GNOMESTAR CRAFT INC.
(FORMERLY VODIS PHARMACEUTICALS INC.)

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the three and nine months ended December 31, 2021

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a0, if an auditor has not performed a review of the 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 Gnomestar Craft Inc. (Formerly Vodis Pharmaceuticals Inc.) (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 unaudited condensed consolidated interim 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

GNOMESTAR CRAFT INC.
Condensed Consolidated Statements of Financial Position
December 31, 2021 and March 31, 2021

	December 31 2021	March 31 2021
ASSETS		
CURRENT		
Cash	**$ 18,057**	$ -
Accounts receivable *(Note 4)*	**53,445**	134,702
Inventory *(Note 6)*	**127,123**	75,267
Biological Asset *(Note 5)*	**65,612**	71,340
Prepaid expenses	**49,658**	39,058
	313,895	320,367
Capital assets *(Note 7)*	**805,314**	898,640
TOTAL ASSETS	**$ 1,119,209**	$ 1,219,007
LIABILITIES AND DEFICIENCY		
CURRENT		
Bank indebtedness	**$ -**	$ 118
Accounts payable and accrued liabilities *(Note 8)*	**691,855**	592,476
Accounts payable to related parties	**1,668,278**	1,341,014
Finance lease liability *(Note 9)*	**332,854**	330,149
Current portion of facility lease liability *(Note 10)*	**118,248**	95,033
	2,811,235	2,358,790
GOVERNMENT ASSISTANCE LOAN	**60,000**	-
FACILITY LEASE LIABILITY *(Note 10)*	**356,136**	510,655
TOTAL LIABILITIES	**3,227,371**	2,869,445
DEFICIENCY		
Share capital	**14,090,517**	13,840,518
Obligration to issue shares	**156,547**	71,854
Foreign exchage	**(19,984)**	-
Equity reserves	**2,483,113**	2,899,711
Deficit	**(18,818,355)**	(18,462,521)
	(2,108,162)	(1,650,438)
TOTAL LIABILITIES AND DEFICIENCY	**$ 1,119,209**	$ 1,219,007

ON BEHALF OF THE BOARD

________________________________ *Director*

See notes to financial statements

GNOMESTAR CRAFT INC.

Condensed Consolidated Statements of Comprehensive Loss

	Three months ended *December 31* **2021**	**Nine months ended** *December 31* **2021**	Three months ended *December 31* 2020	Nine months ended *December 31* 2020
Cannabis sales *(Note 15)*	**$ 9,814**	$ 119,225	$ 199,359	$ 256,959
COST OF SALES				
Inventory expensed to cost of sales	**115,955**	225,881	59,177	186,403
FV adjustments to biological assets	**(25,872)**	(87,254)	-	-
Fair value adjustments to inventory	**-**	306,656	-	-
	90,083	445,283	59,177	186,403
GROSS MARGIN (LOSS)	**(80,269)**	(326,058)	140,182	70,556
EXPENSES				
Advertising and promotion	**-**	450	-	401
Amortization	**32,645**	8,493	90,771	266,096
Business taxes and licenses	**12,582**	21,092	3,385	10,166
Filing fees	**-**	1,351	1,625	2,894
Corporate fees	**-**	1,418	2,250	5,423
Interest on leases	**14,243**	36,586	12,736	35,935
Legal fees	**-**	15,000	1,980	13,565
Office	**5,430**	39,249	5,013	11,157
Share based compensation	**-**	6,843	110,358	110,358
Consulting and Professional fees	**39,350**	252,484	62,671	245,931
Salaries and wages	**2,553**	(32,015)	16,073	46,853
	106,803	350,951	306,862	748,779
LOSS FROM OPERATIONS	**(187,072)**	(677,009)	(166,680)	(678,223)
OTHER INCOME				
Gain on lease modification	**-**	98,914	-	25,668
Gain on write off of payables	**71,854**	71,854	-	-
	71,854	170,768	-	25,668
NET LOSS	**$ (115,218)**	$ (506,241)	$ (166,680)	$ (652,555)
EARNINGS PER SHARE	**$ (0.01)**	$ (0.01)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**85,410,804**	85,410,804	79,239,504	79,239,504

See notes to financial statements

GNOMESTAR CRAFT INC.

Condensed Consolidated Statements of Changes in Deficiency

Nine months ended December 31, 2021 and 2020

	Number of shares	Share capital	Obligation to issue shares	Share-based payments and warrants	Foreign currency	Deficit	Total
As at March 31 2020	79,239,504	$ 13,392,485	$ 71,854	$ 3,011,244	$ (146,155)	$ (17,742,529)	$ (1,413,101)
Net Loss for the year	-	-	-	-	-	(485,874)	(485,874)
Exchange difference on translation	-	-	-	-	(56,821)	56,821	-
Cancellation of warrants	-	-	-	(155,569)	-	155,569	-
As at December 31, 2020	79,239,504	$ 13,392,485	$ 71,854	$ 2,855,675	$ (202,976)	$ (18,016,013)	$ (1,898,975)
As at March 31, 2021	85,410,804	$ 13,840,518	$ 71,854	$ 2,938,168	$ (38,457)	$ (18,462,521)	$ (1,650,438)
Net Loss for the year	-	-	-	-	-	(506,241)	(506,241)
Shares issued for cash	-	-	82,693	(61,547)	-	-	21,146
Expiry of options	-	250,000	-	(400,352)	-	150,407	55
Share-based payments	-	-	-	6,843	-	-	6,843
Exchange difference on foreign transalation	-	-	-	-	18,473	-	18,473
As at December 31, 2021	85,410,804	$ 14,090,518	$ 154,547	$ 2,483,112	$ (19,984)	$ (18,818,355)	$ (2,110,162)

See notes to financial statements

GNOMESTAR CRAFT INC.

Statement of Cash Flows

Nine months Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Net loss	$ (506,241)	$ (652,555)
Items not affecting cash:		
Amortization of capital assets	152,342	266,096
Accrual of mangaement fees	135,000	180,000
Interest accrued	35,576	35,935
Gain on payables write off	71,854	-
Share-based payments	6,843	110,358
Fair Value adjustment of bio assets	-	-
Gain on lease modification	(58,485)	(25,668)
Foreign exchange	(122,476)	698
	(285,587)	(85,136)
Changes in non-cash working capital:		
Accounts receivable	81,257	(169,388)
Inventory	(51,855)	-
Accounts payable	99,378	84,535
Prepaid expenses	(10,600)	17,250
Biological assets	(5,728)	-
Accounts payable to related parties	192,263	-
	304,715	(67,603)
Cash flow from (used by) operating activities	19,128	(152,739)
INVESTING ACTIVITIES		
Leasehold improvements and equipment	-	(123,030)
Purchase of equipment	(59,016)	-
Cash flow used by investing activities	(59,016)	(123,030)
FINANCING ACTIVITIES		
Repayment of bank over draft	(118)	841
Advances from related parties	-	54,634
Repayment of finance lease liability	(108,395)	(101,175)
Bank loans	60,000	-
Proceeds from obligation to issue shares	95,000	-
Cash flow from (used by) financing activities	46,487	(45,700)
INCREASE (DECREASE) IN CASH FLOW	6,599	(321,469)
Cash - beginning of year	-	321,468
CASH (DEFICIENCY) - END OF YEAR	$ 6,599	$ (1)
CASH CONSISTS OF:		
Cash	$ 18,057	$ -
Bank indebtedness	-	(841)
	$ 18,057	$ (841)

See notes to financial statements

1. BASIS OF PRESENTATION

Gnomestar Craft Inc. (the "Company"), formerly Vodis Pharmaceuticals Inc., was incorporated under the laws of British Columbia on October 31, 2011. On December 3, 2020, Vodis Pharmaceuticals Inc. changed its name to Gnomestar Craft Inc. The Company is in the medical and recreational marijuana business. The Company's shares trade on the Canadian Securities Exchange ("CSE").

The Company's corporate office address is 8788 River Road Delta, BC V4G 1B5. The registered and records office address is 1080 - 789 West Pender Street, Vancouver, BC V6C 1H2. The Company, together with its subsidiaries (collectively referred to as the "Company"), received its Standard Cultivation licence and Standard Processing licence under the Cannabis Acton January 31, 2020, and is producing medical marijuana. The Company commenced its commercial operations in August 2020.

At the date of the condensed consolidated interim financial statements, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives and meet its ongoing obligations will depend on management's ability to successfully execute its business plan and obtain additional financing when required. There is no assurance that these initiatives will be successful. These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is partially dependent upon its ability to generate financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of presentation

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended March 31, 2021. The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2021 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

(c) Significant Accounting Estimates and Judgments

The preparation of the 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 financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Areas requiring a significant estimation relate to fair value measurement of biological assets, discount rate on lease liability, useful lives and valuation of capital assets and measurement of deferred tax assets and liabilities. Actual results may differ from these estimates.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Inputs used in the accounting for share-based payments expense in the consolidated statements of loss and comprehensive loss:Management uses the Black-Scholes Pricing Model for valuation of share-based payments, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inputs used in the accounting for warrants in share capital and equity reserves : Management uses the Black-Scholes Pricing Model for valuation of warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern: The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions 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. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

Determination of provisions for income taxes and the recognition of deferred income taxes: In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Determination of impairment of non-financial assets: Non-financial assets include property, plant and equipment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model using assumptions about future expected cash flows discounted at the company's cost of capital.

Determination of the lease period in the calculation of a lease obligation: When determining the length of the period of time over which lease payments are expected to be paid in the calculation of a lease obligation, the Company must determine whether to use the contractual lease term or the contractual lease term plus the optional renewal period of the lease. In determining the period, the Company considers the likelihood that the lease will be renewed based on expected lease rates in the future as well as the estimated costs of improvements that would be required to be made to a new property in the event the lease is not renewed

(expressed in Canadian dollars)

3. RECENT ACCOUNTING STANDARDS

As the date of authorization of these condensed consolidated interim financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are either not adopted or are not expected to have a material impact on the Company's condensed consolidated interim financial statements

4. RECEIVABLES

		December 31, 2021		March 31, 2021
Goods and services tax receivable	$	47,610	$	42,894
Trade receivables		5,835		91,808
Total receivables	$	53,445	$	134,702

5. BIOLOGICAL ASSETS

		December 31, 2021		March 31, 2021
Balance at the beginning of the year	$	71,340	$	-
Production cost capitalized		299,898		518,482
Changes in fair value of biological assets		35,510		(119,028)
		406,748		399,454
Transferred to inventory upon harvest (Note 6)		(341,136)		(328,114)
Balance at the end of the period	$	65,612	$	71,340

6. INVENTORIES

		December 31, 2021		March 31, 2021
Balance at the beginning of the period	$	75,267	$	-
Harvested cannabis biomass (Note 5)		239,644		328,114
Capitalized post-harvest costs		145,886		165,193
Product sold during the period		(183,690)		(263,495)
		277,107		229,812
Net realizable value adjustment		(167,365)		(154,545)
Total inventories at the lower of cost and net realizable value	$	109,742	$	75,267

Capitalized post-harvest cost above includes $11,074 (March 31, 2020: $Nil) of depreciation and amortization.

(expressed in Canadian dollars)

7. CAPITAL ASSETS

Leasehold improvements include all amounts incurred on improvements at the Company's Delta, British Columbia location to prepare the facilities for operations. The leasehold additions relate to production lighting, growing benches, irrigation and nutrient systems, security installations and construction of growing rooms.

Cost	2021 Balance	Additions	Disposals	**2022 Balance**
Buildings	$ 1,161,513	$ 34,031	$ -	**$ 1,195,544**
Equipment	76,062	11,237	-	**87,299**
Computer equipment	21,340	13,748	-	**35,088**
Furniture and fixtures	2,332	-	-	**2,332**
Leasehold improvements	800,974	-	-	**516,326**
	$ 2,062,221	$ 59,016	$ -	**$ 1,836,589**

Accumulated Amortization	2021 Balance	Amortization	Accumulated Amortization on Disposals	**2022 Balance**
Buildings	$ 802,031	$ 127,381	$ -	**$ 929,412**
Equipment	12,351	15,213	-	**27,564**
Computer equipment	4,268	14,012	-	**18,280**
Furniture and fixtures	2,081	184	-	**2,265**
Leasehold improvements	182,150	-	-	**53,754**
	$ 1,002,881	$ 156,790	$ -	**$ 1,031,275**

Included in amortization above is $54,899 (March 31, 2020: $Nil) of amortization that was capitalized in biological assets (Note 5) and inventories (Note 6).

Net book value	**2022**	2021
Buildings	**$ 266,132**	$ 359,482
Equipment	**59,735**	63,711
Computer equipment	**16,808**	17,072
Furniture and fixtures	**67**	251
Leasehold improvements	**462,572**	618,824
	$ 805,314	$ 1,059,340

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	March 31, 2021
Accounts payable	$ 566,085	$ 453,616
Interest owing on loans paid out in a prior y	13,500	13,500
Accrued liabilities	169,787	125,360
	$ 749,372	$ 592,476

(expressed in Canadian dollars)

9. FINANCE LEASE LIABILITY

During the year ended March 31, 2016, Vodis USA, a subsidiary of the Company, entered into a lease agreement. The lease agreement expired on April 3, 2020. The lease is considered a finance lease.

During the year ended March 31, 2016, Vodis USA entered into an option agreement with D&B Land Holdings LLC ("D&B"), whereby Vodis USA had an option to purchase the Property. The option agreement had a term of 5 years.

During the year ended March 31, 2016, Vodis USA, entered into a purchase and sale agreement with D&B, whereby the obligations under the purchase and sale agreement were conditional upon Vodis USA exercising the option agreement. The total purchase price was to be US$1,550,000 ("Purchase Price"). All payments made under the option agreement would be credited towards the Purchase Price.

During the year ended March 31, 2016, the Company entered into a promissory note agreement where Vodis USA must pay US$250,000 which would be credited towards the purchase price of the property. This promissory note bears no interest, is unsecured and is payable on demand. At June 30, 2021, the balance owing under this promissory note was $204,420 (US$150,000).

In order to keep the option agreement in good standing, Vodis USA was required to make monthly lease payments of US$9,404 pursuant to the lease agreement between Vodis USA and D&B. As the Company was delinquent in making the lease payments, the option to purchase lapsed as at March 31, 2019 and the Company lost its ability to purchase the property. As a result, the Company reversed the purchase option liability in the prior year. The remaining liability at SE 30, 2021 consisted of minimum monthly lease payments aggregating to $139,487 payable to the end of the lease term as well as $185,910 (US$150,000) due on the promissory note.

The lease transactions for the period ended December 31, 2021 and 2020 are as follows:

Balance, March 31, 2020	$	372,471
Payments		-
Foreign exchange		(42,322)
Balance, March 31, 2021	$	330,149
Payments		-
Foreign exchange		2,705
Balance, December 31, 2021	$	332,854

10. FACILITY LEASE LIABILITY

On August 1, 2020, the Company renewed the facility lease for a term of one year with monthly lease payments of $11,595. As a result, the Company revalued the right of use asset and the lease liability and recorded an addition to the right of use asset of $129,452 and an increase in the lease liability of $129,452. The right of use asset is being amortized over the term of the lease plus the renewal period (72 months) on a straight-line basis (Note 7).

On August 1, 2021, the Company renewed the facility lease for a term ofo years with monthly lease payments of $13,235. As a result the company adjusted its right to use asset and the lease liability and recorded a gain on their capital lease modification of $98,914 during thperiod. The right to use asset is being amortized on a straight line basis over a 48 month period and includes the company's option to renew the lease after two years.

During the period ended December 31, 2021, accretion of $11,696 was recorded on the lease and is included in interest expense in the consolidated statements of comprehensive loss.

(continues)

(expressed in Canadian dollars)

10. FACILITY LEASE LIABILITY *(continued)*

Lease transactions for the period ended December 31, 2021, are as follows:

Balance, March 31, 2020	$	564,242
Increase due to lease modification		129,452
Payments		(135,960)
Interest		47,954
Balance, March 31, 2021	$	605,688
Increase due to lease modification	$	(58,485)
Payments		(108,395)
Interest		35,576
Balance, December 31, 2021	$	474,384

		December 31, 2021		March 31, 2021
Accrued interest at period end	$	3,233	$	-
Current portion		118,248		95,033
Long-term portion		352,903		510,655
	$	474,384	$	605,688

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management for employee services is shown below:

(continues)

(expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS *(continued)*

Nine months ended	December 31, 2021	December 31, 2021
A company controlled by the CFO of the Company, for consulting expenses (fees accrued but not yet paid)	135,000	135,000
The former CEO of one of the Company's subsidiaries, forconsulting expenses (fees accrued but not yet paid) (1)		45,000
Share-based payments		60,697
	$ 135,000	$ 240,697

(1) $3,012 (2020: $45,000) included in consulting fees relates to the former CEO of one of the Company's subsidiaries,

Receivable from a related party

	December 31, 2021	December 31, 2020
Due from a company controlled by the former CEO of the Company	$ -	$ 10,000.00

Accounts payable to related parties

	December 31, 2021	March 31, 2021
Due to an entity where a former director of the Company's subsidiary is a partner	$ 162,039	$ 162,039
Due to the CFO or companies controlled by the CFO	1,106,227	620,325
Due to the former CEO of one of the Company's subsidiaries	558,650	558,650
	$ 1,826,916	$ 1,341,014

Amounts due to and from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

12. COMMON SHARES

The authorized share capital of the Company consists of an unlimited number of common shares without par value and unlimited number of preferred shares without par value.

There were no changes in issued share capital and equity reserves for the three months ended December 31, 2021 and December 31, 2020.

Stock option plan

(continues)

(expressed in Canadian dollars)

12. COMMON SHARES *(continued)*

The Company has an incentive stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants. The exercise price of each option shall not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. The options can be granted for a maximum of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors, except for options granted to persons providing investor relations activities that will vest in stages over twelve months with no more than one quarter vesting in any three-month period. All options are to be settled by physical delivery of shares.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance at March 31, 2018	2,946,563	0.40
Granted	3,442,500	0.14
Exercised	(600,000)	0.12
Cancelled	(500,000)	0.31
Expired	(39,063)	0.40
Balance at March 31, 2020	2,772,500	0.25
Granted	2,000,000	0.06
Balance at March 31, 2021	4,772,500	0.17
Canceled	(1,000,000)	0.17
Granted	350,000	0.06
Balance at December 31, 2021	4,122,500	0.17
Exercisable at December 31, 2021	4,122,500	0.14

The weighted average life of the options outstanding was 2.48 years at December 31, 2021.

Share-based payments

The total share-based payments expense calculated under the fair value method for vested options was $6,843 (December 31, 2020 - $ 110,358). Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted-average assumptions used in the Black-Scholes pricing model of stock options granted during the period are as follows:

	December 31, 2021	**March 31, 2021**
Risk-free interest rate	0.93%	0.35%
Expected life of options	5 years	5 years
Annualized volatility	155.07%	156.04%
Dividend rate	Nil	Nil

Warrants

Warrant transactions for the period ended September 31, 2021, are as follows:

(continues)

(expressed in Canadian dollars)

12. COMMON SHARES *(continued)*

	Number of Warrants	Weighted Average Exercise Price ($)
Balance at March 31, 2020	56,996,453	0.16
Exercised	(2,500,000)	0.05
Expired	(187,500)	0.72
Balance at March 31, 2021	54,308,953	0.17
Exercised	-	0.00
Expired	(28,748,953)	0.00
Balance at December 31, 2021	25,560,000	0.20

Reserves

The share-based payments and warrants reserve records items recognized as share-based payments expense or as warrants until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants expire unexercised or are cancelled, the amount recorded is transferred to deficit.

Foreign exchange reserve

The foreign exchange reserve recognizes the foreign exchange differences resulting from translation of entities to the presentation currency that have a different functional currency than the presentation currency.

Obligation to Issue Shares

During the period ended December 31, 2021, the Company incurred an obligation to issue 125,000 common shares with a value of $25,000 pursuant to a consulting agreement.

During the period ended December 31, 2021, the Company offered a private placement selling units consisting of one common share of the Company and one warrant of the company. The company has an obligation to issue 1,900,000 units for a value $156,547 including $95,000 in cash and an additional 61,547 in contributed surplus.

13. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital. Capital consist of shareholder's deficiency.

The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in Note 1.

The Company is not subject to externally imposed capital requirements.

There was no change to the Company's approach to the management of capital during the period ended December 31, 2021

14. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital and possibly loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 12 above. Management has assessed liquidity risk as high.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument or customer contract fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company reviewed its trade receivables at December 31, 2021, and determined that no impairment is required.

Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company and its subsidiaries did not enter into significant transactions that were not denominated in their functional currencies and are therefore not exposed to currency risks.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Management has assessed currency risk as low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of its short-term maturity. The Company has no other interest-bearing financial instruments at December 31, 2021. Management has assessed interest rate risk as low.

Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company is not exposed to price risk.

Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is based on level 1 of the fair value hierarchy. The carrying value of other financial instruments approximate its fair values due to the short-term nature of these financial instruments.

(expressed in Canadian dollars)

15. SEGMENTED INFORMATION

The Company operates in one business segment, the marijuana industry, and all assets are located in Canada

All of the Company's total revenue in year end 2021 was earned from a single customer

16. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended December 31, 2021, the Company incurred $4,185 (2020 - $128,730) in capital asset additions which are included in accounts payable

During the year ended March 31, 2021, the Company issued 3,671,300 common shares to settle outstanding legal claims of former directors with a fair value of $295,169.

17. GOVERNMENT ASSISTANCE LOAN

Balance, March 31, 2021	-
Additions	60,000
Balance, December 31, 2021	60,000

The Company received $60,000 in assistance under the Canada Emergency Business Account program during the three months ended December 31, 2021. These amounts are treated as a 5-year interest-free term loan until December 31, 2022, thereafter at 5% p.a. In the event $40,000 is repaid on or before the interest free due date, one third of the principal qualifies for forgiveness under the program. The Company has yet to determined the amount it expects to repay by the December 31, 2022 forgiveness date.