



SPEAKEASY CANNABIS CLUB LTD.

Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed interim consolidated financial statements of SpeakEasy Cannabis Club Ltd. (the "Company") are the responsibility of the Company's management. The condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgments based on information currently available.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

The condensed interim consolidated financial statements as at April 30, 2021, and for the periods ended April 30, 2020, have not been audited or reviewed by the Company's independent auditors.

"Malcolm Davidson"

Malcolm Davidson, CPA, CA
Chief Executive Officer
June 29, 2021

"Patrick Geen"

Patrick Geen
Chief Financial Officer
June 29, 2021

SPEAKEASY CANNABIS CLUB LTD.

Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars – Unaudited)

	Note	April 30, 2021	July 31, 2020
ASSETS			
Current assets			
Cash		\$ 2,746,366	\$ 125,887
Sales taxes recoverable		173,546	127,571
Accounts receivable		1,211,755	-
Prepaid expenses and deposits	4	1,414,991	19,776
Construction deposit		39,379	5,661
Due from related parties	12	267,420	-
Inventory	5	11,352,687	-
Biological assets	6	623,617	6,908,568
Total current assets		8,111,681	7,187,463
Right-of-use assets	8	37,505	168,390
Intangible assets	7	2,200,000	2,200,000
Property, plant and equipment	9	16,327,498	14,248,392
Total assets		\$ 36,394,764	\$ 23,804,245
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 3,867,087	\$ 3,353,983
Advances payable	10	96,716	510,000
Convertible loan	11	2,398,192	987,260
Promissory note	11	190,000	190,000
Lease liabilities	8	31,674	104,966
Total current liabilities		6,583,669	5,146,209
Convertible loan	11	2,849,245	1,124,000
Lease liabilities	8	-	56,876
Total liabilities		9,432,914	6,327,085
Shareholders' equity			
Share capital	13	58,852,495	49,113,552
Equity reserves	13	6,806,748	5,426,425
Convertible loan – equity portion	11	620,715	-
Commitment to issue shares	19	2,621	-
Accumulated deficit		(39,320,729)	(37,062,817)
Total shareholders' equity		17,243,770	17,477,160
Total liabilities and shareholders' equity		\$ 36,394,764	\$ 23,804,245

Commitment and contingencies (Note 17)

Subsequent events (Note 19)

Approved on behalf of the Board of Directors on June 29, 2021:

“Patrick Geen” Director

“William Flemming” Director

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

SPEAKEASY CANNABIS CLUB LTD.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (Expressed in Canadian Dollars - Unaudited)

	Note	Three months ended April 30,		Nine months ended April 30,	
		2021	2020	2021	2020
Revenue from sale of goods		\$ 813,385	\$ -	\$ 1,537,125	\$ -
Revenue from services		112,165	-	112,165	-
Cost of sales	5	(560,430)	-	(640,724)	-
Gross profit before fair value adjustments		365,120	-	1,008,566	-
Changes in fair value of inventory sold		(503,690)	-	(136,604)	-
Unrealized gain (loss) on change in fair value of biological assets	6	(4,859,040)	(3,269,165)	2,670,528	(3,003,956)
Gross profit (loss) from sale of goods		(4,997,610)	(3,269,165)	3,542,490	(3,003,956)
Operating Expenses					
Accretion	11	24,000	-	72,000	-
Advertising and promotion		310,673	251,350	478,193	343,899
Amortization and depreciation	9,10	162,943	103,613	369,623	291,686
Automobile		5,365	32,972	23,596	75,584
Consulting fees	12	208,534	277,280	643,261	868,772
Filing and listing fees		8,834	7,685	36,138	33,087
Interest expense	8,11	305,371	-	860,787	-
Interest income		(146)	(13)	(146)	(12,583)
Legal and professional fees		74,751	193,176	422,575	391,468
Loss on settlement of debt	13	150,255	-	394,152	-
Meals and entertainment		4,132	1,455	4,132	6,980
Other expense (income)		78,622	-	(135,057)	-
Office and general expenses		682,806	201,290	999,007	824,690
Repairs and maintenance		1,411	9,791	1,411	17,650
Share-based compensation	12,13	237,392	1,315,456	1,144,973	1,414,806
Travel		28,196	4,066	41,327	28,011
Salaries and wages	12	152,834	637,073	446,533	2,494,472
Write-off of right-of-use assets	8	-	-	5,513	-
		(2,435,973)	(3,035,194)	(5,808,018)	(6,778,522)
Income (loss) and comprehensive income (loss)		\$ (7,433,583)	\$ (233,971)	\$ (2,265,528)	\$ (3,744,566)
Basic and diluted income (loss) per share		\$ (0.06)	\$ (0.00)	\$ (0.02)	\$ (0.04)
Weighted average number of ordinary shares outstanding – basic and diluted		128,664,069	101,179,681	120,031,516	95,223,664

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

SPEAKEASY CANNABIS CLUB LTD.**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars – Unaudited)****For the nine months ended April 30,**

	2021	2020
Operating activities		
Loss for the period	\$ (2,265,528)	\$ (3,774,566)
Adjustment for non-cash items:		
Amortization and depreciation	369,623	291,686
Accretion of interest of right of use assets	4,230	11,459
Accretion of promissory note	72,000	-
Accrued interest	859,892	-
Loss of settlement of debt	394,152	-
Shares and warrants issued for services	-	341,350
Share-based compensation	1,144,973	1,414,806
Acquisition of biological assets	-	(675,038)
Unrealized gain on change in fair value of biological assets	(2,670,528)	(3,003,956)
Write-off of right-of use asset	5,513	-
Net changes in non-cash working capital:		
Sales taxes recoverable	(45,975)	(140,496)
Accounts receivable	(1,211,755)	-
Prepaid expenses	321,067	27,884
Due from a related party	(267,420)	641
Accounts payable and accrued liabilities	1,631,804	761,035
Biological assets	(2,279,428)	-
Net cash used in operating activities	(3,937,380)	(4,745,195)
Investing activities		
Expenditures, property, plant and equipment	(2,640,657)	(1,054,599)
Finance lease payments	(22,753)	(61,219)
Net cash used in investing activities	(2,663,410)	(1,115,818)
Financing activities		
Proceeds from issuance of private placements	7,001,136	1,315,000
Proceeds from exercise of options	-	8,000
Proceeds from exercise of warrants	6,941	-
Share issuance costs	(348,524)	(61,250)
Advance received	251,716	768,500
Advances repaid	(665,000)	-
Proceeds from convertible debenture	2,975,000	-
Net cash provided by financing activities	9,221,269	2,030,250
Net increase (decrease) in cash and equivalents	2,620,479	(3,830,763)
Cash and equivalents, beginning of period	125,887	3,922,921
Cash and equivalents, end of period	\$ 2,746,366	\$ 92,158

Supplemental disclosure of cash flow information – Note 18

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

SPEAKEASY CANNABIS CLUB LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars – Unaudited)

	Common share capital		Commitment to issue shares	Convertible debenture - equity	Contributed surplus	Deficit	Total
	Number of shares	Amount					
Balance July 31, 2019	86,916,638	\$ 38,604,300	\$ 5,000,000	\$ -	\$ 4,976,563	\$ (34,384,895)	\$ 14,195,968
Private placement	3,287,500	1,315,000	-	-	-	-	1,315,000
Share issuance costs	-	(77,546)	-	-	16,296	-	(61,250)
Options exercised	25,000	10,683	-	-	(2,683)	-	8,000
Commitment to issue shares	12,200,000	6,163,000	(5,000,000)	-	-	-	1,163,000
Asset acquisition and consulting services	250,000	87,500	-	-	73,850	-	161,350
Shares issued for services	600,000	180,000	-	-	-	-	180,000
Share based compensation	-	-	-	-	251,806	-	251,806
Loss for the period	-	-	-	-	-	(3,774,566)	(3,774,566)
Balance April 30, 2020	103,279,138	46,282,937	-	-	5,315,832	(38,159,461)	13,439,308
Options exercised	50,000	38,469	-	-	(22,469)	-	16,000
Commitment to issue shares	50,000	25,000	-	-	-	-	25,000
Asset acquisition and consulting services	5,000,000	2,200,000	-	-	-	-	2,200,000
Shares issued for debt settlement	1,134,291	567,146	-	-	-	-	567,146
Share based compensation	-	-	-	-	133,062	-	133,062
Loss for the period	-	-	-	-	-	1,096,644	1,096,644
Balance July 31, 2020	109,513,429	49,113,552	-	-	5,426,425	(37,062,817)	17,477,160
Private placements	15,898,610	7,001,136	-	-	-	-	7,001,136
Share issuance costs - cash	-	(348,525)	-	-	-	-	(348,525)
Share issuance costs - broker's warrants	-	(244,711)	-	-	244,711	-	-
Shares issued for debt settlement	6,119,288	3,324,978	-	-	-	-	3,324,978
Share based compensation	-	-	-	-	1,144,973	-	1,144,973
Warrants exercised	7,200	6,065	-	-	(1,745)	-	4,320
Commitment to issue shares	-	-	2,621	-	-	-	2,621
Convertible debenture - equity portion	-	-	-	620,715	-	-	620,715
Options cancelled	-	-	-	-	(7,616)	7,616	-
Loss for the period	-	-	-	-	-	(2,265,528)	(2,265,528)
Balance April 30, 2021	131,538,527	\$ 58,852,495	\$ 2,621	\$ 620,715	\$ 6,806,748	\$ (39,320,729)	\$ 26,961,850

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

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Speakeasy Cannabis Club Ltd. (the “Company” or “Speakeasy”) is a publicly traded company listed on the Canadian Securities Exchange (“CSE”), trading under the symbol EASY. The head office and registered records office of the Company is located at 1520-6 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

The Company received its initial license to cultivate, process and sell cannabis for medical purposes in November 2019 for its indoor cultivation operations that was later amended in April 2020 to allow for the Company’s outdoor cultivation. In October 2020, the Company’s license was further amended to grant the Company the right to process cannabis into various other cannabinoid products. In January 2021, the Company was granted a further amendment to its sales license to allow sales of cannabis flower and products. The Company’s license expires in November 2022. In October 2020, the Company completed its first harvest of its outdoor crop consisting of approximately 60,000 plants (Note 5).

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administration Staff Notice 51-352.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s July 31, 2020, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Going concern assumption

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. At April 30, 2021, the Company has incurred losses totaling \$39,320,729 (July 31, 2020 - \$37,062,817) since inception. The Company’s ability to continue as a going concern is dependent on its ability in the future to achieve profitable operations and in the meantime, obtain the necessary financing to meet its obligations and repay its liabilities when they come due. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 10161233 Canada Ltd. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Biological assets and inventory

The Company's biological assets consist of cannabis plants from indoor and outdoor cultivation. The Company capitalizes all the direct and indirect costs as incurred that relate to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest; this becomes the basis for the initial deemed cost of finished goods inventories after harvest. Costs to sell include post-harvest production, shipping and fulfillment costs.

The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are separately identified and included in the profit or loss on the line "unrealized gain on change in fair value of biological assets".

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes.

The Company follows a five-step model to determine the amount and timing of revenue to be recognized:

- i) Identifying the contract with a customer;
- ii) Identifying the performance obligations within the contract;
- iii) Determining the transaction price;
- iv) Allocating the transaction price to the performance obligations;
- v) Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of cannabis to medical customers is recognized when the Company transfers control of the good to the customer. In some cases, judgment is required in determining whether the customer is a business or the end consumer. This evaluation is made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

With effect from October 17, 2018, the Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and consumer cannabis products. The Company becomes liable for these excise duties when its cannabis products are delivered to the customer. The excise taxes payable is the higher of (i) a flat-rate duty which is imposed when the cannabis product is packaged, and (ii) an advalorem duty that is imposed when the cannabis product is delivered to the customer.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

Where the excise tax has been billed to its customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from the sale of goods – as presented on the consolidated statement of profit and loss – represents revenue from the sale of goods less applicable excise taxes. Given that the excise tax payable / paid to the CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that impacts gross profit (loss) to the extent that it is not recovered from its customers.

c) Significant Accounting Judgments and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies to the preparation of its unaudited condensed consolidated interim financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the impacts on the carrying amounts of the Company's assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements for the nine months ended April 30, 2021, are consistent with those applied and disclosed in Note 3 to the Company's audited consolidated financial statements for the year ended July 31, 2020.

4. PREPAID EXPENSES AND DEPOSITS

	April 30, 2021	July 31, 2020
Branding and marketing	\$ 1,312,500	\$ -
Consulting	48,610	-
Insurance	44,481	-
Security deposits	4,400	4,400
Others	5,000	15,376
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	\$ 1,414,991	\$ 19,776

During the period ended April 30, 2021, the Company entered into an agreement for marketing and branding services for a 12-month period in consideration of \$1,750,000, which was settled with 3,723,404 common shares valued at \$1,861,702 in lieu of cash (Note 13).

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements
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5. INVENTORY

Inventory is comprised of the following items:

	April 30, 2021	July 31, 2020
Finished goods	\$ -	\$ -
Work-in-process – indoor	5,170,701	-
Work-in-process – extracts	13,058	-
Work-in-process – outdoor	6,168,928	-
Total inventory	\$ 11,352,687	\$ -

The fair value change in biological assets included in inventory sold and other inventory charges for the period ended April 30, 2021 is \$136,604 (July 31, 2020 - \$Nil). Included in other inventory charges are net realizable value adjustment and net write-offs of biological assets.

6. BIOLOGICAL ASSETS

The Company's biological assets consists of cannabis plants from the Company's indoor and outdoor operations. The continuity of biological assets for the period ended April 30, 2021 and year ended July 31, 2020 is as follows:

	Period ended April 30, 2021	Year ended July 31, 2020
Biological Assets		
Balance, beginning of period	\$ 6,908,568	\$ -
Production costs capitalized	7,719,103	3,778,257
Unrealized gain on changes in fair value of biological assets	2,670,528	3,130,311
Transfer to inventory upon harvest	(16,674,582)	-
Balance, end of period	\$ 623,617	\$ 6,908,568

As at April 30, 2021, the ending balance of biological assets was comprised of a cash component relating to production costs capitalized of \$7,719,103 (July 31, 2020 - \$3,778,257) and a fair value component related to changes in fair value less costs to sell due to biological transformation of \$2,670,528 (July 31, 2020 - \$3,130,311). Biological assets as at April 30, 2021 included capitalized amortization of \$117,780 (2019 - \$26,617). The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less post-harvest costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustment to the fair value used.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets. The capitalization of costs related to biological assets (which are accounted for under IAS 41 – Agriculture) has been performed in a manner consistent with IAS 2 – Inventories.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars - Unaudited)

6. BIOLOGICAL ASSETS (CONTINUED)

In determining the fair value of indoor and outdoor biological assets, management has made the following estimates in their valuation model:

- A sales price of \$1.00 per gram for outdoor and \$3.50 per gram for indoor;
- Harvest yield of 252 grams per plant for outdoor and 452 grams per plant for indoor;
- Post-harvest costs of \$0.01 per gram for both outdoor and indoor; and
- A weighted-average growing cycle length of 120 days for indoor and 145 days for outdoor.

The sales price used in the valuation of biological assets is based on the weighted-average selling price of all cannabis products and can vary based on different strains being grown as well as the proportion of sales derived from wholesale compared to other sources. The Company negotiated a price for its indoor cultivated product providing the basis of the sales price for indoor cultivation. The Company has yet to complete any sales of its outdoor cultivation and accordingly has estimated the outdoor price based on available market information regarding wholesale prices of cannabis biomass. Harvest yields per cannabis plant represent the grams of dry cannabis and other biomass harvested, based on actual yields by plant strain as the biological assets were all harvested as at the date of this report. Yields are also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. The Company's yields are for cannabis biomass. Cannabis biomass typically consists of flower, trim, and other by product typically used for additional processing and extraction.

Post-harvest costs represent the estimated cost to process a gram of harvested cannabis, consisting of the direct and indirect cost of materials, labour, utilities and amortization of the equipment. A processed gram is a gram of cannabis that has completed drying, curing, testing, and packaging. The post-harvest costs reflect an average of the costs expected to be incurred to prepare the product into its saleable state based on the expected sales channels for the product. Management reviews all significant inputs based on historical information obtained as well as planned production schedules. All biological assets are classified as current assets on the consolidated statement of financial position and are considered Level 3 fair value estimates. The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant's life relative to the stages within the life cycle.

Management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – an increase / decrease in the weighted-average selling price per gram by 10% would result in the fair value of the biological assets increasing / decreasing by \$62,500;
- Harvest yield per plant – an increase / decrease in the harvest yield per plant of 10% would result in the biological asset fair value increasing / decreasing by \$37,700;
- Post-harvest costs – an increase / decrease in the post-harvest costs per gram by 10% would result in the biological asset fair value increasing / decreasing by \$200; and
- Growth length – an increase / decrease in the growing cycle length by 10% would result in the biological fair value increasing / decreasing by \$68,000.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

7. INTANGIBLE ASSETS

On July 30, 2020, the Company entered into, and amended, a license agreement with Phenome One Corp. ("Phenome") to acquire the rights to propagate, cultivate, harvest, process and breed Phenome cultivars. On July 30, 2020, in consideration of the license agreement, the Company issued 5,000,000 common shares valued at \$2,200,000.

On July 31, 2020, the Company assessed the intangible assets for indicators of impairment and noted no significant indicators existed as at, or during period ended April 30, 2020. No amortization has been recorded as at April 30, 2021 as the asset was recently acquired.

8. RIGHT OF USE ASSETS

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments excluding renewal options as they are not expected to be exercised, discounted using the Company's incremental borrowing rate as of August 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on August 1, 2019 was 10%.

The following is a reconciliation of operating lease commitments to lease obligation in accordance with IFRS 16:

Total operating lease commitments disclosed at July 31, 2019	\$	197,262
Less: short-term leases		-
Current operating lease liabilities before discounting		197,262
Discounted using incremental borrowing rate		(22,669)
Total current lease liabilities recognized under IFRS 16 at August 1, 2019	\$	174,593
Addition		69,600
Discounted using incremental borrowing rate		(6,754)
Total lease liabilities recognized under IFRS 16 at July 31, 2020	\$	237,439

The recognized right-of-use asset relates to the lease on the Canadian facilities. The change in accounting policy affected the following items in the statement of financial position on August 1, 2019:

- Right-of-use assets – increased by \$174,593
- Lease liabilities – increased by \$174,593

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- elected to account for the payments for short-term leases and leases of low-value assets as an expense in the statement of loss on a straight-line basis over the lease term
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

8. RIGHT OF USE ASSETS (continued)

For the period ending April 30, 2021, the depreciation of the right of use assets were \$23,877. The right of use assets are depreciated on a straight-line basis over the term of the lease.

Right of use asset, August 1, 2019	\$	174,593
Additions		62,846
Depreciation of right of use assets		(69,049)
Right of use asset, July 31, 2020		168,390
Disposition		(107,008)
Depreciation of right of use assets		(23,877)
Right of use asset, April 30, 2021	\$	37,505

During the period ended April 30, 2020, the Company terminated its lease agreement for the office space – #608 – 55 East Cordova Street, Vancouver, BC, which resulted in a write-off of right of use assets of \$5,513.

As of April 30, 2021, the Company had two agreements that are leases as defined under IFRS 16. In analyzing the identified agreements, the Company applied the lessee accounting model pursuant to IFRS 16, and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities were calculated with a discount rate of 10%.

Lease Type	Date of Maturity
Office space – Unit B – 430 Lyall Street, Midway, BC	March 31, 2022
Office space – Unit D – 430 Lyall Street, Midway, BC	April 30, 2022

For the period ending April 30, 2021, finance charges on the lease liabilities were \$4,230, and are included in interest and bank charges in operating expenses.

Lease liabilities, August 1, 2019	\$	174,593
Additions		62,846
Payments		(91,776)
Finance costs		16,179
Lease liabilities, July 31, 2020		161,842
Reclassify to accounts payable and accrued liabilities		(10,150)
Payments		(22,753)
Finance costs		4,230
Disposition		(101,495)
Lease liabilities, April 30, 2021	\$	31,674

		April 30, 2021
Less than one year	\$	31,672
Greater than one year		-
Total lease liabilities, April 30, 2021	\$	31,672

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

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9. PROPERTY, PLANT AND EQUIPMENT

COST	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2019	\$ 10,504,760	\$ 1,716,683	\$ 449,916	\$12,671,359
Additions	1,716,168	147,273	-	1,863,441
Balance, July 31, 2020	12,220,928	1,863,956	449,916	14,534,800
Additions	2,299,867	145,139	97,626	2,542,632
Balance, April 30, 2021	\$ 14,520,795	\$ 2,009,095	\$ 547,542	\$17,077,432

ACCUMULATED AMORTIZATION	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2019	\$ -	\$ -	\$ -	\$ -
Additions	174,947	111,461	-	286,408
Balance, July 31, 2020	174,947	111,461	-	286,408
Additions	96,718	366,808	-	463,526
Balance, April 30, 2021	\$ 271,665	\$ 478,269	\$ -	\$ 749,934

NET BOOK VALUE	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2020	\$ 12,045,981	\$ 1,752,495	\$ 449,916	\$14,248,392
Balance, April 30, 2021	\$ 14,249,130	\$ 1,530,826	\$ 547,542	\$16,327,498

On August 1, 2019, the Company started recording amortization on certain buildings, improvements and equipment which became available to use upon the Company receiving its licence to grow and completing construction of certain of its facilities. During the period ended April 30, 2021, \$117,780 of amortization was capitalized to biological assets (Note 6).

During the year ended July 31, 2020, the Company reclassified deposit of \$54,623 for construction of buildings to buildings and improvement.

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10. ADVANCES PAYABLE

During the period ended April 30, 2021, the Company received the following loans:

- i) \$40,000 unsecured non-interest bearing loan with no set repayment term. The loan remained outstanding at April 30, 2021.
- ii) \$197,200 unsecured non-interest bearing loan with no set repayment term. The Company repaid \$165,000 of the loan during period ended April 30, 2021. As of April 30, 2021, a total of \$32,200 was still owing.
- iii) \$14,516 unsecured non-interest bearing loan from a related party with no set repayment term. The loan remained outstanding at April 30, 2021.

During the year ended July 31, 2020, the Company received the following loans:

- i) \$143,500 unsecured non-interest bearing loan from a related party with no set repayment term. The loan was fully settled in consideration of 373,698 common shares valued at \$186,849 and resulted in a loss of \$43,350 (Note 16).
- ii) \$125,000 unsecured non-interest bearing loan with no set repayment term. The loan was fully settled in consideration of 325,521 common shares valued at \$162,760 and resulted in a loss of \$37,760 (Note 13).
- iii) \$250,000 unsecured non-interest bearing loan from a related party with no set repayment term. The Company repaid this loan in full during period ended April 30, 2021.
- iv) \$150,000 unsecured non-interest bearing loan with no set repayment term. The Company repaid this loan in full during period ended April 30, 2021.
- v) \$10,000 unsecured non-interest bearing loan from a related party with no set repayment term. The loan remained outstanding at April 30, 2021.

11. CONVERTIBLE LOAN

During the year ended July 31, 2020, the Company entered into a senior secured convertible loan agreement in the principal amount of \$2,000,000. The loan bears interest at a rate of 55% per annum and will be repayable as to \$1,810,000 (principal of \$710,000) on or before May 5, 2021, and \$1,999,500 (principal of \$1,290,000) on or before May 5, 2022.

The loan, including accrued interest, is convertible into common shares of the Company at a price of \$1.00 per share, subject to adjustment on the terms and condition set forth in the agreement.

The loan is secured by the Company's property in Rock Creek and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

In connection with the convertible loan, the Company has agreed to pay a finder's fee of \$190,000 on or before May 21, 2021 as a promissory note. The promissory note is unsecured and non-interest bearing.

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11. CONVERTIBLE LOAN (CONTINUED)

The discount on the convertible loan is amortized using the effective interest method over the two year term of the convertible loan. The Company accretes the carrying value of the convertible loan each month by recognizing an accretion expense in profit or loss and a credit to convertible loan. During the period ended April 30, 2021, the Company recorded \$72,000 of accretion expense.

Balance, August 1, 2019	\$	-
Convertible loan principal		2,000,000
Finder's fees		(190,000)
Accretion		24,000
Interest		277,260
Convertible loan, July 31, 2020	\$	2,111,260
Accretion		72,000
Interest		822,740
Convertible loan, April 30, 2021	\$	3,006,000

Convertible loan		April 30, 2021
Less than one year	\$	3,006,000
Greater than one year		-
Total convertible loan, April 30, 2021	\$	3,006,000

On April 9, 2021, the Company issued convertible debentures in the principal amount of \$3,000,000. Each debenture bears interest at a rate of 6% per annum and matures two years from the date of issuance. The debentures are convertible into common shares at a price equal to lower of (i) \$0.52; and the closing price of the common shares on the day before the closing date. The Company paid legal fees of \$25,000 cash and issuance of 288,462 common shares in settlement of finder's fee of \$150,000 (note 13). During the period ended April 30, 2021, the Company recorded accretion of \$36,620 for the debentures.

In connection with the loan, the Company also agreed to grant to the administrative agent such number of common share purchase warrants as is equal to the principal amount of the loan divided by the conversion price. Each Warrant entitles the holder to purchase a Common Share at a purchase price of \$0.70 per common share, subject to adjustment, for a period of three years following the date of issuance; and

As security for the loan, the Company will cause the grant to the lender of a first mortgage over the guarantor's property in Rock Creek, British Columbia and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

	Liability	Equity	Total
Balance, July 31, 2020	\$ -	\$ -	-
Convertible loan principal	2,340,833	659,167	3,000,000
Issuance costs - cash	(19,506)	(5,494)	(25,000)
Issuance costs - common shares	(117,042)	(32,958)	(150,000)
Interest	37,152	-	37,152
Convertible loan, April 30, 2021	\$ 2,241,437	\$ 620,715	\$ 2,862,152

SPEAKEASY CANNABIS CLUB LTD.

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12. RELATED PARTY TRANSACTIONS AND DISCLOSURES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the nine months ended April 30, 2021, the Company:

- i) incurred wages, labour and management fees of \$205,000 (2020 - \$180,000) to a former director and CEO of the Company, namely Marc Geen. 10,000,000 bonus shares valued at \$5,000,000 were issued during the year ended July 31, 2020 that had fully vested as at July 31, 2019.
- ii) incurred wages, labour and management fees of \$Nil (2020 - \$180,000) to the former CEO, namely Bin Huang, of the Company.
- iii) incurred wages, labour, and management fees of \$237,760 (2020 - \$136,000) capitalized to biological assets to a director of the Company, namely Frey Garabagi.
- iv) incurred consulting fees and wages of \$147,603 (2020 - \$90,000) to the corporate secretary of the Company for corporate secretary services, namely Deborah Cotter.
- v) incurred wages, labour and management fees of \$135,120 (2020 - \$108,000) capitalized to biological assets to a director of the Company, namely Patrick Geen.
- vi) incurred consulting fees of \$155,000 (2020 - \$Nil) to the CEO of the Company, namely Malcolm Davidson.
- vii) incurred consulting fees of \$Nil (2020 - \$80,000) capitalized to biological assets to a company owned by a former director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. An additional \$63,000 was paid as severance recorded through the statement of income (loss) during the year ended July 31, 2020.
- viii) granted 1,095,000 (2020 – Nil) stock options to related parties with a value of \$256,050 (2020 - \$Nil) for options vested during the period.

As at April 30, 2021, the Company had balances due to/from related parties of:

- i) \$520 (July 31, 2020 – due to \$8,858) which is due to the corporate secretary of the Company, namely Deborah Cotter.
- ii) \$713 (July 31, 2020 - \$713) which is due to the president of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.
- iii) \$Nil (July 31, 2020 - \$24,107) which is due to the former CEO, namely Bin Huang, of the Company.
- iv) \$8,121 (July 31, 2020 - \$20,351) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.

SPEAKEASY CANNABIS CLUB LTD.

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12. RELATED PARTY TRANSACTIONS AND DISCLOSURES (CONTINUED)

- v) \$Nil (July 31, 2020 - \$33,712) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.
- vi) \$Nil (July 31, 2020 - \$6,000) which is due to a director of the Company, namely Patrick Geen.
- vii) \$8,390 (July 31, 2020 - \$Nil) which is due to the CEO of the Company, namely Malcolm Davidson.
- viii) \$127,637 (July 31, 2020 - \$30,820), which is due from a former director and CEO of the Company, namely Marc Geen.

Included in prepaid expenses and deposits at April 30, 2021 is \$36,750 (July 31, 2020 - \$Nil) owed to an officer and the corporate secretary of the Company.

Included in due from related parties at April 30, 2021 is \$267,420 (July 31, 2020 - \$Nil) owed from a former director and CEO of the Company of the Company.

13. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

During the period ended April 30, 2021, the Company:

- i) closed the non-brokered private placement of 3,530,000 units at a price of \$0.37 for gross proceeds of \$1,306,100. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finder's fees of \$78,366 and issued 211,800 finder's warrants valued at \$46,500. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing.
- ii) closed the non-brokered private placement of 3,763,610 units at a price of \$0.37 for gross proceeds of \$1,392,536. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finder's fees of \$47,952 and issued 129,600 finder's warrants valued at \$31,410. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing. The Company applied \$100,000 in advances payable towards the financing.

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

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13. SHARE CAPITAL (CONTINUED)

- iii) issued 6,119,288 common shares valued at \$3,324,978 in settlement of debts in the amount of \$2,930,826, which resulted in a loss of \$394,152 (Notes 6 and 12).
- iv) closed the non-brokered private placement of 8,605,000 units at a price of \$0.50 per unit for proceeds of \$4,302,500. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into a common share at an exercise price of \$0.70 for a period of 36 months following closing. In connection with the private placement, the Company paid finder's fees of \$200,550 and issued an aggregate of 401,100 finder's warrants valued at \$166,801. Each finder warrant entitles the holder to acquire one common share at a price of \$0.70 for a period of 36 months following closing. The Company also paid other share issuance costs of \$21,656.
- v) issued 7,200 common shares pursuant to exercise of warrants for gross proceeds of \$4,320, and accordingly, the Company reallocated \$1,745 of equity reserve to share capital.

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

- i) issued 10,000,000 common shares valued at \$5,000,000 pursuant to a performance agreement for the receipt of the Health Canada's license for cultivation, processing and medical sales.
- ii) issued 100,000 common shares valued at \$50,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of the Medical Purposes Regulations license application ("ACMPR") from Health Canada.
- iii) issued 3,287,500 units at a price of \$0.40 per unit for proceeds of \$1,315,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$0.80 with a 12 month expiry. In connection with this private placement, the Company paid \$59,950 in finders' fees and issued 153,125 finder's warrants valued at \$16,296. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.80 per share for the period of 12 months following closing. The Company also paid other share issuance costs of \$1,300.
- iv) issued 2,000,000 common shares valued at \$1,060,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of a license to sell under the ACMPR from Health Canada.
- v) issued 100,000 common shares valued at \$53,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of the amending ACMPR license from Health Canada.
- vi) issued 75,000 common shares for proceeds of \$24,000 pursuant to the exercise of options, and accordingly, the Company reallocated \$25,152 of contribution surplus to share capital.
- vii) issued 600,000 common shares in settlement of \$180,000 worth of consulting services owed to an arm's length creditor.

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13. SHARE CAPITAL (CONTINUED)

- viii) issued 250,000 common shares valued at \$87,500 pursuant to business consulting services. In connection to the transaction, the Company also granted the following: 400,000 warrants exercisable into common shares at an exercise price of \$0.50 expiring on March 10, 2021; 400,000 warrants exercisable into common shares at an exercise price of \$0.75 expiring on March 10, 2021; and 400,000 warrants exercisable into common shares at an exercise price of \$1.00 expiring on March 10, 2021.
- ix) issued 1,134,291 common shares valued of \$567,146 in settlement of debts of \$435,568, which resulted in a gain of \$131,578. A total of 598,718 common shares were issued to a related party to settle \$227,513 in debt resulting in a loss of \$71,846. A total of 79,844 common shares were issued to a former related party to settle \$30,341 in debt resulting in a loss of \$9,581. The debt settled is comprised of amounts in accounts payable and advances payable (Note 12).
- x) issued 50,000 common shares valued at \$25,000 recorded as share-based compensation to the corporate secretary of the Company in satisfaction of the Company achieving certain milestones with respect to the BCSC order.
- xi) issued 5,000,000 common shares valued at \$2,200,000 pursuant to the acquisition of intangible assets (Note 7).

Escrowed Shares

At April 30, 2021, there were Nil (July 31, 2020 – 2,400,000) shares held in escrow.

Stock Options

A summary of the status of share purchase options outstanding is presented below:

	Number of stock options	Weighted average exercise price (\$)
Balance, July 31, 2019	6,388,333	0.79
Granted	1,435,000	0.52
Exercised	(75,000)	0.32
Expired/Cancelled	(40,000)	0.80
Balance, July 31, 2020	7,708,333	0.74
Granted	3,287,162	0.58
Expired/Cancelled	(460,000)	0.65
Balance, April 30, 2021	10,535,495	0.65

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13. SHARE CAPITAL (CONTINUED)

Stock Options (continued)

During period ended April 30, 2021, the Company:

- i) granted 417,162 stock options to a consultant exercisable at a price of \$0.60 until October 15, 2022. The options vested immediately.
- ii) granted 1,000,000 stock options to an officer and certain employees exercisable at a price of \$0.48 until October 15, 2025. The options vest over 3 years, of which 250,000 options are vested at grant date, and 250,000 options vest per year over the 3 year period.
- iii) granted 1,010,000 stock options to consultants, officers, directors, and certain employees exercisable at a price of \$0.65 until January 25, 2026. The options vested immediately.
- iv) granted 300,000 stock options to directors and an advisor exercisable at a price of \$0.54 until February 23, 2026. The options vest over 3 years, of which 75,000 options are vested at grant date, and 250,000 options vest per year over the 3 year period.
- v) granted 200,000 stock options to a consultant exercisable at a price of \$0.54 until March 3, 2024. The options vested immediately.
- vi) granted 160,000 stock options to consultants exercisable at a price of \$0.76 until April 9, 2026. The options vest over 3 years, of which 40,000 options are vested at grant date, and 250,000 options vest per year over the 3 year period.
- vii) granted 200,000 stock options to a consultant exercisable at a price of \$0.70 until April 22, 2026. The options vest over 3 years, of which 50,000 options are vested at grant date, and 50,000 options vest per year over the 3 year period.

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13. SHARE CAPITAL (CONTINUED)

Stock Options (continued)

The following table sets out the details of the stock options granted and outstanding as at April 30, 2021:

Expiry date	Exercise price (\$)	Number of options outstanding	Number of options exercisable
October 15, 2022	0.60	417,162	417,162
March 26, 2023	0.95	825,000	825,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 3, 2024	0.54	200,000	200,000
March 12, 2024	0.80	805,000	805,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.88	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
August 8, 2024	0.70	150,000	108,333
November 11, 2024	0.70	210,000	133,333
January 30, 2025	0.39	100,000	50,000
April 8, 2025	0.53	545,000	466,667
May 4, 2025	0.42	50,000	12,500
October 15, 2022	0.48	1,000,000	250,000
January 25, 2026	0.65	1,010,000	1,010,000
February 23, 2026	0.54	300,000	75,000
April 9, 2026	0.76	160,000	40,000
April 22, 2026	0.70	200,000	50,000
		10,535,495	9,006,328

During the period ended April 30, 2021, the Company recorded stock-based compensation of \$1,144,973 (2020 - \$Nil) for the fair value of the options granted and vested.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended April 30, 2021 and year ended July 31, 2020:

Period ended April 30, 2021

Expected Volatility	128.01%
Risk-free interest rate	0.45%
Expected life in years	4.50 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.467as

Year ended July 31, 2020

Expected Volatility	159.45%
Risk-free interest rate	1.13%
Expected life in years	5 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.41

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13. SHARE CAPITAL (CONTINUED)

Warrants

	Number of warrants	Weighted average exercise price (\$)
Balance, July 31, 2019	22,290,398	0.99
Issued	4,640,625	0.79
Cancelled	(1,200,000)	0.75
Balance, July 31, 2020	25,731,023	0.97
Issued	16,641,110	0.65
Exercised	(7,200)	0.60
Expired	(20,511,621)	0.71
Balance, April 30, 2021	21,853,312	0.71

The following table sets out the details of the warrants issued and outstanding as at April 30, 2021:

Expiry date	Exercise price (\$)	Number of warrants outstanding
September 27, 2021	1.00	1,931,902
December 6, 2021	0.80	3,287,500
August 25, 2022	0.60	3,530,000
August 25, 2022	0.60	211,800
October 15, 2022	0.60	3,763,610
October 15, 2022	0.60	122,400
February 16, 2024	0.70	8,605,000
February 16, 2024	0.70	401,100
		21,853,312

During the period ended April 30, 2021, the Company recorded the fair value of 742,500 broker's warrants issued for the private placements of \$244,712.

During the year ended July 31, 2020, the Company recorded the fair value of finders fees of \$16,296 and the fair value of 1,200,000 warrants issued for the acquisition of asset and consulting services of \$73,850.

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13. SHARE CAPITAL (CONTINUED)

Warrants (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted during the period ended April 30, 2021 and year ended July 31, 2020:

Period ended April 30, 2021

Expected Volatility	111.45%
Risk-free interest rate	0.26%
Expected life in years	2.54 year
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per warrant	\$0.36

Year ended July 31, 2020

Expected Volatility	96.67%
Risk-free interest rate	0.70%
Expected life in years	1 year
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per warrant	\$0.06

14. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its projects and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity. There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the period.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's management team approves and monitors the risk management processes, with guidance from the Audit Committee under policies approved by the Board of Directors. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with trust accounts and a credit union in Canada. The Company does not believe its receivables are subject to significant credit risk as they consist mainly of sales taxes recoverable from a Canadian government agency.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 17, in normal circumstances.

Historically, the Company's source of funding has been the issuance of debt and equity securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, convertible loan, due to related parties, and advances payable.

c) 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.

i) Interest rate risk

As April 30, 2021, the Company did not hold any material interest bearing investments or liabilities and has no significant interest rate risk.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At April 30, 2021, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has limited foreign currency exposure.

iii) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to risk of prices to its products due to competitive or regulatory pressures. Please refer to Note 6 for sensitivity tests on Biological Assets.

16. SEGMENTED INFORMATION

The Company operates in one industry segment, the cultivation and sale of cannabis biomass. As at April 30, 2021, the Company's long term assets were located in Canada.

SPEAKEASY CANNABIS CLUB LTD.

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17. COMMITMENTS AND CONTINGENCIES

- i) A legal claim was brought against the Company during the year by a consultant. Management considers this claim to be unjustified and the probability that it will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.
- ii) There is a petition proceeding in which the petitioners seek leave to commence claims under s. 140.3 of the Securities Act, R.S.B.C. 1996, c. 418 for alleged misrepresentations made by the Company and 10 other issuers. The petitioners wish to have those claims heard as part of the class action. The Petition to the Court was filed on February 24, 2020. The Company filed a Response to Petition on February 27, 2020.
- iii) On July 11, 2019, a Notice of Civil Claim was filed against the Company along with 10 other issuers. The notice of claim alleges that the Company and the other defendants made certain misrepresentations and conspired with each other and certain consultants to injure the plaintiffs. Most defendants, including the Company, have yet to file a Response to Civil Claim. The plaintiffs have not yet delivered their materials for the certification application. Without these materials it is difficult for the Company to assess the likelihood of the case being certified or the likelihood of the plaintiffs ultimately succeeding on their claims. The Company intends to vigorously oppose the certification application if and when it is brought against the Company.

The Company may become party to litigation, from time to time, in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's name.

18. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	April 30, 2021	April 30, 2020
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash transactions in investing and financing activities:		
Broker warrants	\$ 244,711	\$ 16,296
Commitment to issue shares	\$ -	\$ 5,000,000
Deposit used on building	\$ -	\$ 54,623
Right-of-use assets	\$ -	\$ 206,016
Fair value of options cancelled	\$ 7,616	\$ -
Fair value transferred pursuant to broker's warrants exercised	\$ 1,745	\$ -
Fair value transferred pursuant to options exercised	\$ -	\$ 2,683
Amortization capitalized to biological assets	\$ 117,780	\$ -
Allocation of biological assets to inventory	\$ 11,339,629	\$ -
Lease liabilities included in accounts payable and accrued liabilities	\$ 10,150	\$ -
Property, plant and equipment included in accounts payable and accrued liabilities	\$ 1,304,017	\$ 1,453,406

SPEAKEASY CANNABIS CLUB LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2021 and 2020

(Expressed in Canadian Dollars - Unaudited)

19. SUBSEQUENT EVENTS

Subsequent to April 30, 2021, the Company:

- i) issued 4,368 common shares pursuant to exercise of warrants for proceeds of \$2,621, which was received during the period ended April 30, 2021.

- ii) On June 24, 2021, the Company entered into a share purchase agreement dated with Karolos Research Inc. and each of the security holders in connection with the proposed acquisition of all of the issued and outstanding securities of Karolos. Pursuant to the Definitive Agreement, SpeakEasy would acquire all of the Karolos Securities in exchange for the issuance of 11,500,000 common shares in the capital of SpeakEasy and 3,000,000 common share purchase warrants. Each Consideration Warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.59 per share for a period of 24 months following the date of issuance. In accordance with the terms of the Definitive Agreement, 2,000,000 of the Consideration Shares will be subject to a contractual hold period of 4 months from the date of issuance and an additional 2,000,000 Consideration Shares will be subject to a hold period of 1 year from the date of issuance, with 25% of such shares being released to the holder every 3 months during such year.

If completed as proposed, the Acquisition would include an existing cash balance of approximately \$1,000,000, intellectual property associated with a digital psychedelic database known as "XCYBIN" and a natural health company, known as Genetico Research, that expects to specialize in product development in the cannabis industry, with a main focus on bringing CBG/CBD products to market. These CBG/CBD products are not expected to contain any psychoactive ingredient, making them more accessible to potential clients who would like to receive the medicinal benefits of cannabis without the psychoactive ingredient of full spectrum cannabis products.

The completion of the Acquisition is subject to a number of conditions, including, without limitation, the approval of the Canadian Securities Exchange and the approval of the Company's minority shareholders. The Company anticipates calling a special meeting of shareholders in the coming weeks with a view to seeking minority shareholder approval for the Acquisition.