar quarter. The Company may terminate its obligation to make payments on gross receipts by making a one-time payment 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 of the vendor, 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.

9. LEASE INDUCEMENTS

King Edward & Cambie Operations Ltd.

On August 21, 2019, entered into a lease agreement for a retail space through its wholly-owned subsidiary King Edward & Cambie Operations Ltd. ("Cambie"). 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);
b) $30,000 upon execution of the lease (paid);
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 (paid); 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.

As at January 31, 2021, the Company does not have use of the premise and accordingly has not recognized a right-of-use asset. Furthermore, payments under the lease agreement have not begun pending receipt of the conditional cannabis permit. Payments totaling $80,000 to hold the lease agreement are recorded as lease inducements as at January 31, 2021.

1268495 B.C. Ltd.

On September 25, 2020, entered into a lease agreement for a retail space through its wholly-owned subsidiary 1268495 B.C. Ltd. The lease is for a period of 3 years with a 4 months' holding period.

As at January 31, 2021, the Company does not have use of the premise and accordingly has not recognized a right-of-use asset. Furthermore, payments under the lease agreement have not begun pending receipt of the cannabis permit or February 1, 2021 whichever is the earlier date. Payments totaling $5,000 to hold the lease agreement are recorded as lease inducements as at January 31, 2021.

(Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT

	Office equipment	Investment property	Right-of-use assets	Leasehold improvements	Total
Cost					
Balance, July 31, 2019	$ -	$ 131,480	$ -	$ -	$ 131,480
Additions	61,336	1,327,211	1,723,900	15,451	3,127,898
Disposal (Note 11)	-	-	(66,046)	-	(66,046)
Foreign exchange	-	(3,173)	-	-	(3,173)
Balance, July 31, 2020	61,336	1,455,518	1,657,854	15,451	3,190,159
Additions	30,731	142,794	195,124	443,491	812,140
Foreign exchange	(313)	(70,659)	-	-	(70,972)
Balance, January 31, 2021	$ 91,754	$ 1,527,653	$ 1,852,978	$ 458,942	$ 3,931,327
Accumulated Depreciation					
Balance, July 31, 2019	$ -	$ -	$ -	$ -	$ -
Depreciation expense	6,134	-	234,018	1,994	242,146
Disposal (Note 11)	-	-	(20,101)	-	(20,101)
Foreign exchange	-	-	-	-	-
Balance, July 31, 2020	6,134	-	213,917	1,994	222,045
Depreciation expense	9,677	-	176,173	44,275	230,125
Foreign exchange	(41)	-	-	-	(41)
Balance, January 31, 2021	$ 15,770	$ -	$ 390,090	$ 46,269	$ 452,129
Net Book Value					
Balance, July 31, 2020	$ 55,202	$ 1,455,518	$ 1,443,937	$ 13,457	$ 2,968,114
Balance, January 31, 2021	$ 75,984	$ 1,527,653	$ 1,462,888	$ 412,673	$ 3,479,198

Investment property

In the year ended July 31, 2020, the Company completed the purchase of a building and contiguous land in Battle Creek, Michigan, US. The Company paid US$995,000 and additional transaction costs of US$200,346. The Company has a lease agreement on the property with Actium for the period of one year after which the Company will grant a month to month tenancy. Actium may use the property only for the operation of a provisioning center and/or cannabis retailer once Actium has received all requisite licenses and permits from all relevant regulatory or governmental authorities and for no other purpose. No income was recognized with respect to the lease agreement in the six months ended January 31, 2021. Actium will be required to pay rent once the premise is opened for operations.

(Expressed in Canadian Dollars)

11. SALE OF SUBSIDIARY

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 contingent consideration has been valued at $Nil as the ability of the purchaser to generate revenue on the entity's assets is uncertain.

Disposal of 4317 Fraser		
Consideration	$	1,010,000
Finder's fee paid on transaction		(30,000)
		980,000
Net assets disposed		
Deposit		10,000
Right-of-use assets		45,945
Lease liability		(40,270)
		15,675
Gain on sale of subsidiary	$	964,325

12. 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.

		January 31, 2021		**July 31, 2020**
Trademarks	$	25,155	$	18,000
Balance, end of period	$	25,155	$	18,000

(Expressed in Canadian Dollars)

13. LEASE LIABILITIES

Lease liabilities		**January 31, 2021**		**July 31, 2020**
Balance, beginning of period	$	1,563,034	$	-
Additions		195,124		1,655,523
Accrued finance expense		110,193		146,973
Lease payments paid or accrued in accounts payable		(293,780)		(199,192)
Disposal (Note 11)		-		(40,270)
Balance, end of period	$	1,574,571	$	1,563,034
Current	$	316,540	$	306,529
Long term	$	1,258,031	$	1,256,505

The Company has applied an incremental borrowing rate of 14%.

The Company has the following lease commitments:

Lease commitments		**Fiscal year 2022**		**Fiscal year 2023**		**Fiscal year 2024**		**Fiscal year 2025**		**Fiscal year 2026 and beyond**
1674 Davie St.	$	438,000	$	450,000	$	462,000	$	234,000	$	-
2230 McPhillips St.		55,118		55,118		55,118		55,118		9,186
348 Water St.		167,400		170,200		85,800		-		-
	$	660,518	$	675,318	$	602,918	$	289,118	$	9,186

In the event the Company receives a business license from the City of Vancouver, the Company will have to pay a success fee of $120,000 to the landlord of the Davie property.

On July 20, 2020, the Company signed a five year lease at McPhillips street in Winnipeg, Manitoba which commenced on October 1, 2020. The Company has the option to renew for two five year periods.

On September 25, 2020, the Company signed a three year lease at Water Street in Vancouver, British Columbia commencing on February 1, 2021 or the date the Company receives the cannabis permit whichever is the earlier date.

The Company has a five year lease at Cambie as detailed in Note 9. The annual lease payments of $252,000 under the Cambie lease agreement will begin upon receipt of a conditional cannabis permit.

14. LOAN PAYABLE

The Company received a $40,000 revolving line of credit as part of the Canada Emergency Business Account (CEBA) program due to COVID-19. The loan was interest free and required no principal payments until December 2022 (“Initial Term Date”). In the six months ended January 31, 2021, the loan was repaid before the Initial Term date and as a result 25% was forgiven.

On December 4, 2020, the Company issued two interest bearing promissory notes (together, the “Notes”) to two arm’s-length parties for proceeds of $700,000 and $100,000 subject to an interest of 14% and 13% respectively. As at January 31, 2021, accrued interest is $12,418. The Notes have a term of fourteen months ending February 4, 2022, following which the principal amount then outstanding will be due and payable by the Company. The Notes are secured against the Company’s interest in and to its present and after acquired personal property and its interest in and to the retail cannabis store located at 140 Terminal Avenue Operations Ltd., Nanaimo B.C. and the Retail Subsidiary in relation thereto (Note 7). Subsequent to January 31, 2021, the Company received additional proceeds of $100,000 under the Notes.

(Expressed in Canadian Dollars)

15. 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 convertible upon the filing of a prospectus in Canada, becoming a reporting issuer in British Columbia, or similar liquidity transaction.

The Company 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 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 16(c)) which are being accreted over the term of the debentures.

During the year ended July 31, 2020, the convertible debentures with a carrying value of $5,704,956 were converted in exchange for 19,680,000 common shares of the Company. The Company also issued 1,099,952 common shares in exchange for accrued interest of $330,212 on the convertible debentures.

Convertible debentures		
Balance, July 31, 2019	$	5,522,449
Finance expense		874,389
Interest paid		(361,670)
Debt conversion		(6,035,168)
Balance, July 31, 2020 and January 31, 2021	$	-

16. 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

There were no common shares issued in the six months ended January 31, 2021.

In the year ended July 31, 2020, the Company:

i. Issued 3,690,094 common shares for the Eden RTO (Note 3).

ii. Issued 20,779,952 common shares upon conversion of debentures (Note 15).

iii. Issued 500,000 common shares for consulting fees valued at $150,000.

iv. Issued 100,000 common shares for proceeds of $5,000.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (cont'd…)

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2019	661,630	$	0.30
Issued	1,011,166		0.06
Balance outstanding, July 31, 2020	1,672,796	$	0.48
Expired	(161,630)		0.30
Balance outstanding, January 31, 2021	1,511,166	$	0.50

Warrants outstanding as at January 31, 2021:

	Number outstanding	Exercise price	Expiry date
Warrants	500,000	$ 0.30	May 31, 2021
	844,500	0.60	February 1, 2021[1]
	166,666	0.60	August 19, 2021
	1,511,166		

[1] Expired unexercised subsequent to January 31, 2021.

As at January 31, 2021, the weighted average outstanding life of the Company's outstanding warrants is 0.17 years (July 31, 2020 – 0.64 years).

During the year ended July 31, 2020, the Company issued 1,011,666 warrants with a weighted average fair value of $0.60 per warrant as part of the Eden RTO (Note 3). The Company recognized $85,777 with respect to these warrants in reserves.

17. 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 during the six months ended January 31, 2021 and 2020 is as follows:

Payments to key management personnel		**2021**		**2020**
Consulting fees paid to a company controlled by an officer	$	90,000	$	90,000
Salaries paid to directors and officers of the Company		120,000		180,000

During the year ended July 31, 2020, the Company issued 500,000 common shares valued at $150,000 (2019 - $Nil) as bonus compensation to an employee of the Company who is also a relative of an officer of the Company.

As at January 31, 2021, the Company had $17,999 (July 31, 2020 - $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.

(Expressed in Canadian Dollars)

18. SEGMENTED INFORMATION

The Company operates in one segment, being cannabis retail investment. The Company's non-current assets, other than financial instruments are located as follows:

Non-current assets	Canada	United States	Total
Option agreement	$ -	$ 31,950	$ 31,950
Lease inducements	85,000	-	85,000
Property and equipment			
Office equipment	62,848	13,095	75,943
Investment property	-	1,527,653	1,527,653
Right-of-use assets	1,462,888	-	1,462,888
Leasehold improvements	412,673	-	412,673
Intangible assets	25,155	-	25,155
Balance, January 31, 2021	$ 2,048,564	$ 1,572,698	$ 3,621,262

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and cash equivalents, accounts payable and loan 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 Promissory Note (Note 6) and Bridge Loan (Note 7) are carried at fair value using level 3 inputs. The Company's convertible debentures were carried at amortized cost.

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. Although the Company believes its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3, the impact of a 10% increase or decrease in the underlying fair value would result in an increase or decrease of $95,150 in the fair value of the Bridge Loan.

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. 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 collect on the Promissory Note and 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 January 31, 2021, the Company had a negative working capital of $1,231,479. The Company's financial liabilities mature within 30 days with the exception of the long-term loan payable which are payable over several years (Note 14).

19. 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 and loan payable is fixed and reduces interest rate liability risk.

b) Foreign currency risk

The Company holds an investment property (Note 10) and an option agreement (Note 8) in the United States ("US"). The investment in the US could increase the Company's exposure to foreign currency risk in the future.

As at January 31, 2021, the Company's net foreign denominated financial assets and liabilities are as follows:

		US Dollars
Cash	$	3,100
Accounts payable		(212,502)
		(209,402)
Equivalent in Canadian Dollars	$	(267,616)

Based on the balances held as at January 31, 2021, a 10% increase (decrease) in the Canadian dollar to US dollar exchange rate on this date would have resulted in a decrease (increase) in the net loss for the period of approximately $26,762.

20. 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.

21. SUBSEQUENT EVENT

On March 3, 2021, the Company announced a private placement of units of the Company at a price of $0.12 per unit for gross proceeds of up to $1,000,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 for a period of two years from the date of issuance. The private placement is subject to the approval of the CSE. There is no assurance that the private placement will be completed.

Subsequent to January 31, 2021, the Company agreed to settle its debt in the amount of US$50,000, $111,230 and $120,000 by issuing 356,320, 695,188 and 1,000,000 common shares of the Company at a deemed price of $0.178, $0.16 and $0.12 per share to its creditors, respectively.