EASTWEST BIOSCIENCE INC.

Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2021

(Unaudited – Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of Eastwest Bioscience Inc. have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three months ended October 31, 2021 have not been reviewed or audited by the Company's independent auditors.

EASTWEST BIOSCIENCE INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

As at	October 31, 2021 (unaudited)	July 31, 2021 (audited)
	$	$
ASSETS		
Current		
Cash	971,540	1,055,784
Accounts receivable	47,355	58,557
Inventory (Note 5)	215,274	205,012
Due from related parties (Note 17)	23,794	23,794
Prepaid expenses and deposits	9,993	10,275
	1,267,956	1,353,422
Property, plant and equipment (Note 6)	2,175,548	2,126,054
Intangible assets (Note 7)	193,702	193,702
Investment in joint ventures (Note 8)	49,145	49,145
Total Assets	3,686,351	3,722,323
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	1,409,162	982,054
Customer deposits	95,586	58,967
Deferred revenue	3,372	8,255
Due to related parties (Note 17)	363,947	322,945
Promissory note payable (Note 10)	237,282	253,483
Mortgage payable (Note 11)	1,795,200	1,795,200
	3,904,549	3,420,904
Loans payable (Note 12)	379,048	368,399
Total Liabilities	4,283,597	3,789,303
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 13)	8,832,215	8,832,215
Share subscription, net (Note 13)	(5,081)	(5,081)
Reserves (Note 13)	216,829	470,336
Deficit	(9,926,966)	(9,736,907)
Non-controlling interest (Note 21)	285,757	372,457
Total Shareholders' Deficiency	(597,246)	(66,980)
Total Liabilities and Shareholders' Deficiency	3,686,351	3,722,323

Nature and Continuance of Operations (Note 1)
Commitments (Note 10)
Subsequent events (Notes 13 and 22)

Approved and authorized for issue by the Board of Directors on December 29, 2021:

"Jeffrey Bierman"
Jeffrey Bierman, Director

"Rodney Gelineau"
Rodney Gelineau, Director

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

EASTWEST BIOSCIENCE INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended October 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

For the three months ended	October 31, 2021	October 31, 2020
	$	$
SALES		
Distribution (Note 20)	61,035	111,328
Manufacturing (Note 20)	28,114	60,876
Other operating revenue (Notes 14, 19)	85,741	102,279
Total Sales	174,890	274,483
COST OF GOODS SOLD		
Distribution	36,500	104,806
Manufacturing	22,308	15,063
Total Cost of Goods Sold	58,808	119,869
Gross Profit and Other Operating Revenue	116,082	154,614
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	61,354	2,449
Amortization (Note 6)	24,967	29,505
Bad debt recovery	(2,349)	-
Bank charges and short-term interest	7,823	8,052
Business development	45,757	190
Consulting fees (Note 17)	58,855	98,673
Insurance	2,227	2,227
Office and miscellaneous	41,315	24,621
Professional fees	105,863	50,987
Property taxes	7,779	13,307
Rent and utilities	22,245	9,729
Repairs and maintenance	5,094	2,614
Research and development	3,864	-
Share-based payments (Note 13)	41,418	41,890
Transfer agent	1,322	6,254
Travel	10,504	11,133
Wages and benefits (Note 19)	201,089	143,561
Website, software and internet	-	4,419
Total General and Administrative Expenses	639,127	449,611
Loss Before Other Income (Expenses)	(523,045)	(294,997)
OTHER INCOME (EXPENSES)		
Accretion expense (Notes 10, 12)	(14,449)	(9,790)
Interest expense and finance fees (Note 11)	(48,278)	(35,417)
Gain on settlement of debt (Note 13)	-	32,834
Share of loss of associates and joint ventures (Note 8)	-	(2)
Impairment of intangible assets (Note 7)	-	(17,000)
Government grants (Note 19)	14,088	12,977
Total Other Income (Expenses)	(48,639)	(16,398)
Net Loss and Comprehensive Loss	(571,684)	(311,395)
Attributable to:		
Eastwest Bioscience Inc. shareholders	(484,984)	(311,395)
Non-controlling interest	(86,700)	-
	(571,684)	(311,395)
Basic and diluted loss per share	(0.01)	(0.00)
Weighted average number of common shares outstanding	97,569,279	92,805,341

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

EASTWEST BIOSCIENCE INC.
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended October 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

For the three months ended	**October 31, 2021**	**October 31, 2020**
	$	**$**
Cash flows used in operating activities		
Net loss for the period	(571,684)	(311,395)
Amounts not affecting cash		
Amortization	24,967	29,505
Share-based payments	41,418	41,890
Bad debt recovery	(2,349)	-
Accretion expense	14,449	9,789
Gain on settlement of debt	-	(32,715)
Share of loss of associates and joint ventures	-	2
Impairment of intangible assets	-	17,000
Changes in non-cash working capital items		
Accounts receivable	13,551	19,378
Inventory	(10,262)	22,168
Prepaid expenses and deposits	282	(97,640)
Accounts payable and accrued liabilities	427,108	103,444
Customer deposits	36,619	18,765
Deferred revenue	(4,883)	(10,657)
Due to/from related parties	41,002	60,495
	10,218	(129,971)
Cash flows from financing activities		
Repayment of promissory note	(20,001)	(20,000)
Proceeds from loans	-	71,851
	(20,001)	51,851
Cash flows from investing activity		
Purchase of property, plant and equipment	(74,461)	-
	(74,461)	-
Net change in cash	(84,244)	(78,120)
Cash, beginning of period	1,055,784	107,084
Cash, end of period	971,540	28,964
Supplemental cash flow information		
Cash paid for interest	35,200	35,200

Non-cash transactions (Note 18)

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

EASTWEST BIOSCIENCE INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
For the three months ended October 31, 2021 and 2020
(Unaudited – Expressed in Canadian dollars)

	Number of Shares Issued	Share Capital	Share Subscription Received (Receivable)	Reserves	Deficit	Total Shareholders' Deficiency	Non-controlling Interest	Total Deficiency
		$	$	$	$	$	$	$
Balance, July 31, 2020	**92,605,775**	**8,673,419**	**14,719**	**582,741**	**(9,316,556)**	**(45,677)**	**-**	**(45,677)**
Shares issued pursuant to debt settlement	1,185,937	26,581	-	-	-	26,581	-	26,581
Share-based payments	-	-	-	41,890	-	41,890	-	41,890
Net loss for the period	-	-	-	-	(311,395)	(311,395)	-	(311,395)
Balance at October 31, 2020	**93,791,712**	**8,700,000**	**14,719**	**624,631**	**(9,627,951)**	**(288,601)**	**-**	**(288,601)**
Balance, July 31, 2021	**97,569,279**	**8,832,215**	**(5,081)**	**470,336**	**(9,736,907)**	**(439,437)**	**372,457**	**(66,980)**
Share-based payments	-	-	-	41,418	-	41,418	-	41,418
Fair value of forfeited/cancelled option	-	-	-	(294,925)	294,925	-	-	-
Net loss for the period	-	-	-	-	(484,984)	(484,984)	(86,700)	(571,684)
Balance, October 31, 2021	**97,569,279**	**8,832,215**	**(5,081)**	**216,829**	**(9,926,966)**	**(883,003)**	**285,757**	**(597,246)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

These condensed consolidated interim financial statements represent the accounts of Eastwest Bioscience Inc. (the "Company") incorporated under the *Business Corporations Act* of Alberta on October 24, 2014, and its wholly owned subsidiaries. The Company's main business activity is developing premium quality hemp nutritional products for people and pets. During the year ended July 31, 2021, the Company started its storage business through a newly incorporated entity, 1290185 B.C. Ltd. ("185BC"). The Company commenced trading on the TSX Venture Exchange on July 25, 2018 under the trading symbol "EAST". The head office and principal office of the Company is located at 260 Okanagan Avenue East, Penticton, British Columbia, V2A 3J7.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company has not yet achieved profitable operations. For the three months ended October 31, 2021, the Company incurred a net loss of $571,684 (2020 - $311,395), and at October 31, 2021, had an accumulated deficit of $9,926,966 (July 31, 2021 - $9,736,907) and expects to incur further losses in the development of its business, all which casts significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its success in developing and marketing its wellness products, introducing new revenue channels using its US and Canadian assets, increasing manufacturing at its Canadian facility, expanding its manufacturing and distribution operations, and reduction of debt through paydowns, debt settled with share consideration and negotiation of debt reductions, and the ability of the Company to obtain capital financing through continued support from its shareholders and business-to-business ("B2B") arrangements. Management believes the Company will be able to obtain sufficient working capital from these measures to satisfy its liabilities and commitments as they become due for the foreseeable future. However, the outcome of these matters cannot be predicted. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company's operations. These condensed consolidated interim financial statements do not contain any adjustments to the amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue in business, and such adjustments could be material.

The recent outbreak of the coronavirus, also known as COVID-19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain, and the Company cannot determine their financial impact at this time. COVID-19 has had a negative impact on the consolidated operations, which has resulted in a decrease in sales compared to the prior year.

2. BASIS OF PRESENTATION

Statement of Compliance and Basis of Measurement

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual audited financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

2. BASIS OF PRESENTATION (continued)

These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

These condensed consolidated interim financial statements were authorized for issue by the Company's Audit Committee on behalf of the Board of Directors on December 29, 2021.

Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. All intercompany balances and transactions are eliminated on consolidation.

Details of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation	October 31, 2021 Interest %	July 31, 2021 Interest %
1011705 B.C. Ltd.	British Columbia	100%	100%
Eastwest Science Ltd.	British Columbia	100%	100%
EastWest Science USA Inc.	Kentucky, USA	100%	100%
1123568 B.C. Ltd. ("568BC")	British Columbia	100%	100%
1123573 B.C. Ltd. ("573BC")	British Columbia	100%	100%
Orchard Valley Naturals Inc.	British Columbia	100%	100%
Orchard Vale Naturals Inc.	British Columbia	100%	100%
102064495 Saskatchewan Inc. ("495SK")	Saskatchewan	100%	100%
102064509 Saskatchewan Inc. ("509SK")	Saskatchewan	100%	100%
102064512 Saskatchewan Inc. ("512SK")	Saskatchewan	100%	100%
1290185 B.C. Ltd.	British Columbia	72%	72%

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at July 31, 2021. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2021.

Recently Adopted Accounting Standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Matters that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited:

Going Concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. The factors considered by management are disclosed in Note 1.

Impairment of Intangible Assets

Assets are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible assets. External sources of information considered are changes in the Company's economic, legal and regulatory environment, which it does not control, but affects the recoverability of its assets. Internal sources of information considered include the manner in which intangible assets are being used or are expected to be used and indications of the economic performance of the assets.

Valuation of Inventory

The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, the expiry dates of the products and future expectations of product offerings. Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sales offerings. The estimate of the Company's allowance for inventory obsolescence could materially change from period to period due to changes in product offerings, consumer acceptance of products and the expiry dates of products.

Useful Life and Recovery of Long-lived Assets

Management estimates the useful life of long-lived assets based on the period during which the assets are expected to be available for use. The amounts and timing of amortization expense are affected by these estimated useful lives. The estimates are reviewed annually and are updated if expectations change as a result of technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's long-lived assets.

The assessment of any impairment of long-lived assets is dependent upon estimates of recoverable amounts that considers factors such as economic and market conditions, timing of cash flows, the useful lives of assets and their related residual values.

(Unaudited – Expressed in Canadian dollars)

4. USE OF ESTIMATES AND JUDGMENTS (continued)

Share-based Payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. 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 expected life of the stock option, volatility and dividend yield, and making assumptions about them.

5. INVENTORY

	October 31, 2021	July 31, 2021
	$	$
Raw materials	41,299	32,080
Finished goods	173,975	172,932
	215,274	205,012

As at October 31, 2021, inventory with a carrying value totaling $135,422 (July 31, 2021 - $83,544) is used as collateral for the promissory note payable (Note 10).

6. PROPERTY, PLANT AND EQUIPMENT

	Cost				Accumulated Amortization				Carrying Value
	Balance, July 31, 2020	Additions	Disposals	Balance, July 31, 2021	Balance, July 31, 2020	Amortization	Disposals	Balance, July 31, 2021	At July 31, 2021
	$	$	$	$	$	$	$	$	$
Land	435,870	-	-	435,870	-	-	-	-	435,870
Buildings	1,816,368	-	-	1,816,368	(200,118)	(64,648)	-	(264,766)	1,551,602
Computers	31,864	-	-	31,864	(11,983)	(3,976)	-	(15,959)	15,905
Furniture	21,183	9,458	-	30,641	(5,177)	(3,673)	-	(8,850)	21,791
Manufacturing equipment	197,024	-	(20,877)	176,147	(57,406)	(41,884)	13,981	(85,309)	90,838
Heavy equipment	6,700	-	-	6,700	(2,713)	(1,196)	-	(3,909)	2,791
Vehicle	21,496	-	-	21,496	(11,127)	(3,112)	-	(14,239)	7,257
	2,530,505	9,458	(20,877)	2,519,086	(288,524)	(118,489)	13,981	(393,032)	2,126,054

(Unaudited – Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost				Accumulated Amortization				Carrying Value
	Balance, July 31, 2021	Additions	Disposals	Balance, October 31, 2021	Balance, July 31, 2021	Amortization	Disposals	Balance, October 31, 2021	At October 31, 2021
	$	$	$	$	$	$	$	$	$
Land	435,870	-	-	435,870	-	-	-	-	435,870
Buildings	1,816,368	-	-	1,816,368	(264,766)	(15,516)	-	(280,282)	1,536,086
Computers	31,864	-	-	31,864	(15,959)	(795)	-	(16,754)	15,110
Furniture	30,641	-	-	30,641	(8,850)	(1,090)	-	(9,940)	20,701
Construction in progress	-	74,460		74,460	-	-	-	-	74,460
Manufacturing equipment	176,147	-	-	176,147	(85,309)	(6,812)	-	(92,121)	84,026
Heavy equipment	6,700	-	-	6,700	(3,909)	(209)	-	(4,118)	2,582
Vehicle	21,496	-	-	21,496	(14,239)	(544)	-	(14,783)	6,713
	2,519,086	74,460	-	2,593,546	(393,032)	(24,966)	-	(417,998)	2,175,548

As at October 31, 2021, property, plant and equipment with a carrying value of $228,195 (July 31, 2021 - $228,195) is used as collateral for the promissory note payable (Note 10).

7. INTANGIBLE ASSETS

	October 31, 2021	July 31, 2021
	$	$
Trademarks	60,000	60,000
Natural product numbers ("NPNs")	133,702	133,702
	193,702	193,702

The Company has 12 trademarks for the Sangster's and Sangster's Health Centers brand and design, as well as certain product brands, brand names and marketing slogans. On October 31, 2021, the trademarks are used as collateral for the promissory note payable (Note 10).

Included in the NPNs were 125 NPNs recognized at the acquired cost of $133,702 in total, as a result of the acquisition of the remaining net asset of 573BC (Note 8).

8. INVESTMENT IN JOINT VENTURES

On May 20, 2020, the Company entered into a cooperation agreement with Thera-Plantes Inc. to produce hand sanitizer solution for wholesale and distribution ("Hand Sanitizer Solution"). Pursuant to the cooperation agreement, both parties are entitled to joint control over the operating arrangement and a 50% interest for each in the net assets. The arrangement is accounted for under IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures* as a joint venture using the equity method.

(Unaudited – Expressed in Canadian dollars)

8. INVESTMENT IN JOINT VENTURES (continued)

The joint venture had the following operating results:

For the three months ended	October 31, 2021	October 31, 2020
	$	$
Revenue	-	147
Expenses	-	(151)
Net loss	-	(4)

During the year ended July 31, 2021, 50% of the net income was recognized by increasing the carrying value of the investment in the joint venture. The balance of the investment in joint venture is as follows:

	Hand Sanitizer Solution
	$
Balance, July 31, 2020	26,434
Share of net income	10,510
Investment	12,201
Balance, July 31, 2021 and October 31, 2021	49,145

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2021	July 31, 2021
	$	$
Accounts payable	580,911	497,702
Accrued liabilities	804,756	445,827
Goods & Services Tax payable	23,495	38,525
Total	1,409,162	982,054

10. PROMISSORY NOTE PAYABLE

	October 31, 2021	July 31, 2021
	$	$
Balance, beginning of the period	253,483	330,931
Repayments of promissory note	(20,001)	(100,000)
Amount representing accretion expense	3,800	22,552
Balance, end of the period	237,282	253,483

Pursuant to a forbearance and settlement agreement executed on January 29, 2020, the Company and the seller of 495SK, 509SK and 512SK ("Seller") agreed that:

(i) Total debt and accrued interest of $430,000 was owed to the Seller, payable in cash; and
(ii) The legal and associated costs of the Seller totaling $55,000 are securitized by the $430,000 promissory note payable.

The $430,000 payable in cash was secured by a promissory note, payable on a monthly basis in installments of $10,000 per month commencing January 22, 2020 for a period of two years, with any remaining balance due in a balloon payment on December 15, 2021. The Company also committed to divesting of its three corporate stores and using the net proceeds to pay a lump sum payment to the Seller to accelerate the payment for the promissory note.

(Unaudited – Expressed in Canadian dollars)

10. PROMISSORY NOTE PAYABLE (continued)

The promissory note is non-interest-bearing, secured by a first charge on a general security agreement over the accounts receivable of $50,210, inventory (Note 5), property, plant and equipment (Note 6) and intangible assets (Note 7) of 495SK, 509SK and 512SK, the subsidiaries of the Company, plus a $200,000 second mortgage charge on the real estate property owned by 568BC, another subsidiary of the Company.

The promissory note was accounted for using the amortized cost method discounted at the effective interest rate of 8%, with the accretion portion of $48,031 recorded as a gain on settlement of debt during the year ended July 31, 2020.

11. MORTGAGE PAYABLE

A summary of the mortgage payable for the three months ended October 31, 2021 and the year ended July 31, 2021 is as follows:

	October 31, 2021	July 31, 2021
	$	$
Balance, beginning of the period	1,795,200	1,795,200
Interest expense	35,200	140,800
Repayments	(35,200)	(140,800)
Balance, end of the period	1,795,200	1,795,200

On January 31, 2019, the Company obtained a $1,600,000 mortgage from New City Financial Group ("New City"). On February 1, 2020, the Company renewed the mortgage and was advanced an additional $160,000 under the terms of the renewal. The mortgage bears interest at 4% over Royal Bank prime subject to a minimum rate of 8% per annum. The loan requires monthly interest-only payments and is secured by a first charge on the property of the Company. All amounts outstanding under the agreement shall be repaid on demand by the lender following an event of default of monthly interest payments. During the year ended July 31, 2020, New City allowed the Company to defer interest payments of $35,200 and add the amount to the principal of the loan. The Company resumed interest payments to New City in July 2020.

12. LOANS PAYABLE

	October 31, 2021	July 31, 2021
	$	$
Balance, beginning of the period	368,399	142,327
Addition – CEBA loans	-	96,686
Addition – Canadian Emergency Commercial Rent Assistance ("CECRA") loans	-	4,828
Addition – HASCAP loan	-	117,279
Accretion expense	10,649	21,599
Forgiven CECRA loans	-	(14,841)
Interest expense	-	521
Balance, end of the period	379,048	368,399

12. LOANS PAYABLE (continued)

Canada Emergency Business Account ("CEBA") Loans

During the year ended July 31, 2020, the Company received loans totaling $160,000 under the CEBA program funded by the Government of Canada, of which $120,000 is non-forgivable and $40,000 is forgivable if the non-forgivable $120,000 is repaid prior to December 31, 2022. During the year ended July 31, 2021, the Company received an additional $220,000 in CEBA loans with the same terms. The CEBA loans are non-interest-bearing, subject to restriction on disbursements for non-deferrable expenditures of the Company and are repayable at any time without penalty, but amounts repaid cannot be readvanced.

The CEBA loans were initially due on December 31, 2020, and when they remained unpaid, the loans converted to non-interest-bearing term loans with a maturity date of December 31, 2022. If the term loans are not repaid by December 31, 2022, the term loans will automatically renew with a maturity date of December 31, 2025, subject to interest at 5% per annum, with payments of interest due monthly. In the event of default, the loans payable become due immediately. The loans were accounted for using the amortized cost method discounted at an effective interest rate of 8%, with the discount portion recorded as government grants (Note 19).

Highly Affected Sectors Credit Availability Program (“HASCAP”) Loans

During the year July 31, 2021, the Company received a loan of $250,000 under the HASCAP. The loan is at 4% interest and is due on July 12, 2031. There is a 12-month postponement of principal payments at the start of the loan. The loan was accounted for using the amortized cost method discounted at an effective interest rate of 15%, with the discount portion recorded as government grants (Note 19).

13. SHARE CAPITAL

a) Authorized – Unlimited number of common shares without par value

b) Issued and Outstanding

During the three months ended October 31, 2021:

No share capital activity occurred.

During the year ended July 31, 2021:

On September 30, 2020, the Company issued 572,470 common shares to settle debt of $28,623. The shares issued had a fair value of $14,312, and a gain on settlement of debt of $14,311 related to the transaction was recorded on the condensed consolidated interim statement of loss and comprehensive loss. At July 31, 2020, subscriptions received of $19,800 was related to the debt settlement.

On October 30, 2020, the Company issued 613,467 common shares to settle debt of $30,673. The shares issued had a fair value of $12,269, and a gain on settlement of debt of $18,404 related to the transaction was recorded on the condensed consolidated interim statement of loss and comprehensive loss.

On April 8, 2021, the Company issued 3,777,567 common shares to settle debt of $188,878. The shares issued had a fair value of $132,215, and a gain on settlement of debt of $56,663 related to the transaction was recorded on the condensed consolidated interim statement of loss and comprehensive loss.

(Unaudited – Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

c) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with applicable stock exchange requirements, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Stock options transactions during the three months ended October 31, 2021 and the year ended July 31, 2021 are as follows:

	Number of Options	**Weighted Average Exercise Price**
Balance outstanding, July 31, 2020	9,117,696	$0.10
Granted	1,720,000	$0.05
Forfeited/Cancelled	(2,815,000)	$0.11
Balance outstanding, July 31, 2021	8,022,696	$0.08
Granted	2,230,000	$0.05
Forfeited/Cancelled	(2,812,696)	$0.15
Balance outstanding, October 31, 2021	7,440,000	$0.05
Balance exercisable, October 31, 2021	2,480,000	$0.05

During the three months ended October 31, 2021, the Company recorded share-based payment expense of $41,418 (2020 - $41,890) related to the vesting of stock options.

During the three months ended October 31, 2021:

The Company granted 2,230,000 stock options with an exercise price of $0.05 and an expiry date of October 22, 2024 to certain employees and consultants. One-third of the stock options vest immediately, one-third vest on the first anniversary and one-third vest on the second anniversary.

During the year ended July 31, 2021:

On February 4, 2021, the Company granted 1,720,000 options with an exercise price of $0.05 to certain directors, employees and service providers. One-third of the options granted vested immediately with the remaining vesting equally on the subsequent two anniversaries of the date of grant.

(Unaudited – Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

c) Stock Options (continued)

As at October 31, 2021, the Company had the following stock options outstanding:

Expiry Date	Exercise Price	Outstanding Number of Options	Exercisable Number of Options
June 15, 2023	$0.05	3,670,000	1,223,334
February 3, 2024	$0.05	1,540,000	513,333
October 22, 2024	$0.05	2,230,000	743,333
Total		7,440,000	2,480,000
Weighted average remaining life of options outstanding as at October 31, 2021			2.41
Weighted average remaining life of options outstanding as at July 31, 2021			2.25

The weighted average fair value of the options issued was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	October 31, 2021	October 31, 2020
Weighted average expected dividend yield	0%	N/A
Weighted average expected volatility	187%	N/A
Weighted average risk-free interest rate	0.95%	N/A
Weighted average expected term (in years)	3.00	N/A
Weighted average market price	$0.05	N/A

14. OTHER OPERATING REVENUE

For the three months ended	October 31, 2021	October 31, 2020
	$	$
Sales royalties	57,574	67,981
Advertising royalties	26,667	30,047
Rental income	1,500	4,251
	85,741	102,279

15. CAPITAL DISCLOSURES

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency and cash as capital. The Company manages the capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the development and promotion of its nutritional hemp products. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, which are in common with all other businesses. The Company is exposed to risks that arise from its use of financial instruments. The following describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors is kept apprised on the process and monitors the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Risk Factors

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

Credit Risk

The Company's credit risk is primarily attributable to bank balances. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. Management believes that the credit risk is minimal.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2021, the Company had a cash balance of $971,540 (July 31, 2021 - $1,055,784), total current assets of $1,267,956 (July 31, 2021 - $1,353,422) and current liabilities of $3,904,549 (July 31, 2021 - $3,420,904). Current liabilities include $1,795,200 in financing with renewable, extendable or forgivable terms. A substantial amount of the Company's total financial liabilities has contractual maturities of less than 365 days and are subject to normal trade terms.

Management has undertaken and is considering different alternatives to secure adequate debt or equity financing to meet the Company's short-term and long-term cash requirements. The Company will continue to pursue non-dilutive B2B financing options with shared working capital requirements and B2B based sales programs in both Canada and the US to mitigate its liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. At present the Company's sensitivity to interest rates is immaterial, as the mortgage is subject to a maximum interest rate of 8% per annum, which is currently being applied to the mortgage.

(Unaudited – Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS (continued)

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than the Canadian dollar. Therefore, the Company's exposure to currency risk is minimal.

Fair Value

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at October 31, 2021, the fair values of financial instruments measured on a recurring basis include cash, determined based on Level 1 input and consisting of quoted prices in active markets for identical assets. The fair values of other financial instruments, which include accounts receivable, accounts payable and accrued liabilities, amounts due to or from related parties, other liabilities and mortgage payable approximate their carrying values due to the relatively short term maturity of these instruments. The promissory note payable and loans payable are non-interest-bearing and are accounted for at amortized cost using the effective interest method.

17. DUE TO/FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Name	Relationship	October 31, 2021	July 31, 2021
		$	$
Due from related parties			
Haltain Developments Inc.	Controlled by former director	23,794	23,794
		23,794	23,794

Amounts due from related parties are non-interest-bearing, unsecured and due on demand.

Name	Relationship	October 31, 2021	July 31, 2021
		$	$
Due to related parties			
0999650 B.C. Ltd.	Controlled by CEO	58,757	82,111
1175218 BC Ltd.	Controlled by COO	4,594	27,563
Azema Sciences Inc.	Controlled by common officers and directors	33,595	33,595
Ciska Asriel	COO of the Company	167,979	97,410
Due to joint venture (Note 8)	Equity accounted joint venture	32,326	32,326
Haltain Developments Inc.	Controlled by former director	40,000	40,000
Marjerrison Financial Management	Controlled by former CFO	8,303	8,303
Rodney Gelineau	CEO of the Company	18,393	1,637
		363,947	322,945

(Unaudited – Expressed in Canadian dollars)

17. DUE TO/FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

Amounts due to related parties are non-interest-bearing, unsecured and due on demand.

Name	Relationship	October 31, 2021	October 31, 2020
		$	$
Consulting fees			
0999650 B.C. Ltd.	Controlled by CEO	26,250	26,250
1175218 BC Ltd.	Controlled by COO	26,250	26,250
Marjerrison Financial Management	Controlled by former CFO	-	10,000
Wages and benefits			
Rodney Gelineau	CEO of the Company	13,000	-
		65,500	62,500

The above transactions are in the normal course of operations and are measured at the amounts of consideration established and agreed to by the related parties.

18. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the condensed consolidated interim statements of cash flows. The following transaction has been excluded:

For the three months ended	October 31, 2021	October 31, 2020
	$	$
Shares issued to settle debts (Note 13)	-	26,581

19. GOVERNMENT GRANTS

During the three months ended October 31, 2021, wages and benefits expenses are presented net of $98,709 (2020 - $143,561) in subsidies received from the federal Canada Emergency Wage Subsidy program.

During the three months ended October 31, 2021, government grants include $7,941 (2020 - $nil) in subsidies received from the Canada Emergency Rent Subsidy program.

20. SEGMENTED INFORMATION

During the three months ended October 31, 2021, the Company had reportable operating segments, including (1) corporate & self-storage, (2) retailing for nutraceutical, sports nutrition, food and body care products, (3) development, marketing and distribution, (4) property management, and (5) manufacturing.

(Unaudited – Expressed in Canadian dollars)

20. SEGMENTED INFORMATION (continued)

The operating results and summarized financial position of the Company's operating segments are as follows:

	Corporate & Self Storage	Retail	Distribution & Franchise	Property Management	Manufacturing	Total
	$	$	$	$	$	$
October 31, 2021						
Revenue	-	-	145,276	1,500	28,114	174,890
Net loss	316,276	21,521	26,479	79,036	128,372	571,684
October 31, 2020						
Revenue	-	7,958	202,649	3,000	60,876	274,483
Net loss	55,205	57,394	64,631	62,548	71,617	311,395

21. SUBSIDIARY WITH NON-CONTROLLING INTEREST

On February 22, 2021, the Company incorporated 185BC. During the year ended July 31, 2021, the Company raised gross proceeds of $1,281,199 through the issuance of 5,020,997 common shares of 185BC. The financial information of 185BC is provided below. As at October 31, 2021, the Company has 71.98% (July 31, 2021 - 71.98%) economic interest in 185BC and non-controlling stockholders have 28.02% in 185BC (July 31, 2021 - 28.02%). Voting interest of the Company in 185BC remains at 71.98%.

	October 31, 2021	July 31, 2021
	$	$
Current assets	971,898	911,970
Non-current assets	74,460	-
Current liabilities	458,955	22,922
Non-current liabilities	-	-
Revenue	-	-
Net loss	309,422	514,273

The table below summarizes the movements in non-controlling interest for the three months ended October 31, 2021 and the year ended July 31, 2021:

	October 31, 2021	July 31, 2021
	$	$
Balance, beginning of the period	372,457	-
Addition	-	394,884
Net loss	(86,700)	(22,427)
Dividends	-	-
Balance, end of the period	285,757	372,457

22. SUBSEQUENT EVENTS

Subsequent to October 31, 2021, the following transactions occurred:

- The Company issued 3,095,044 common shares at a price of $0.05 per share to certain non-arm's length service providers to settle debt of $154,752.

- The Company has closed a non-brokered financing round through its subsidiary, 185BC, an early-stage company focused on building high-quality and innovative self-storage facilities across Canada. 185BC received aggregate proceeds of $5,690,300 from the issuance of 11,380,600 of its common shares at $0.50 per share. 185BC is using the proceeds from the financing for the acquisition and construction of new self-storage facilities and for general corporate purposes. As a result of the non-brokered financing the Company has a 40% economic and voting interest in 185BC.