UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2022

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _________________

Commission file number 000-23446

SUGARMADE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3008888**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
750 Royal Oaks Dr., Suite 108, Monrovia, CA	**91016**
(Address of principal executive offices)	(Zip Code)

(888) 982-1628
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☐ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	X	Smaller reporting company	X
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No X

The number of shares of the registrant's common stock outstanding as of January 12, 2023 was 12,055,800,701.

DOCUMENTS INCORPORATED BY REFERENCE

None

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SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements of Sugarmade, Inc. and our wholly owned active operating subsidiary, SWC Group, Inc., a California corporation doing business as, CarryOutSupplies.com ("Carry Out Supplies"), NUG Avenue, Inc., a California corporation and 70% owned subsidiary of the Company ("NUG Avenue"), Lemon Glow Company, Inc., a California corporation and wholly owned subsidiary of the Company ("Lemon Glow"), SugarRush a California Corporation, a wholly owned subsidiary of the Company ("SugarRush"), and SugarRush 5058, a California Limited Liability Company and 66.66% owned subsidiary of the company, (collectively, the "Company") include descriptions of the Company's plans or objectives for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "intend," "estimate," "anticipates," "project," "assume," "plan," "predict," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may."

These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Except for our compliance with ongoing securities laws, we do not intend, and undertake no obligation, to update and forward-looking statement. Additionally, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 most likely do not apply to our forward-looking statements as a result of being a penny stock issuer. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Item 1A, Risk Factors, in this document.

PART I

Item 1. Business

General

Sugarmade, Inc. (hereinafter referred to as "we", "us" or the "Company") was originally incorporated on June 5, 1986 in California as Lab, Inc., and later that month, on June 24, 1986 changed its name to Software Professionals, Inc. On May 21, 1996, the Company changed its name to Enlighten Software Solutions, Inc. On June 20, 2007, Enlighten Software Solutions, Inc. was incorporated in Delaware for the purpose of merging with Enlighten Software Solutions, Inc. a California corporation so as to effect a redomicile to Delaware. On January 24, 2008, the Company changed its name to Diversified Opportunities, Inc. On May 9, 2011 we closed on a Share Exchange Agreement with Sugarmade, Inc., a California corporation founded in 2010, and on June 24, 2011 changed our name to Sugarmade, Inc.

On October 24, 2014 we acquired SWC Group, Inc., a California corporation doing business as, CarryOutSupplies.com ("Carry Out Supplies").

Our Company operates much of its business activities through our subsidiaries, SWC Group, Inc., a California corporation ("SWC"), NUG Avenue, Inc., a California corporation and 70% owned subsidiary of the Company ("NUG Avenue"), and Lemon Glow Company, Inc., a California corporation and wholly owned subsidiary of the Company ("Lemon Glow"), SugarRush a California Corporation, a wholly owned subsidiary of the Company ("SugarRush"), and SugarRush 5058, a California Limited Liability Company and 66.66% owned subsidiary of the company.

Shares of our common stock are quoted on the OTC Pink tier of OTC Markets. Our trading symbol is "SGMD". Our corporate website is www.sugarmade.com.

As of the date of this filing, we are involved in several business sectors and business ventures:

Paper and paper-based products: The supply of disposable products to the quick-service restaurant sub-sector of the restaurant industry, and as an importer and distributor of non-medical personal protection equipment to business and consumers, via our Carry Out Supplies subsidiary. Carry Out Supplies is a producer and wholesaler of custom printed and generic supplies, has serviced more than 3,000 quick-service restaurants, since inception. The primary products are plastic cold cups, paper coffee cups, yogurt cups, ice cream cups, cup lids, cup sleeves, edible packaging, food containers, soup containers, plastic spoons, and similar products for this market sector. This subsidiary, which was formed in 2009.

Cannabis products delivery services: Following the end of the COVID cannabis delivery boom, along with a challenging cannabis retail climate from inflation, the black market, increased marketing expenses, and the cannabis excise tax moving from distribution to retail, the company has decided to reduce investments in retail operations. The company made this decision as we see more promising opportunities to increase shareholder equity by pivoting the business strategy to deploy capital to invest in cannabis real estate, cultivation, and wholesale sectors vs. cannabis retail operations.

After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

As part of pivoting our business strategy, the company negotiated with Indigo Dye Group Corp. ("Indigo") to exchange our 32% stake in Budcars for a stake in a distribution and indoor cultivation company in Santa Rosa, California. The company has already executed a share exchange agreement with Indigo. However, the final documents and terms of the new company are still being finalized. The company expects to complete the documents and announce the transition to new business post filing of this 10K.

Selected cannabis and hemp projects: On May 12, 2021, the Company entered into a Merger Agreement by and between Carnaby Spot Bay Corp, a California corporation and a wholly owned subsidiary of the Company ("Merger Sub"), Lemon Glow Company and Ryan Santiago as shareholder representative, pursuant to which Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). Upon the closing of the merger, Lemon Glow was merged into the Company. The purpose of the transactions was to establish a licensed and permitted entity which Sugarmade would cultivate, manufacture, and distribute cannabis to the California markets. At the time of the transactions, none of Lemon Glow, Merger Sub, or Sugarmade was permitted and licensed for such activities.

On October 28, 2021, Lemon Glow obtained a conditional Use Permit (UP) number from the Community Development Department of the County of Lake, California, which the Company believes is an important step towards the conditional UP for commercial cannabis cultivation at its property. The issuance of the conditional UP number by the County of Lake allows the Company to proceed with the state cannabis cultivation license application, and potentially obtain certain applicable permits, such as from the Department of Cannabis Control, Department of Food and Agriculture, Department of Pesticide Regulation, Department of Fish and Wildlife, The State Water Resources Control Board, Board of Forestry and Fire Protection, Central Valley or North Coast Regional Water Quality Control Board, Department of Public Health, and Department of Consumer Affairs, as may be required. The Company believes that obtaining the conditional UP number by the County of Lake could be the first step toward full approval to cultivate cannabis on up to 32 acres out of the total 640 acres of the property.

As of the date of this filing, Sugarmade is working diligently on satisfying the conditions required by the County of Lake to allow the Company to cultivate cannabis. It is the Company's intention to begin such activities at the earliest time possible, assuming permits are ultimately issued. Upon issuance, the company will determine the amount of acreages to grow initially based on market demand and pre-orders. However, no such license or permits have yet been issued, and applications are still pending. There can be no assurance that any such license or permits will be issued in the near future or at all.

Once licensing and permits are issued, the company plans to divide the 32 canopy grow acres between four separate grow areas. These separate grow areas will allow the company to start with a single area and expand with demand. While waiting for demand to rise, dividing into separate grow areas will also provide an opportunity to lease the other grow areas to 3rd party or through partnership under Managed Service Agreement to generate additional revenue for the company.

We believe the market demand will increase upon federal legalization allowing for interstate commerce of cannabis. Opening the doors for out of state licensees to purchase California grown cannabis flowers.

Once fully completed, we estimate the output of 32 acres of canopy, will have the capacity of 64 tons of dry flower or 300 tons of fresh frozen, requiring approximately 300,000 sq ft of storage space. We will continue to make plans to build more storage space while concurrent with the licensing process.

Government Regulations

There can be no assurance of continued inaction by U.S. federal authorities relative to our operations. Our business is at least partially focused on cannabis, hemp, and associated products and the legal sales of cannabis permitted under California law. Cannabis is a Schedule 1 illegal drug under the Controlled Substances Act, 21 U.S.C. § 811 (hereafter referred to as the "CSA"). As is discussed below, Hemp containing less than 0.3 percent THC is not a Schedule 1 drug under the CSA. Any actions by U.S. federal agencies could have a significant negative impact on our abilities to generate revenue and/or profits.

As of the date of this filing, thirty-five states, the District of Columbia, and four U.S. Territories currently have laws broadly legalizing cannabis in some form for either medicinal or recreational use governed by state-specific laws and regulations. Although legalized in some states, cannabis, and hemp containing more than 0.3 percent THC are "Schedule 1" drugs under the CSA and are illegal under federal law. Active enforcement of the current CSA regarding cannabis and hemp containing more than 0.3 percent THC may directly and adversely affect our revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remain uncertain.

On August 29, 2013, The Department of Justice set out its prosecutorial priorities in light of various states legalizing cannabis for medicinal and/or recreational use. The "Cole Memorandum" provided that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to cannabis by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing cannabis-related activity. If state enforcement efforts are not sufficiently robust to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

On January 4, 2018, Attorney General Jeff Sessions issued a memorandum for all United States Attorneys concerning cannabis enforcement under the CSA. Mr. Sessions rescinded all previous prosecutorial guidance issued by the Department of Justice regarding cannabis, including the August 29, 2013 "Cole Memorandum".

In rescinding the Cole Memorandum, Mr. Sessions stated that U.S. Attorneys must decide whether or not to pursue prosecution of cannabis activity based upon factors including the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. Mr. Sessions reiterated that the cultivation, distribution, and possession of marijuana continues to be a crime under the U.S. Controlled Substances Act.

On March 23, 2018, President Donald J. Trump signed into law a $1.3 trillion-dollar spending bill that included an amendment known as "Rohrabacher-Blumenauer," which prohibits the Justice Department from using federal funds to prevent certain states "from implementing their own State laws that authorize the use, distribution, possession or cultivation of medical cannabis."

On December 20, 2018, President Donald J. Trump signed into law the Agriculture Improvement Act of 2018, otherwise known as the "Farm Bill". Prior to its passage, hemp, a member of the cannabis family, was classified as a Schedule 1 controlled substance, and so illegal under the federal CSA.

With the passage of the Farm Bill, hemp cultivation containing less than 0.3 percent THC is now broadly permitted. The Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law.

Under Section 10113 of the Farm Bill, hemp cannot contain more than 0.3 percent THC. THC refers to the chemical compound found in cannabis that produces the psychoactive "high" associated with cannabis. Any cannabis plant that contains more than 0.3 percent THC would be considered non-hemp cannabis—or marijuana—under the CSA and would not be legally protected under this new legislation and would be treated as an illegal Schedule 1 drug.

Additionally, there will be significant, shared state-federal regulatory power over hemp cultivation and production. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the United States Department of Agriculture (hereafter referred to as the "USDA"). A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally run program. This system of shared regulatory programming is similar to options states had in other policy areas such as health insurance marketplaces under Affordable Care Act, or workplace safety plans under Occupational Health and Safety Act—both of which had federally-run systems for states opting not to set up their own systems.

The Farm Bill outlines actions that are considered violations of federal hemp law (including such activities as cultivating without a license or producing cannabis with more than 0.3 percent THC). The Farm Bill details possible punishments for such violations, pathways for violators to become compliant, and even which activities qualify as felonies under the law, such as repeated offenses.

One of the goals of the previous 2014 Farm Bill was to generate and protect research into hemp. The 2018 Farm Bill continues this effort. Section 7605 re-extends the protections for hemp research and the conditions under which such research can and should be conducted. Further, section 7501 of the Farm Bill extends hemp research by including hemp under the Critical Agricultural Materials Act. This provision recognizes the importance, diversity, and opportunity of the plant and the products that can be derived from it, but also recognizes that there is still a lot to learn about hemp and its products from commercial and market perspectives.

In late January 2021, Senate Majority Leader Chuck Schumer said lawmakers are in the process of merging various cannabis bills, including his own legalization legislation. He is working to enact reform in this Congressional session. This would include the Marijuana Freedom and Opportunity Act, which would federally de-schedule cannabis, reinvest tax revenue into communities most affected by the drug war, and fund efforts to expunge prior cannabis records. It is likely that the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act would be incorporated.

Other federal legislation under review for possible submission includes the SAFE Banking Act (or Secure and Fair Enforcement Act), a bill that would allow cannabis companies to access the federally insured banking system and capital markets without the risk of federal enforcement action, and the Strengthening the Tenth Amendment Through Entrusting States Act (or STATES Act), a bill that seeks protection for businesses and individuals in states that have legalized and comply with state laws).

Our operations may also be affected by regulations under the Bank Secrecy Act. Enforced by FinCEN, the act requires us to report currency transactions in excess of $10,000, including identification of the customer by name and social security number, to the IRS. This regulation also requires us to report certain suspicious activity, including any transaction that exceeds $5,000 that we know, suspect, or have reason to believe involves funds from illegal activity or is designed to evade federal regulations or reporting requirements and to verify sources of funds. Substantial penalties can be imposed against us if we fail to comply with this regulation. If we fail to comply with these laws and regulations, the imposition of a substantial penalty could have a material adverse effect on our business, financial condition and results of operations.

Active enforcement of the current CSA on cannabis and hemp containing more than 0.3 percent THC may directly and adversely affect our revenues and profits. The risk of strict enforcement of the CSA considering Congressional activity, judicial holdings, and stated federal policy remains uncertain.

As a result of the conflicting state and federal laws regarding cannabis, our investments and operations of cannabis businesses in the U.S. are subject to inconsistent laws and regulations. Laws and regulations affecting the cannabis industry are constantly changing, which could detrimentally affect our operations. Local, state, and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. It is also possible that regulations may be enacted in the future that will be directly applicable to our business. These ever-changing regulations could even affect federal tax policies that may make it difficult to claim tax deductions on our returns. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Any changes relative to the above areas, could significantly negatively impact our abilities to generate both revenue and profits.

Environmental - Climate Change, Wild Fires, and Drought Conditions

Hemp and cannabis cultivation can be impacted by weather patterns and these unpredictable weather patterns may affect our operations in that our supplier might not be able to fully our operations on a consistent basis. Severe weather, including drought, hail and excessive heat, can destroy a cannabis crop, which could result in us having no cannabis to sell to our customers. These situations could substantially affect our ability to generate revenue and profits.

In the future, our operations could also be affected by global climate change. Earth's climate has changed over the past century. The atmosphere and oceans have warmed, sea levels have risen, and glaciers and ice sheets have decreased in size. The best available evidence indicates that greenhouse gas emissions from human activities are the leading cause. Continuing increases in greenhouse gases will produce further warming and other changes in Earth's physical environment and ecosystems. While our business operations have seen no adverse effects from climate change, such issues could affect our operations in the future. Over the coming years, we plan to closely monitor weather conditions to determine how changes could affect our future operations and plans for corporate growth.

We are also subject to various federal, state, local and non-U.S. laws and regulations relating to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We continually assess our compliance status and management of environmental matters to ensure our operations are in substantial compliance with all applicable environmental laws and regulations. Investigation, remediation, operation and maintenance costs associated with environmental compliance and management of sites are a normal, recurring part of our operations. These costs often are allowable costs under our contracts with the U.S. government. It is reasonably possible that continued environmental compliance could have a material impact on our results of operations, financial condition or cash flows if additional work requirements or more stringent clean-up standards are imposed by regulators, new areas of soil and groundwater contamination are discovered and/or expansions of work scope are prompted by the results of investigations.

The 2021 wildfire season in California experienced an unusually early start amid an ongoing drought and historically low rainfall and reservoir levels. According the State of California Division of Forestry, the long-term trend is that wildfires in the state are increasing due to climate change in California. In terms of the amount of fires burned, the 2021 season has been outpacing the 2020 season, which itself was the most significant season in the state's recorded history. According to the State, as of July 11, 2021 more than three times as many acres have burned compared to the previous year through that date, with drought, extreme heat, and reduced snowpack contributing to the severity of the fires.[The state also faces an increased risk of post-wildfire landslides. While we have seen no negative effects from such wildfires, our business operations could be affected by such conditions in the future.

Our future operations could also be affected by State of California and/or local governmental restrictions on water usage. Droughts are a recurring feature of California's climate and are becomingincreasingly severe due to climate change. According to the State of California. In the last century, the mostsignificant statewidedroughtsoccurred during the six-year period from 1929 to 1934, the two-year period from 1976 to 1977, the six-year period from 1987 to 1992, and the five-year period from 2012 to 2016. The 2012-2016droughtwas one of extreme proportions, with record-high temperatures and record-low levels of snowpack and precipitation. In 2021, California finds itself yet again in adrought, with water conditions at the end of the wet season far below normal for the second year in a row. Continued drought in the California could affect our future business in that our suppliers may not be able to provide products for us to sell to our customers, which would affect our ability to generate revenues and produce profits. Drought conditions could also impact our abilities to cultivate cannabis in the future in that we may be unable to obtain adequate water rights or access to suitable water to cultivate future cannabis crops, if we decided in the future to attempt cannabis cultivation, although the Company currently has not such plans.

There can be no assurance that global climate changes and ongoing, or worsening, drought conditions and/or issue relative to wildfires within the state of California will not negatively impact our operations during future periods.

As a result, such issues could severely impact our ability to generate revenues and profits.

Employees and Consultants

As of June 30, 2022, Sugarmade, Inc. and Carryout Supplies, had approximately 7 full time employees and 5 independent contractors. Our new majority owned subsidiary, Nug Avenue Inc. had approximately 1 full time employees and 54 part-time workers.

Available Information

Any annual, quarterly, special reports and other information filed with the SEC can be inspected and copied at the public reference facility maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, DC 20549-0405. Information regarding the public reference facilities may be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available through the SEC's Electronic Data Gathering Analysis and Retrieval System which is publicly available through the SEC's website (www.sec.gov). Copies of such materials may also be obtained by mail from the public reference section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0405 at prescribed rates.

Item 1A. Risk Factors

RISK FACTORS

Cautionary Statements

The discussions and information in this Annual Report on Form 10-K may contain both historical and forward-looking statements. To the extent that the Annual Report on Form 10-K contains forward-looking statements regarding the financial condition, operating results, business prospects, or any other aspect of our business, please be advised that our actual financial condition, operating results, and business performance may differ materially from that projected or estimated by us in forward-looking statements. We have attempted to identify, in context, certain of the factors we currently believe may cause actual future experience and results to differ from our current expectations.

RISKS RELATED TO OUR BUSINESS

The report of our independent registered public accounting firm expresses substantial doubt about the Company's ability to continue as a going concern.

The report of our independent registered public accounting firm expresses substantial doubt about the Company's ability to continue as a going concern. Our auditors, WWC P.C., have indicated in their report on the Company's financial statements for the fiscal year ended June 30, 2022, that conditions exist that raise substantial doubt about our ability to continue as a going concern due to our recurring losses from operations and substantial decline in our working capital. A "going concern" opinion could impair our ability to finance our operations through the sale of equity, incurring debt, or other financing alternatives. Our ability to continue as a going concern will depend upon the availability and terms of future funding, continued growth, improved operating margins and our ability to profitably meet service commitments. If we are unable to achieve these goals, our business would be jeopardized and the Company may not be able to continue. If we ceased operations, it is likely that all of our investors would lose their investment.

We face risks associated with strategic acquisitions.

Our business strategy includes strategically acquisitions of businesses and assets, some of which may be material. We plan to investigate and acquire strategic businesses with the potential to be accretive to earnings, increase our market penetration, brand strength and our market position or enhancement our existing product offerings. There can be no assurance that we will be able to identify or successfully complete transactions with suitable acquisition candidates in the future.

These acquisitions may involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our results of operations:

- Any acquired business could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable;
- We may incur or assume significant debt in connection with our acquisitions;
- Acquisitions could cause our results of operations to differ from our own or the investment community's expectations in any given period, or over the long term; and
- Acquisitions could create demands on our management that we may be unable to effectively address, or for which we may incur additional costs.

Additionally, if we were to undertake a substantial acquisition, the acquisition would likely need to be financed in part through additional financing from banks, through possible public offerings or private placements of debt or equity securities or through other arrangements. There can be no assurance that the necessary acquisition financing would be available to us on acceptable terms if and when required.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. We may also unknowingly inherit liabilities from acquired businesses or assets that arise after the acquisition and that are not adequately covered by indemnities. Following any business acquisition, we could experience difficulty in integrating personnel, operations, financial and other systems, and in retaining key employees and customers. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. We may record goodwill and other intangible assets on our consolidated balance sheet in connection with our acquisitions. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets, which could materially impact our financial condition and results of operations.

We may have difficulties integrating acquisitions or identifying new acquisitions.

A major part of our strategy is to grow through acquisition. However, we may be unable to identify and consummate additional acquisitions or may be unable to successfully integrate and manage the product lines or businesses that we have recently acquired or may acquire in the future. In addition, we may be unable to achieve a substantial portion of any anticipated cost savings from acquisitions or other anticipated benefits in the timeframe we anticipate, or at all. Moreover, any acquired product lines or businesses may require a greater than anticipated amount of trade, promotional and capital spending. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired companies, personnel turnover and the diversion of management's attention from other business concerns. Any inability by us to integrate and manage any product lines or businesses that we have recently acquired or may acquire in the future in a timely and efficient manner, any inability to achieve a substantial portion of any anticipated cost savings or other anticipated benefits from these acquisitions in the time frame we anticipate or any unanticipated required increases in trade, promotional or capital spending could adversely affect our business, consolidated financial condition, results of operations or liquidity. Moreover, future acquisitions by us could result in our incurring substantial additional indebtedness, being exposed to contingent liabilities or incurring the impairment of goodwill and other intangible assets, all of which could adversely affect our financial condition, results of operations and liquidity.

We may need additional capital in the future, which could dilute the ownership of current shareholders or we may be unable to secure additional funding in the future or to obtain such funding on favorable terms.

Historically, we have raised equity capital, including debt convertible into equity capital, to support and expand our operations. To the extent that we raise additional equity capital, existing shareholders will experience a dilution in the voting power and ownership of their shares of Common Stock, and earnings per share, if any, would be negatively impacted. Our inability to use our equity securities to finance our operations could materially limit our growth. Any borrowings made to finance operations could make us more vulnerable to a downturn in our operating results, a downturn in economic conditions, or increases in interest rates on borrowings that are subject to interest rate fluctuations. The amount and timing of such additional financing needs will vary principally depending on the timing of new product launches, investments and/or acquisitions, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain a credit facility. If our cash flow from operations is insufficient to meet any debt service requirements, we could be required to sell additional equity securities, refinance our obligations, or dispose of assets in order to meet debt service requirements. There can be no assurance that any financing will be available to us when needed or will be available on terms acceptable to us. Our failure to obtain sufficient financing on favorable terms and conditions could have a material adverse effect on our growth prospects and our business, financial condition and results of operations.

Uncertainty of profitability

Our business strategy may result in increased volatility of revenues, loses and/or earnings. As we will only develop a limited number of products at a time, our overall success will depend on a limited number of products, which may cause variability and unsteady profits and losses depending on the products and/or services offered and their market acceptance.

Our revenues and our profitability may be adversely affected by economic conditions and changes in the market for our products. Our business is also subject to general economic risks that could adversely impact the results of operations and financial condition.

Because of the anticipated nature of the products that we offer and attempt to develop, it is difficult to accurately forecast revenues and operating results and these items could fluctuate in the future due to a number of factors. These factors may include, among other things, the following:

- Our ability to raise sufficient capital to take advantage of opportunities and generate sufficient revenues to cover expenses.
- Our ability to source strong opportunities with sufficient risk adjusted returns.
- Our ability to manage our capital and liquidity requirements based on changing market conditions.
- The amount and timing of operating and other costs and expenses.
- The nature and extent of competition from other companies that may reduce market share and create pressure on pricing and investment return expectations.

We cannot guarantee that we will succeed in achieving our goals, and our failure to do so would have a material adverse effect on our business, prospects, financial condition and operating results

Some of business initiatives in the hydroponic sector are new and are only in early stages of commercialization. As is typical in a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the market for our Company is new and evolving, it is difficult to predict with any certainty the size of this market and its growth rate, if any. We cannot guarantee that a market for our Company will develop or that demand for our products will emerge or be sustainable. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, our business, financial condition and operating results would be materially adversely affected.

Our business, financial condition and results of operations may be materially adversely affected by global health epidemics, including the recent COVID-19 outbreak.

Outbreaks of epidemic, pandemic, or contagious diseases such as COVID-19, could have an adverse effect on our business, financial condition, and results of operations. The spread of COVID-19 from China to other countries has resulted in the World Health Organization declaring the outbreak of COVID-19 as a global pandemic. The slow-down in the global economy and the reduced levels of international and domestic travel experienced since the beginning of January would affect our business adversely. The Any resulting financial impact cannot be reasonably estimated at this time. The extent to which the COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. We are still assessing our business operations and the impact COVID-19 may have on our results and financial condition, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in our sector in particular.

We have incurred losses since our inception, have yet to achieve profitable operations and anticipate that we will continue to incur losses for the foreseeable future.

Even if we obtain more customers or increase sales to our existing customers, there is no guarantee we will be able to generate a profit. Because we are a small company and have limited capital, we must limit our products and services. Because we will be limiting our marketing activities, we may not be able to attract enough customers to buy our products to operate profitably. Further, we are subject to raw material pricing which can erode the profitability of our products and put additional negative pressure on profitability. If we cannot operate profitably, we may have to suspend or cease operations.

For the fiscal year ended June 30, 2022 we incurred an operating loss of $11,072,926. For the fiscal year ended June 30, 2021, we incurred an operating loss of $5,926,134. At June 30, 2022 we had an accumulated deficit of $85,437,392. Although we have generated revenues, they are insufficient to make the Company profitable. We plan to increase our expenses associated with the development of our business. There is no assurance we will be able to derive revenues from the development of our business to successfully achieve positive cash flow or that our business will be successful. If we achieve profitability, we may be unable to sustain or increase profits on a quarterly or annual basis.

We do not have sufficient cash on hand.

As of June 30, 2022, we had $161,014 cash on hand. These cash resources are not sufficient for us to execute our business plan. If we do not generate sufficient cash from our intended financing activities and sales, we will be unable to continue our operations. We estimate that within the next 12 months we will need at least $5,000,000 in cash from either investors or operations. While we intend to engage in several equity or debt financings, there is no assurance that these will actually occur. Nor can we assure our shareholders that we will not be required to obtain additional financing on terms that are dilutive of their interests. You should recognize that if we are unable to generate sufficient revenues or obtain debt or equity financing, we will not be able to earn profits and may not be able to continue operations.

The success of our new and existing products and services is uncertain.

We expect to continue to commit significant resources and capital to develop and market existing and new products, services and enhancements. These products and services are relatively untested, and there is no assurance that we will achieve market acceptance for these products and services, or other new products and services that we may offer in the future. Moreover, these and other new products and services may face significant competition with new and existing competitors. In addition, new products, services and enhancements may pose a variety of technical challenges and require us to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements could seriously harm our business, financial condition and results of operations. In addition, we are subject to raw material pricing which can erode the profitability of our products and put additional negative pressure on profitability. Moreover, if we fail to accurately project demand for our new or existing products, we may encounter problems of overproduction or underproduction which would materially and adversely affect our business, financial condition and results of operations, as well as damage our reputation and brand.

Third-party suppliers could fail to fulfill our orders for parts used to assemble our products, which would disrupt our business, increase our costs, harm our reputation, and potentially cause us to lose our market.

We depend on international third-party suppliers, including in The People's Republic of China, for materials used to assemble our products. Changing federal tariffs could adversely affect our international third-party suppliers. We cannot predict the nature of any future tariffs, laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our suppliers and our business. These suppliers could increase prices to us, fail to produce products to our specifications or in a workmanlike manner and may not deliver the material or products on a timely basis. Our suppliers may also have to obtain inventories of the necessary parts and tools for production. Any change in our suppliers' approach to tariffs or resolving production issues could disrupt our ability to fulfill orders and could also disrupt our business due to delays in finding new suppliers, providing specifications and testing initial production. Such disruptions in our business and/or delays in fulfilling orders would materially and adversely affect our business, financial condition and results of operations, as well as damage our reputation and brand.

Even if we expand our customer base, there is no assurance that we will continue to make a profit.

Our revenue growth has been derived from the sale of our products. Our success and the planned growth and expansion of our business depend on us achieving greater and broader acceptance of our products and expanding our customer base. There can be no assurance that customers will purchase our products or that we will continue to expand our customer base. If we are unable to effectively market or expand our product offerings, we will be unable to grow and expand our business or implement our business strategy. Even if we obtain more customers, there is no guarantee that we will be able to continue to generate a profit. Because we have limited capital, we may be required to limit our products and services. Because we will be limiting our marketing activities, we may not be able to attract enough customers to buy our products to operate profitably. If we cannot market our new and existing products and services profitably, we may have to limit or suspend or cease operations.

Even if we are able to expand our business operations, we may be unable to successfully manage our future growth.

If we are able to continue expanding our operations, we may experience periods of rapid growth that will require additional resources. Any such growth could place increased strain on our management, operational, financial and other resources, and we will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. In addition, we will need to expand the scope of our infrastructure and develop further physical resources. Any failure to expand these areas and implement appropriate procedures and controls in an efficient manner and at a pace consistent with the business objectives could have a material adverse effect on our business and results of operations.

Our inability to effectively manage our growth could harm our business and materially and adversely affect our operating results and financial condition.

Our strategy envisions growing our business. We plan to expand our product, sales, administrative and marketing operations. Any growth in or expansion of our business is likely to continue to place a strain on our management and administrative resources, infrastructure and systems. As with other growing businesses, we expect that we will need to further refine and expand our business development capabilities, our systems and processes and our access to financing sources. We also will need to hire, train, supervise, and manage new employees. These processes are time consuming and expensive, will increase management responsibilities and will divert management attention.

If we do not successfully generate additional products and services, or if such products and services are developed but not successfully commercialized, we could lose revenue opportunities.

Our future success depends, in part, on our ability to expand our product and service offerings. To that end we have engaged in the process of identifying new product opportunities to provide additional products and related services to our customers. The processes of identifying and commercializing new products is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging trends, our business could be harmed. We have already and may have to continue to commit significant resources to commercializing new products before knowing whether our investments will result in products the market will accept. Furthermore, we may not execute successfully on commercializing those products because of errors in product planning or timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors providing those solutions before we do and a reduction in net sales and earnings.

The success of new products depends on several factors, including proper new product definition, timely completion, and introduction of these products, differentiation of new products from those of our competitors, and market acceptance of these products. There can be no assurance that we will successfully identify additional new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of our products or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

Our business may suffer if we are unable to attract or retain talented personnel.

Our success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of Management, as well as other personnel. We have a small management team, and the loss of a key individual or our inability to attract suitably qualified replacements or additional staff could adversely affect our business. Our success also depends on the ability of Management to form and maintain key commercial relationships within the marketplace. No assurance can be given that key personnel will continue their association or employment with us or that replacement personnel with comparable skills will be found. If we are unable to attract and retain key personnel and additional employees, our business may be adversely affected. We do not maintain key-man life insurance on any of our executive employees.

The loss of key management personnel could adversely affect our business

We depend on the continued services of our executive officers and senior management team as they work closely with independent associate leaders and are responsible for our day-to-day operations. Our success depends in part on our ability to retain our executive officers, to compensate our executive officers at attractive levels, and to continue to attract additional qualified individuals to our management team. Although we have entered into employment agreements with our senior management team, and do not believe that any of them are planning to leave or retire in the near term, we cannot assure you that our senior managers will remain with us. The loss or limitation of the services of any of our executive officers or members of our senior management team, or the inability to attract additional qualified management personnel, could have a material adverse effect on our business, financial condition, results of operations, or independent associate relations.

The lack of available and cost-effective directors and officer's insurance coverage in our industry may cause us to be unable to attract and retain qualified executives, and this may result in our inability to further develop our business.

Our business depends on attracting independent directors, executives and senior management to advance our business plans. We currently do not have directors and officer's insurance to protect our directors, officers and the company against to possible third-party claims. This is due to the significant lack availability of such policies in the cannabis industry at reasonably competitive prices. As a result, the Company and our executive directors and officers are susceptible to liability claims arising by third parties, and as a result, we may be unable to attract and retain qualified independent directors and executive management causing the development of our business plans to be impeded as a result.

If we fail to maintain satisfactory relationships with our larger customers, our business may be harmed.

We do not have and are unlikely to enter into long-term fixed quantity supply agreements with our customers. Due to competition or other factors, we could lose future business from our customers, either partially or completely. The future loss of one or more of our significant customers or a substantial future reduction of orders by any of our significant customers could harm our business and results of operations. Moreover, our customers may vary their order levels significantly from period to period and customers may not continue to place orders with us in the future at the same levels as in prior periods. In the event that in the future we lose any of our larger customers, we may not be able to replace that revenue source. This could harm our financial results.

Management of growth will be necessary for us to be competitive

Successful expansion of our business will depend on our ability to effectively attract and manage staff, strategic business relationships, and shareholders. Specifically, we will need to hire skilled management and technical personnel as well as manage partnerships to navigate shifts in the general economic environment. Expansion has the potential to place significant strains on financial, management, and operational resources, yet failure to expand will inhibit our profitability goals.

We import many of our products from Asian countries, including the People's Republic of China. Disruptions or a change in the tariff situation may negatively affect our business

Many of the products we market are manufactured in Asian countries and are then imported to our facilities in the United States and ultimately sold to our customers. There can be no assurance of the reliability of such channels and disruption would likely have a significant impact on our business operations, our ability to retain customers and on our ability to generate profits. A significant change in trade tariffs could also negatively affect our business operations.

If product liability lawsuits are successfully brought against us, we will incur substantial liabilities.

From time to time, we may receive complaints from customers regarding our goods and services. We may become subject to product liability lawsuits from customers alleging injury because of a purported defect in our products or services, claiming substantial damages and demanding payments from us. Liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. We may be in the chain of ownership when we supply or distributes products, and therefore is subject to the risk of being held legally responsible for such products. Given the nature of these products (including their relation to cannabis or for other reasons), these claims may not be subject to insurance coverage or covered by insurance policies. Any resulting litigation, regardless of the merits or eventual outcome, could decrease demand for our products, result in product recalls or withdrawals, be costly, divert management attention, result in increased costs of doing business, or otherwise have a material adverse effect on our business, results of operations, and financial condition. Any litigation or even negative publicity generated as a result of customer frustration or disagreement with the products or services could damage our reputation and diminish the value of our brand name, which could have a material adverse effect on our business, results of operations, and financial condition.

We cannot guarantee that we will succeed in achieving our goals, and our failure to do so would have a material adverse effect on our business, prospects, financial condition and operating results

Some of business initiatives in the hydroponic sector are new and are only in early stages of commercialization. As is typical in a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the market for our Company is new and evolving, it is difficult to predict with any certainty the size of this market and its growth rate, if any. We cannot guarantee that a market for our Company will develop or that demand for our products will emerge or be sustainable. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, our business, financial condition and operating results would be materially adversely affected.

RISKS OF GOVERNMENT ACTION AND REGULATORY UNCERTAINTY

The Farm Bill recently passed, and undeveloped shared state-federal regulations over hemp cultivation and production may impact our business.

The Farm Bill was signed into law on December 20, 2018. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of USDA. A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, USDA will need to construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. The details and scopes of each state's plans are not known at this time and may contain varying regulations that may impact our business. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve it. There can be no guarantee that any state plan will be approved. Review times may be extensive. There may be amendments and the ultimate plans, if approved by states and the USDA, may materially limit our business depending upon the scope of the regulations.

Laws and regulations affecting our industry to be developed under the Farm Bill are in development

As a result of the Farm Bill's recent passage, there will be a constant evolution of laws and regulations affecting the hemp industry could detrimentally affect our operations. Local, state and federal hemp laws and regulations may be broad in scope and subject to changing interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business. While we have not identified any direct liabilities or business issue relative to the above items, there can be no assurance that any such issues will not arise in the future. Thus, there can be no assurance the Company will not be subject to contingent liabilities in the future relative to the above.

U.S. Federal and foreign regulation and enforcement may adversely affect the implementation of cannabis laws and regulations and may negatively impact our revenue, or we may be found to be violating the Controlled Substances Act or other U.S. federal, state, or foreign laws.

The Company does have plans to cultivate, process, market or distribute cannabis or any products that contain cannabis, some of our customers do engage in such activities. Cannabis, as not strictly defined in the 2018 Farm Bill, is a Schedule-I controlled substance and is illegal under federal law. Even in those states where the use of cannabis, as not strictly defined in the 2018 Farm Bill, has been legalized, its use remains a violation of federal law. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 controlled substances as "the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence."

At present, numerous states and the District of Columbia allow their citizens to use medical cannabis. Additionally, many states have approved legalization of cannabis, as not strictly defined in the 2018 Farm Bill, for adult recreational use. The laws of these states relative to cannabis as not strictly defined in the 2018 Farm Bill, are in conflict with the Federal Controlled Substances Act, which makes cannabis, as not strictly defined in the 2018 Farm Bill, use and possession illegal on a national level. If the federal government decides to enforce the Controlled Substances Act with respect to cannabis, as not strictly defined in the 2018 Farm Bill, persons that are charged with distributing, possessing with intent to distribute, or growing cannabis, as not strictly defined in the 2018 Farm Bill, could be subject to fines and imprisonment. Any such change in the federal government's enforcement of current federal laws will cause significant financial damage to us.

The approach to the enforcement of cannabis laws may be subject to change, which creates uncertainty for our business.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, as not strictly defined in the 2018 Farm Bill, investments in, and the operations of, cannabis businesses in the U.S. are subject to inconsistent laws and regulations. Laws and regulations affecting the cannabis industry are constantly changing, which could detrimentally affect our operations. Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. It is also possible that regulations may be enacted in the future that will be directly applicable to our business. These ever-changing regulations could even affect federal tax policies that may make it difficult to claim tax deductions on our returns. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

RISKS ASSOCIATED WITH BANK AND INSURANCE LAWS AND REGULATIONS

We and our customers may have difficulty accessing the service of banks, which may make it difficult to sell our products and services and manage our cash flows.

Since the commerce in cannabis, as not strictly defined in the 2018 Farm Bill, is illegal under federal law, federally most chartered banks will not accept for deposit funds from businesses involved with cannabis. Consequently, businesses involved in the cannabis industry often have trouble finding a bank willing to accept their business. The inability to open bank accounts may make it difficult for our customers to operate. There does appears to be recent movement to allow state-chartered banks and credit unions to provide banking to the industry, but as of the date of this report there are only nominal entities that have been formed that offer these services.

Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the U.S. Bank Secrecy Act. Despite guidance from the U.S. Department of the Treasury suggesting it may be possible for financial institutions to provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act, banks remain hesitant to offer banking services to cannabis-related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing banking relationships. Our inability to maintain our current bank accounts would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges and could result in our inability to implement our business plan. Similarly, many of our customers are directly involved in cannabis sales and further restriction to their ability to access banking services may make it difficult for them to purchase our products, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain federal regulations relating to cash reporting.

The Bank Secrecy Act, enforced by FinCEN, requires us to report currency transactions in excess of $10,000, including identification of the customer by name and social security number, to the IRS. This regulation also requires us to report certain suspicious activity, including any transaction that exceeds $5,000 that we know, suspect or have reason to believe involves funds from illegal activity or is designed to evade federal regulations or reporting requirements and to verify sources of funds. Substantial penalties can be imposed against us if we fail to comply with this regulation. If we fail to comply with these laws and regulations, the imposition of a substantial penalty could have a material adverse effect on our business, financial condition and results of operations.

Due to our involvement in the cannabis industry, we may have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liability

Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, is more difficult for us to find, and more expensive, because we are service providers to companies in the cannabis industry. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable to us. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

RISK ASSOCIATED WITH OUR INDUSTRY

Our business and financial performance may be adversely affected by downturns in the target markets that we serve or reduced demand for the types of products we sell.

Demand for our products is often affected by general economic conditions as well as product-use trends in our target markets. These changes may result in decreased demand for our products. The occurrence of these conditions is beyond our ability to control and, when they occur, they may have a significant impact on our sales and results of operations. The inability or unwillingness of our customers to pay a premium for our products due to general economic conditions or a downturn in the economy may have a significant adverse impact on our sales and results of operations.

Changes within the cannabis industry may adversely affect our financial performance.

Changes in the identity, ownership structure and strategic goals of our competitors and the emergence of new competitors in our target markets may harm our financial performance. New competitors may include foreign-based companies and commodity-based domestic producers who could enter our specialty markets if they are unable to compete in their traditional markets. The paper industry has also experienced consolidation of producers and distribution channels. Further consolidation could unite other producers with distribution channels through which we intend to sell our products, thereby limiting access to our target markets.

We are subject to certain tax risks and treatments that could negatively impact our results of operations.

Section 280E of the Internal Revenue Code of 1986, as amended, prohibits businesses from deducting certain expenses associated with trafficking-controlled substances (within the meaning of Schedule I and II of the Controlled Substances Act). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

The Company's industry is highly competitive, and we have less capital and resources than many of our competitors which may give them and advantage in developing and marketing products similar to ours or make our products obsolete.

We are involved in a highly competitive industry where we may compete with numerous other companies who offer alternative methods or approaches, who may have far greater resources, more experience, and personnel perhaps more qualified than we do. Such resources may give our competitors an advantage in developing and marketing products similar to ours or products that make our products less desirable to consumers or obsolete. There can be no assurance that we will be able to successfully compete against these other entities.

We may be unable to respond to the rapid technological change in the industry and such change may increase costs and competition that may adversely affect our business

Rapidly changing technologies, frequent new product and service introductions and evolving industry standards characterize our market. The continued growth of the Internet and intense competition in our industry exacerbates these market characteristics. Our future success will depend on our ability to adapt to rapidly changing technologies by continually improving the performance features and reliability of our products. We may experience difficulties that could delay or prevent the successful development, introduction or marketing of our products. In addition, any new enhancements must meet the requirements of our current and prospective customers and must achieve significant market acceptance. We could also incur substantial costs if we need to modify our products and services or infrastructures to adapt to these changes.

We also expect that new competitors may introduce products or services that are directly or indirectly competitive with us. These competitors may succeed in developing, products and services that have greater functionality or are less costly than our products and services and may be more successful in marketing such products and services. Technological changes have lowered the cost of operating communications and computer systems and purchasing software. These changes reduce our cost of selling products and providing services, but also facilitate increased competition by reducing competitors' costs in providing similar products and services. This competition could increase price competition and reduce anticipated profit margins.

RISKS RELATED TO OUR COMMON STOCK

We may need additional capital that will dilute the ownership interest of investors.

We may require additional capital to fund our future business operations. If we raise additional funds through the issuance of equity, equity-related or convertible debt securities, these securities may have rights, preferences or privileges senior to those of the rights of holders of our shares of common stock, who may experience dilution of their ownership interest of our shares of Common Stock. We cannot predict whether additional financing will be available to us on favorable terms when required, or at all. Since our inception, we have experienced negative cash flow from operations and expect to experience significant negative cash flow from operations in the future. The issuance of additional shares of Common Stock by our board of directors may have the effect of further diluting the proportionate equity interest and voting power of holders of our shares of Common Stock.

We have the ability to issue additional shares of our shares of preferred stock without asking for stockholder approval, which could cause your investment to be diluted.

Our Articles of Incorporation authorizes the Board of Directors to issue up to 10,000,000,000 shares of Common Stock. The power of the Board of Directors to issue shares of Common Stock, preferred stock or warrants or options to purchase shares of Common Stock or preferred stock is generally not subject to stockholder approval. Accordingly, any additional issuance of our shares of Common Stock, or shares of preferred stock that may be convertible into Common Stock, may have the effect of diluting your investment.

Our shares of Common Stock qualify as a penny stock. As such, we are subject to the risks associated with "penny stocks". Regulations relating to "penny stocks" limit the ability of our shareholders to sell their shares and, as a result, our shareholders may have to hold their shares indefinitely.

Our shares of Common Stock are deemed to be "penny stock" as that term is defined in Rule_3a51-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Penny stocks are stocks: (a) with a price of less than $5.00 per share; (b) that are not traded on a "recognized" national exchange; (c) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ - where listed stocks must still meet requirement (a) above); or (d) in issuers with net tangible assets of less than $2,000,000 (if the issuer has been in continuous operation for at least three years) or $5,000,000 (if in continuous operation for less than three years), or with average revenues of less than $6,000,000 for the last three years.

Section 15(g) of the Exchange Act and Rule 240.15g(c)2 promulgated under the Exchange Act require broker dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in our shares of Common Stock are urged to obtain and read such disclosure carefully before purchasing any shares of Common Stock that are deemed to be "penny stock".

Moreover, Regulation 240.15g-9 of the SEC requires broker dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker dealer to: (a) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (b) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (c) provide the investor with a written statement setting forth the basis on which the broker dealer made the determination in (ii) above; and (d) receive a signed and dated copy of such statement from the investor confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for investors in our shares of Common Stock to resell their shares to third parties or to otherwise dispose of them. Holders should be aware that, according to SEC Release No. 34-29093, dated April 17, 1991, the market for penny stocks suffers from patterns of fraud and abuse. Such patterns include:

- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced salespersons;
- excessive and undisclosed bid-ask differential and mark-ups by selling broker-dealers; and
- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses.

Our Management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, Management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock and to deposit certificates in paper form or to clear shares for trading under Safe Harbor exemptions and regulations for unregistered shares.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority (known as "FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker- dealers to recommend that their customers buy our shares of Common Stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares. FINRA requirements make it more difficult for our investor to deposit paper stock certificates or to clear our shares of Common Stock that are transferred electronically to brokerage accounts. There can be no assurances that our investors will be able to clear our shares for eventual resale.

Costs and expenses of being a reporting company under the Exchange Act may be burdensome and prevent us from achieving profitability

As a public company, we are subject to the reporting requirements of the Exchange Act, and parts of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"). We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources.

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The trading market for our common stock is limited.

We are quoted on the OTC Markets Group's OTC Pink market tier under the trading symbol "SGMD". This may result in limited shareholder interest and hence lower prices for our common stock than might otherwise be obtained.

Our principal stockholders, executive officers and directors own a significant percentage of our common stock and will be able to exert a significant control over matters submitted to the stockholders for approval.

Our officers and directors, and stockholders who own more than 5% of our common stock beneficially own a significant percentage of our common stock. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. These stockholders, if they acted together, could significantly influence all matters requiring approval by the stockholders, including the election of directors. The interests of these stockholders may not always coincide with the interests of other stockholders.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividend on our common stock and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

If we fail to establish or maintain effective internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our common stock may, therefore, be adversely impacted.

As a public company, we are required to maintain internal control over financial reporting for each of our fiscal years and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting, provide a management report on the internal control over financial reporting, which must be attested to by our independent registered public accounting firm to the extent we decide not to avail ourselves of the exemptions provided under federal laws. Management has presently concluded that our internal control over financial reporting is not effective and has reported such conclusions in management's report in this annual report on Form 10-K. In the event that the Company's status with the SEC changes to that of an accelerated filer from a smaller reporting company, our independent registered public accounting firm will be required to attest to and report on our management's assessment of the effectiveness of our internal control over financial reporting. Under such circumstances, even if our management concludes that our internal control over financial reporting are effective, our independent registered public accounting firm may still decline to attest to our management's assessment, or may issue a report that is qualified, if it is not satisfied with our controls, or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

Shareholders and investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, we could become subject to investigations by the Securities and Exchange Commission (the "SEC"), or other regulatory authorities, which could require additional financial and management resources and could damage our reputation and diminish the value of our brand name.

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The market price of our common stock may be volatile and may be affected by market conditions beyond our control. The market price of our common stock is subject to significant fluctuations in response to, among other factors:

- variations in our operating results and market conditions specific to our business;
- the emergence of new competitors or new technologies;
- operating and market price performance of other companies that investors deem comparable;
- changes in our Board or management;
- sales or purchases of our common stock by insiders;
- commencement of, or involvement in, litigation;
- changes in governmental regulations, in particular with respect to the cannabis industry; and
- general economic conditions and slow or negative growth of related markets.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the market price of our common stock could decline for reasons unrelated to our business, financial condition, or results of operations. If any of the foregoing occurs, it could cause the price of our common stock to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to our Board of Directors and management.

The application of the "penny stock" rules could adversely affect the market price of our common shares and increase your transaction costs to sell those shares.

Our shares of Common Stock are considered to be "penny stocks" as the SEC has adopted Rule 3a51-1, which establishes the definition of a "penny stock," to include any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share and because they are not registered on a national securities exchange or listed on an automated quotation system sponsored by a registered national securities association, pursuant to Rule 3a51-1(a) under the Exchange Act. For any transaction involving a penny stock, unless exempt, the rules require that a broker or dealer approve a person's account for transactions in penny stocks and that the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which sets forth the basis on which the broker or dealer made the suitability determination and that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

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Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

On February 23, 2018, the Company entered into a 5-year lease agreement, commencing March 1, 2018, for office space. The monthly rent for the first year was $11,770, with a 3% increase for each subsequent year. Total commitment for the full term of the lease will be $737,367.

Our warehouse along with some office space is located at 20529 East Walnut Drive North, Diamond Bar, California, where we lease approximately 11,627 square feet of combined space. The lease term is for five years and two months ending on April 30, 2025. The current monthly rental payment for the facility is $13,413.

On September 28, 2020, the Company and LMK Capital LLC ("LMK") entered into a lease contract (the "LMK Lease") pursuant to which LMK agreed to lease to the Company five acres located in Northern California and owned by LMK (the "Property"). Jimmy Chan, Chairman of the Board, Chief Executive Officer, Chief Financial Officer and majority stockholder of the Company, is majority owner of LMK.

The term of the LMK Lease begins on October 1, 2020 and ends on September 30, 2023; provided, however, that at the end of the term, the LMK Lease will continue on a month-to-month basis. Pursuant to the terms of the LMK Lease, the Company will pay rent in the amount of $20,000 per month. The LMK Lease also provides that the Company will pay a $250,000 security deposit to LMK. Pursuant to the terms of the Lease, the monthly rent will increase to $0.50 per sq. ft. on cultivation area upon approval of certificate of occupancy with a 3% increase each subsequent year. As of June 30, 2022, the status of certificate of occupancy is still pending and the Company has not paid any security deposit to LMK yet.

On September 29, 2020, the Registrant and LMK Capital, LLC, a California company ("LMK") entered into a material definitive agreement (the "Lease Agreement") not made in the ordinary course of its business, where LMK was to lease Sugarmade a property, including a building, located in Northern California (the "Lease Agreement"). The tenancy was to begin on October 1, 2020. The Parties failed to implement any of the terms of actions of the Lease Agreement, and neither Party incurred any expenses relating to the Lease Agreement. Thus, the Lease Agreement was considered voided by the Parties. Even though the Lease Agreement was never implemented and was considered voided by the Parties, the Parties do not document in writing the voiding of the Lease Agreement. Effective January 1, 2022, the Parties have entered into a Resolution Agreement to document the voiding of the Lease Agreement whereby the Parties agreed as follows:

a. The Parties agree the Parties never implemented or executed on any part of the Lease Agreement, and thus the Lease Agreement was voided as of the originally planned implementation date of October 1, 2020.

b. The Parties agree neither incurred any expense as a result of the Lease Agreement nor due to the lack of implementation of the Lease Agreement.

c. Each Party agrees there are no obligations expected to be performed by the other Party.

d. Each Party agrees there are no debts of any kind or nature due as a result of the Lease Agreement or due to the lack of implementation of the Lease Agreement.

e. Each Party forever unconditionally releases the other related to any and all issues pertaining to the Lease Agreement or due to the lack of implementation of the Lease Agreement, as outlined herein.

On August 6, 2021, the Company Closed escrow on the commercial property known as 5058 Valley Blvd, Los Angeles, CA90032. The purchase price was $830,000. We are in the process of finalizing our permit for Cannabis non-store front retail license at this location with City of Los Angeles.

We believe that our existing facilities are adequate for our present purposes. The Company leases all its facilities and believes that, if necessary, it could secure suitable alternative facilities on similar terms without adversely affecting operations.

Item 3. Legal Proceedings

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of June 30, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

- On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement agreement, the Company agreed to pay the plaintiffs $227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately $80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of June 30, 2022 and 2021, the remaining balance, plus accrued interest in total of $250,898 and 283,619, respectively.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our Certificate of Incorporation authorizes the issuance of up to 20,000,000,000 shares of common stock, par value $0.001 per share. As of January 12, 2023, there were 12,055,800,701 shares of common stock issued and outstanding, which were held by 270 holders of record. The number of holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of broker-dealers and registered clearing agencies.

Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 10,000,000 shares of preferred stock, par value $0.001 per share.

As of June 30, 2022, the Company had 2,541,500 shares of Series B preferred stock issued and outstanding.

As of June 30, 2022, the Company had 1 share of Series C preferred stock issued and outstanding.

Options and Warrants

None of the shares of our common stock are subject to outstanding options or warrants.

Market for Our Shares of Common Stock

Our common stock currently is traded on the OTC Pink tier of the OTC Markets Group under the symbol "SGMD." The market for our common stock is highly volatile. We cannot assure you that there will be a market in the future for our common stock. OTC Markets securities are not listed and traded on the floor of an organized national or regional stock exchange. Instead, OTC Markets securities transactions are conducted through a telephone and computer network connecting dealers in stocks. OTC Markets stocks are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

The following table sets forth the high and low bid prices per share of our common stock by OTC Markets for the periods indicated. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions

For the year ended June 30, 2022	High	Low
Fourth Quarter	$ 0.001	$ 0.001
Third Quarter	$ 0.001	$ 0.001
Second Quarter	$ 0.002	$ 0.001
First Quarter	$ 0.028	$ 0.002

For the year ended June 30, 2021	High	Low
Fourth Quarter	$ 0.007	$ 0.002
Third Quarter	$ 0.018	$ 0.001
Second Quarter	$ 0.002	$ 0.001
First Quarter	$ 0.005	$ 0.001

As of December 6, 2022, the closing price of our common stock on the OTC Pink was $0.0003.

Transfer Agent

Our transfer agent is West Coast Stock Transfer, Inc. of Encinitas, California; Telephone (619) 664-4780.

Dividends

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors.

Recent Sales of Unregistered Securities

Convertible Notes

On November 10, 2021, the Company entered into an assignment and assumption agreement with the assignor and assignee for two assigned convertible notes in total face value of $277,903, which consists $239,300 of principal and $38,603 of unpaid interest. The new note is due 360 days after issuance and bears an interest rate of 10% per annum. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. During the year ended June 30, 2022, the note holder converted $236,460 of the principal amount into 1,047,000,000 shares of the Company's common stock.

On January 1, 2022, the Company issued a convertible promissory note with a service provider for a total amount of $450,000. The note is due in three years and bear an interest rate of 1%. The conversion price for the note is the lesser of $0.001 and 85% of the lesser of (i) 5 days VWAP on the trading day preceding the conversion date, and (ii) the VWAP on the conversion date. "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the common stock for such date (or the nearest preceding date) on the Trading Market on which the common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the common stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the common stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the common stock so reported, or (d) in all other cases, the fair market value of a share of common stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

On January 5, 2022, the Company issued a convertible promissory note with an accredited investor for a total amount of $485,000 (includes a $82,190 OID). The note is due in one year and bear an interest rate of 8%. The note is convertible into the Company's common stock at $0.001 par value per share.

On March 23, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of $198,000 (includes a $18,000 OID). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

On April 27, 2022, the Company entered into a promissory note agreement with an accredited investor for a total amount of 144,200 (includes $19,200 OID). The note is due on April 27, 2023 and bears an one time interest charge of 12% (or $17,334) which was applied on the issuance date to the principal. Accrued, unpaid interest and outstanding principal, subject to adjustment, shall be paid in ten payments each in the amount of $16,153. The first payment was due June 15, 2022 with nine subsequent payments each month thereafter.

On June 8, 2022, the Company entered into a promissory note agreement with an accredited investor for a total amount of $220,000 (includes $20,000 OID). The note is due on June 8, 2023 and bears an interest rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

On June 28, 2022, the Company entered into a promissory note agreement with an accredited investor for a total amount of $110,000 (includes $10,000 OID). The note is due on June 28, 2023 and bears an interest rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

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Shares of Common Stock

Subsequent to June 30, 2022, the Company issued 227,979,125 shares of common stock for cash in total amount of $27,630.

Except as otherwise noted, the securities in these transactions were sold in reliance on the exemption from registration provided in Section 4(a)(2) of the Securities Act for transactions not involving any public offering. Each of the persons acquiring the foregoing securities was an accredited investor (as defined in Rule 501(a) of Regulation D) and confirmed the foregoing and acknowledged, in writing, that the securities must be acquired and held for investment. All certificates evidencing the shares sold bore a restrictive legend. The Company took reasonable steps to verify that the investors were accredited investors. No underwriter participated in the offer and sale of these securities, and no commission or other remuneration was paid or given directly or indirectly in connection therewith.

The proceeds from these sales were used for general corporate purposes.

Purchase of Equity Securities

The Company did not purchase or redeem any of its equity securities during the fiscal year ended June 30, 2022.

Item 6. Reserved

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis may include statements regarding our expectations with respect to our future performance, liquidity, and capital resources. Such statements, along with any other non-historical statements in the discussion, are forward-looking. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, factors listed in other documents we file with the SEC. We do not assume an obligation to update any forward- looking statement. Our actual results may differ materially from those contained in or implied by any of the forward-looking statements in this Form 10-K. See "SPECIAL NOTE REGARDING FORWARD- LOOKING STATEMENTS" above.

Results of Operations

The following table sets forth the results of our operations for the years ended June 30, 2022 and 2021. Certain columns may not add due to rounding.

	For the years ended June 30,	
	2022	2021
Revenues, net	4,715,822	3,979,049
Cost of goods sold	1,900,496	2,153,311
Gross margin	2,815,325	1,825,738
Operating expense	8,028,913	5,767,335
Loss from operations	(5,213,587)	(3,941,597)
Non-operating income (expense)	(6,461,589)	(2,091,204)
Equity method investment loss	-	(81,725)
Net income (loss)	(11,675,176)	(6,144,526)
Less: net loss attributable to the non-controlling interest	(602,251)	(188,392)
Net loss attributable to Sugarmade, Inc.	(11,072,926)	(5,926,134)

Revenues

For the years ended June 30, 2022 and 2021, revenues were $4,715,822 and $3,979,049 respectively. The increase was primarily due to the COVID 19 pandemic which had significant impact on the restaurant supply industry for the year ended June 30, 2021.

Cost of goods sold

For the years ended June 30, 2022 and 2021, cost of goods sold were $1,900,496 and $2,153,311 respectively. The decrease was primarily due to the COVID 19 pandemic which had significant impact on the restaurant supply industry.

Gross Profit

For the years ended June 30, 2022 and 2021, gross profit was $2,815,325 and $1,825,738, respectively. The increase was primarily due to the higher margin from the Cannabis delivery business. The gross profit margin was 59.70% and 45.88%, respectively, for the years ended June 30, 2022 and 2021.

Selling, general and administrative, expenses

For the years ended June 30, 2022 and 2021, selling, general and administrative expenses were $8,028,913 and $5,767,335, respectively. The increase was mainly due to increase in payroll, advertising and promotion expenses during the year ended June 30, 2022.

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Non-operating income expenses

The Company had total non-operating expense of $6,461,589 and $2,091,204 for the years ended June 30, 2022 and 2021, respectively. The increase in non-operating income is mainly related to the changes in fair value of derivative liabilities, and unrealized loss on securities.

Net loss

Net loss totaled $11,072,926 for the year ended June 30, 2022, compared to a net loss of $5,926,134 for the year ended June 30, 2021. The increase was due to above changes during the year ended June 30, 2022.

Outstanding Litigation

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of June 30, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

- On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement agreement, the Company agreed to pay the plaintiffs $227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately $80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of June 30, 2022, there remains a balance, plus accrued interest on the $227,000 and on the $80,000 due under the notes.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

Related Party Transactions

On January 23, 2013, SWC received a loan from an employee for $40,000. The loan bears no interest. As of June 30, 2022 and 2021, the balance of loans payable is $0 and $15,427, respectively.

On July 7, 2016, SWC received a loan from an employee. The amount of the loan bears no interest and amortized on a monthly basis over the life of the loan. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $49,447, respectively.

On November 21, 2016, SWC received a loan from an employee. The amount of the loan bears no interest and due in September 30, 2017. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $83,275, respectively.

On September 1, 2017, the Company had related party transaction with LMK Capital LLC, a related party company owned by Jimmy Chan, the Company's CEO. The amount of the loan payable/receivable bears no interest and due on demand. As of June 30, 2022 and 2021, the balance of the loan payable to LMK were $278,006 and $26,452, respectively.

On May 25, 2021, Lemon Glow received a loan from an officer. The amount of the loan bears no interest and due on demand. As of June 30, 2022 and 2021, the balance of the loans were $2,289 and $3,000, respectively.

Leverage Ratio

Due to net losses from the previous years, the Company's insolvency is a result of their stockholder's deficit. Total liabilities amounted to $19,965,734 and the stockholders' equity was negative $2,970,874, resulting in a negative debt-to-equity ratio of -6.7:1.

Going Concern

The Company sustained continued operating losses during the years ended June 30, 2022 and 2021. The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, in which it has not been successful, and/or obtaining additional financing from its shareholders or other sources, as may be required.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern; however, the above condition raises substantial doubt about the Company's ability to do so. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Management is endeavoring to increase revenue-generating operations. While priority is on generating cash from operations through the sale of the Company's products, management is also seeking to raise additional working capital through various financing sources, including the sale of the Company's equity and/or debt securities, which may not be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to continue our business as desired and our operating results will be adversely affected. In addition, any financing arrangement may have potentially adverse effects on us and/or our stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced and the new equity securities may have rights, preferences or privileges senior to those of the current holders of our common stock.

Liquidity and Capital Resources

We have primarily financed our operations through the sale of unregistered equity, loans and convertible notes payable. As of June 30, 2022, our Company had a cash balance of $161,014, current assets of $1,083,483 and total assets of $16,869,910. We had current liabilities of $13,794,327 and total liabilities of $19,840,784. Stockholders' deficit was $2,970,874 as of June 30, 2022.

The following is a summary of cash provided by or used in each of the indicated types of activities during the years ended June 30, 2022 and 2021:

Cash (used in) provided by:		2022		2021
Operating activities	$	(3,681,056)	$	(3,750,012)
Investing activities		(1,109,481)		(937,031)
Financing activities		3,554,607		5,642,982

Net cash used in operating activities was $3,681,056 for the year ended June 30, 2022, and $3,750,012 for the year ended June 30, 2021. The decrease was attributable to the accounts receivable, prepayments, accounts payable and accrued liabilities.

Net cash used in investing activities for the years ended June 30, 2022 and 2021 was $1,109,481 and $937,031. The increase was attributable to purchase of fixed assets.

Net cash provided by financing activities totaled $3,554,607 for the year ended June 30, 2022. Net cash provided by financing activities totaled $5,642,982 for the year ended June 30, 2021. The decrease in cash inflows in 2022 was mainly due to decreased proceeds from share issuances, loan payables, and convertible note payables.

Our capital requirements going forward will consist of financing our operations until we are able to reach a level of revenues and gross margins adequate to equal or exceed our ongoing operating expenses. Other than the notes payable discussed above, borrowings from our bank and the production credit facility with our suppliers, we do not have any credit agreements or other sources of liquidity immediately available to us.

Given estimates of our Company's future operating results and our credit arrangements with our suppliers, we are currently forecasting that we will need to secure additional financing to obtain adequate financial resources to reach profitability. As of the date of this report, we estimate that the cash necessary to implement our current business plan for the next twelve (12) months is approximately $5,000,000.

Based on our need to raise additional funds to implement our business plans for the next twelve months, we have included a discussion concerning the presentation of our financial statements on a going concern basis in the notes to our financial statements and our independent public accountants have included a similar discussion in their opinion on our financial statements through June 30, 2022. We will be required in the near future to issue debt or sell our Company's equity securities in order to raise additional cash, although there are no firm arrangements in place for any such financing at this time. We cannot provide any assurances as to whether we will be able to secure the necessary financing, or the terms of any such financing transaction if one were to occur. The failure to secure such financing could severely curtail our plans for future growth or in more severe scenarios, the continued operations of our Company.

Capital Expenditures

Our current plans call for our Company to expend significant amounts for capital expenditures for the foreseeable future beyond relatively insignificant expenditures for office furniture and information technology related equipment and employees as it is part of the requirement to build the infrastructure needed to support the current growth. At the same time, we will continually evaluating the production processes of our third party contract manufacturers to determine if there are investments, we could make in their processes to achieve manufacturing improvements and significant cost savings. Any such desired investments would require additional cash above our current forecast requirements.

Critical Accounting Policies Involving Management Estimates and Assumptions

Use of Fair Value

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - include other inputs that are directly or indirectly observable in the marketplace.
Level 3 - unobservable inputs which are supported by little or no market activity.

The Company used Level 3 inputs for its valuation methodology for the derivative liabilities in determining the fair value using the Binomial option-pricing model for the year ended June 30, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Revenue Recognition

We recognize revenue in accordance with ASC No. 606, Revenue Recognition. Sugarmade applied a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied.

Substantially all of the Company's revenue is recognized at the time control of the products transfers to the customer.

Cash

Cash and cash equivalents consist of amounts held as bank deposits and highly liquid debt instruments purchased with an original maturity of three months or less.

From time to time, we may maintain bank balances in interest bearing accounts in excess of the $250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). We have not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable

Accounts receivable are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. We grant unsecured credit to our customer's deemed credit worthy. Ongoing credit evaluations are performed and potential credit losses estimated by management are charged to operations on a regular basis. At the time any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. The Company had accounts receivable net of allowances of $29,822 as of June 30, 2022 and of $435,598 as of June 30, 2021.

Inventory

Inventory consists of finished goods paper and paper-based products ready for sale and is stated at the lower of cost or market. We value inventories using the weighted average costing method (approximate FIFO costing method). We regularly review inventory and consider forecasts of future demand, market conditions and product obsolescence. If the estimated realizable value of our inventory is less than cost, we make provisions in order to reduce its carrying value to its estimated market value.

Property and Equipment

Property and equipment is stated at the historical cost, less accumulated depreciation. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets for both financial and income tax reporting purposes as follows:

Machinery and equipment	3-5 years
Furniture and equipment	1-15 years
Vehicles	2-5 years
Leasehold improvements	5-30 years
Building	31.5 years
Production molding	5 years

Expenditures for renewals and betterments are capitalized while repairs and maintenance costs are normally charged to the statement of operations in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset were removed from their respective accounts and any gain or loss is recorded in the statements of income.

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment expenses for property, plant, and equipment was recorded in operating expenses during the years ended June 30, 2022 and 2021.

Goodwill and Intangible Assets

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the acquisition method. Intangible assets represent purchased intangible assets including developed technology and in-process research and development, technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames. Purchased finite-lived intangible assets are capitalized and amortized over their estimated useful lives. Technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames are capitalized and amortized over the lesser of the terms of the agreement, or estimated useful life. We capitalized the cannabis cultivation license acquired as part of a business combination.

Derivative Instruments

The fair value of derivative instruments is recorded and shown separately under current liabilities. Changes in the fair value of derivatives liability are recorded in the consolidated statement of operations under non-operating income (expense).

Our Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a Lattice Binomial model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Stock Based Compensation

Stock-based compensation cost to employees is measured at the date of grant, based on the calculated fair value of the stock-based award, and will be recognized as expense over the employee's requisite service period (generally the vesting period of the award). We estimate the fair value of employee stock options granted using the Binomial Option Pricing Model. Key assumptions used to estimate the fair value of stock options will include the exercise price of the award, the fair value of our common stock on the date of grant, the expected option term, the risk-free interest rate at the date of grant, the expected volatility and the expected annual dividend yield on our common stock. We use our company's own data among other information to estimate the expected price volatility and the expected forfeiture rate. Stock-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the stock-based payment, whichever is more readily determinable.

Loss Per Share

We calculate basic loss per share by dividing our net loss by the weighted average number of common shares outstanding for the period, without considering common stock equivalents. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents, such as options and warrants. Options and warrants are only included in the calculation of diluted earning per share when their effect is dilutive.

Income taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes ("ASC 740"), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspect of the recognition and measurement related to accounting for income taxes. We adopted the provisions of ASC 740 as of October 2, 2008 and have analyzed filing positions in each of the federal and state jurisdictions where we are required to file income tax returns, as well as open tax years in these jurisdictions. We have identified the U.S. federal and California as our "major" tax jurisdictions and generally, we remain subject to Internal Revenue Service examination of our 2013 U.S. federal income tax returns. However, we have certain tax attribute carryforwards, which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. In addition, we did not record a cumulative effect adjustment related to the adoption of ASC 740. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes. We have no interest or penalties as of June 30, 2022.

Recent Accounting Pronouncements

In January 2020, the FASB issued ASU No. 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivative and Hedging (Topic 815), which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The Company adopted this ASU on the consolidated financial statements in the year ended June 30, 2021. The adoption had no material impact on the consolidated financial statements in the years ended June 30, 2021 and 2022.

In August 2020, the FASB issued ASU 2020-06, *"Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)"* ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in GAAP. The ASU's amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2020-06 on its financial statements.

On March 2021, the FASB issued ASU 2021-03, "*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*" ("ASU 2021-03"). The amendments in ASU 2021-03 provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in ASC 350-20, Intangibles—Goodwill and Other—Goodwill, as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The amendments in this ASU are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued as of March 30, 2021. The Company adopted this ASU on the consolidated financial statements in the year ended June 30, 2021. The adoption had no material impact on the consolidated financial statements in the years ended June 30, 2021 and 2022.

On April 2021, the FASB issued ASU 2021-04, " *Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options"* ("ASU 2021-04") to clarify the accounting by issuers for modifications or exchanges of equity-classified warrants. The new ASU is effective for all entities in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2021-04 on its financial statements.

On July 2021, the FASB issued ASU 2021-05, "*Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*", which upon adoption requires a lessor to classify a lease with variable lease payments (that do not depend on a rate or index) as an operating lease on commencement date if classifying the lease as a sales-type or direct financing lease would result in a selling loss. The amendments in this ASU are effective for all entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The adoption had no material impact on the consolidated financial statements for the year ended June 30, 2022.

On July 2021, the FASB issued ASU 2021-07, "*Stock Compensation (Topic 718):* Stock Compensation" ("ASU 2021-07") *to* address the concerns from stakeholders about the cost and complexity of determining the fair value of equity-classified share-based awards for private companies. It specifically permits private companies to use 409A valuations prepared under U.S. Treasury regulations to estimate the fair value of certain awards under ASC 718. The Update is effective for private companies in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2021-07 on its financial statements.

On August 2021, the FASB issued ASU 2021-08, " Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with *Customers"* ("ASU 2021-08") to require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with revenue recognition guidance as if the acquirer had originated the contract. That is, such acquired contracts will not be measured at fair value. ASU 2021-08 is effective for privately held companies with fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of ASU 2021-08 on its financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined by Rule 229.10(f)(1).

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements at June 30, 2022 and 2021 nor at any time during the years then ended.

Item 8. Financial Statements and Supplementary Data

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Cornelius, NC 28031
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Sugarmade, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sugarmade, Inc. and Subsidiary ("the Company") as of June 30, 2021 and 2020 and the related statements of operations, stockholders' deficit, cash flows and the related notes to consolidated financial statements (collectively referred to as the consolidated financial statements) for the years ended June 30, 2021 and 2020. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations, changes in stockholders' deficit and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has an accumulated deficit, recurring losses, and expects continuing future losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Deconsolidation of Variable Interest Entities

As discussed in Notes 6 and 7 to the consolidated financial statements, the Company holds an equity investment in Indigo Dye Group ("Indigo") and accounts for its investment as a consolidated variable interest entity ("VIE") for the year ended June 30, 2020. During the year ended June 30, 2021, the Company ceased their control and deconsolidated the VIE and now accounts its investment under the equity method. To reach its accounting conclusion, the Company claimed it holds no controlling financial interest in Indigo. We identified the assessment of the controlling financial interest in Indigo as a critical audit matter.

Our principal audit procedures performed to address this critical audit matter included the following:

- Evaluating if the Company has power to direct the activities of Indigo that the most significantly impact Indigo's economic performance.
- Evaluating the Company's obligation to absorb losses of Indigo that could potentially be significant to Indigo or the right to receive benefits from Indigo that could potentially be significant to Indigo.

Investments Impairment

As discussed in Note 18 to the consolidated financial statements, the investment as of June 30, 2021 was $441,407. The Company performs an impairment testing at least once a year, or as deemed necessary due to the identification of a triggering event. The Company recognized a total impairment charge of $43,800 during the year ended June 30, 2021. The Company tests the investment asset utilizing a discounted cash flow method to determine the estimated fair value.

We identified the assessment of the fair value of the Company's investments to be a critical audit matter. The discount rates and revenue growth rates are subjective measures and changes to these assumptions could have a significant effect on the Company's assessment of the investment's fair value. Inherent uncertainties exist related to the Company's revenue growth rates and how various economic and other factors, including the projected impact from the COVID-19 pandemic, could affect the Company's forecasted assumptions of future cash flows. Auditing these elements involved especially challenging and subjective auditor judgment, including the need for specialized skills and knowledge.

Our principal audit procedures performed to address the investments impairment included the following:

- Assessing the Company's ability to estimate future cash flows, including projected revenues, by comparing the Company's historical cash flow forecasts by investment to actual results.
- Evaluating the reasonableness of assumptions used in the Company's estimate of fair value, including the revenue growth rate, given the inherent uncertainty of the COVID-19 pandemic.
- Utilizing personnel with specialized knowledge and skill in valuation to assist in assessing the appropriateness of the methodology applied in estimating the fair values of the Company's investments, discount rate used in the Company's estimate of the fair value, including performing sensitivity analysis.

Intangible Assets Impairment

As discussed in Note 15 to the consolidated financial statements, the Company's intangible assets were $10.6 million as of June 30, 2021. The Company's intangible assets include amounts recognized in connection with business acquisitions. The intangible assets mainly related to the cannabis cultivation license. In accordance with ASC 360, definite-lived intangible assets were reviewed for impairment if a triggering event occurred. As of June 30, 2021, no triggering event was identified. As a result of that analysis, the Company concluded there was no impairment for intangible assets as of such date.

We identified the intangible assets impairment assessment as a critical audit matter because of the significant estimates and assumptions management used in the analysis. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Our principal audit procedures performed to address the intangible assets impairment included the following:

- Performed qualitative procedures to identify if any indications to the impairment.
- Performed a sensitivity analysis of significant assumptions, particularly as it relates to revenue growth rates and operating margins and evaluating the impact on the fair values that would result from changes in the assumptions.
- Utilizing personnel with specialized knowledge and skill in valuation to assist in assessing the appropriateness of the methodology applied in estimating the fair values of the Company's intangible assets and evaluating the reasonableness of certain assumptions used in valuation.

Goodwill Impairment

As discussed in Note 16 to the consolidated financial statements, the Company's goodwill was $757,648 as of June 30, 2021. The Company's goodwill was recognized in connection with business acquisitions. In accordance with ASC 350, goodwill is reviewed for impairment at least once a year. As of June 30, 2021, the Company concluded there was no impairment for intangible assets as of such date.

We identified the evaluation of the impairment analysis for goodwill as a critical audit matter because of the significant estimates and assumptions management used in the analysis. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Our principal audit procedures performed to address the goodwill impairment included the following:

- Performed a sensitivity analysis of significant assumptions, particularly as it relates to revenue growth rates and operating margins and evaluating the impact on the fair values that would result from changes in the assumptions.
- Utilizing personnel with specialized knowledge and skill in analysis to assist in assessing the appropriateness of the methodology applied in estimating the fair values of the Company's goodwill and evaluating the reasonableness of certain assumptions used in analysis.

Convertible Notes

As discussed in Notes 24 and 25 to the consolidated financial statements, the Company had various debt instruments which included conversion features requiring bifurcation and separate accounting. Management evaluated the required accounting, significant estimates, and judgments around the valuation for these embedded derivatives. These embedded derivatives were initially measured at fair value and have subsequently been remeasured to fair value at each reporting period and at settlement.

There is no current observable market for these types of features and, as such, the Company determined the fair value of the embedded derivatives using a binomial option pricing model to measure the fair value of the bifurcated derivative. As a result, a high degree of auditor judgment and effort was required in performing audit procedures to evaluate the conclusions reached by management, as well as the inputs to the Company's binomial option pricing model.

Our principal audit procedures performed to address this critical audit matter included the following:

- We obtained an understanding of the controls and processes surrounding the evaluation, initial measurement and revaluation of the bifurcated derivatives.
- We evaluated management's assessment and the conclusions reached to ensure these instruments were recorded in accordance with the relevant accounting guidance.
- We evaluated the fair value of the bifurcated derivatives that included testing the valuation models and assumptions utilized by management. We reviewed and tested the fair value model used, significant assumptions, and underlying data used in the model.

/s/ L&L CPAS, PA
L&L CPAS, PA
Certified Public Accountants
Plantation, FL
The United States of America
October 13, 2021

We have served as the Company's auditor since March 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of
Sugarmade, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Sugarmade, Inc. and its subsidiaries (collectively the "Company") as of June 30, 2022, and the related consolidated statement of operations and comprehensive loss, changes in stockholders' (deficit) equity, and cash flows for the year ended June 30, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022, and the results of its operations and its cash flows for the year ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company had incurred substantial losses during the year ended June 30, 2021, and had a working capital deficit, which had raised substantial doubt about its ability to continue as a going concern. As of and for the year ended June 30, 2022, the Company continued to incur substantial losses during the year ended June 30, 2022, and as of June 30, 2022, the Company had a net working capital deficit; accordingly, the substantial doubt that the Company will continue as a going concern that existed at June 30, 2021, was not alleviated, and therefore, the as of June 30, 2022 and up to the date of this report, the substantial doubt the Company will continue as a going concern still exists. Management's plans to address this substantial doubt is set forth in Note 2. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Intangible Assets

We assessed the carrying value of intangible assets as a critical audit matter. As discussed in Note 14 to the consolidated financial statements, as of June 30, 2022, the Company's intangible assets balance was $10.6 million which was quantitatively material to the financial statements as a whole, and the account requires challenging, subjective and complex judgment and assumptions regarding the estimation of future cash flows to determine that the balance is reasonable and not materially misstated.

Our principal audit procedures performed to address the carrying value of the intangible assets and related the impairment included the following:

- Performed a sensitivity analysis of significant assumptions from management by researching wholesale and retail market value of cannabis products, particularly as it relates to revenue growth rates and operating margins, and evaluating the impact on the fair values that would result from changes in the assumptions.
- Performed quantitative analysis by using an undiscounted cash flow calculation model to test if any impairment exists and developed a range of independent estimates for assumption valuation ratios and

compared those to ratios selected by management

- Utilized personnel with specialized knowledge and skill in valuation to assist in assessing the appropriateness of the methodology applied in estimating the fair values of the Company's intangible assets.
- Performed active market research to obtain the fair market value of the cannabis for valuation and for our calculation model data, in-person inquiry with the local governmental agricultural department to obtain the license permit status and using the historical approval data to estimate the foreseen permit approval rate which applies in our calculation model.
- Obtained the third-party report from the professional consultant to verify the license application process and evaluated their opinion for the approval status of the agricultural permit.

The accounts relevant to this critical audit matter include the gross value of the intangible assets, the related accumulated amortization, amortization expense and impairment expense, and the related disclosure in the accompanying notes 2 and 14 to the financial statements.

Goodwill

We assessed the carrying value of goodwill as a critical audit matter. As discussed in Note 15 to the consolidated financial statements, the Company's goodwill balance was $757,648 as of June 30, 2022. The account requires challenging, subjective, and complex judgment and assumptions regarding the estimation of future cash flows and finding the appropriate weighted average cost of capital to determine that the balance is reasonable, properly disclosed, and not materially misstated.

Our principal audit procedures performed to address the goodwill impairment included the following:

- Evaluated management of significant assumptions and estimates which is particularly related to future revenue growth rates, capital expenditures, operating margins on evaluating the impact on the fair values according to the changes in the assumptions
- Performed quantitative analysis by using valuation model to evaluate the fair value and test whether impairment exists
- Utilized personnel with specialized knowledge and skill in analysis to assist in assessing the appropriateness of the methodology applied in estimating the fair values of the Company's goodwill and evaluating the reasonableness of certain ratios and assumptions used in analysis.

The accounts relevant to this critical audit matter include the gross value of the goodwill, and related impairment expense, and the related disclosure in the accompanying note 15 to the financial statements.

Convertible Notes and Derivative Liabilities

We assessed the carrying value and allocation of the convertible notes and related derivative liabilities as a critical audit matter. As discussed in notes 20 and 21 to the consolidated financial statements, the Company had various debt instruments which included conversion features requiring bifurcation and separate accounting. As of June 30, 2022, the Company's convertible notes and derivate liabilities balance were $1,467,437 and $5,521,284, respectively which these amounts were material to the financial statements as a whole, and the account requires challenging, subjective, and complex judgment and assumptions in order to properly value and allocate such value to the convertible notes and the derivative liabilities; additionally, the finding appropriate comparable market data and inputs for the valuation models employed can be challenging; selection of the appropriate model to measure the fair value of the embedded derivatives requires a great deal of judgment; the Company's management employed binomial option pricing model to measure the fair value of the bifurcated securities; these circumstances give rise to complex judgment in determining the management's estimate of the balance is reasonable and not materially misstated.

Our principal audit procedures performed to address this critical audit matter included the following:

- We obtained an understanding of the controls and processes surrounding the evaluation, initial measurement and revaluation of the bifurcated derivatives.
- We evaluated management's assessment and the conclusions reached to ensure these instruments were recorded in accordance with the relevant accounting guidance.
- We evaluated the value of these debt instruments by sending confirmation and vouching the related agreement
- We reviewed and tested the significant assumption and recalculated related underlying data used in the valuation model used by the management to verify the reasonableness of valuation models used.

- We performed research to determine that the model was appropriate to the facts and circumstances.

The accounts relevant to this critical audit matter include the gross value of the notes, the related debt discount amortization account, and amortization of debt discount, and the gross value of the derivative liabilities, and the related change in fair value of derivative liabilities and the related disclosures in the accompanying notes 20 and 21 to the financial statements.

/s/ WWC, P.C.
WWC, P.C.
Certified Public Accountants
PCAOB ID No. 1171

We have served as the Company's auditor since July 25, 2022

San Mateo, California
January 13, 2022

Sugarmade, Inc. and Subsidiaries
Consolidated Balance Sheets

	As of	
	June 30, 2022	**June 30, 2021**
Assets		
Current assets:		
Cash	161,014	1,396,944
Accounts receivable, net	29,822	435,598
Inventory, net	416,643	441,582
Trading securities, at market value	-	1,451,922
Other current assets	256,511	182,457
Right of use asset, current	219,494	243,406
Total current assets	1,083,483	4,151,909
Noncurrent assets:		
Property, plant and equipment, net	3,671,691	2,749,340
Intangible asset, net	10,648,921	10,650,394
Goodwill	757,648	757,648
Loan receivables, noncurrent	-	196,000
Right of use asset, noncurrent	266,760	486,253
Cost method investments in affiliates	441,407	441,407
Total noncurrent assets	15,786,427	15,281,042
Total assets	**16,869,910**	**19,432,951**
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Note payable due to bank	25,982	25,982
Accounts payable and accrued liabilities	2,664,538	2,058,839
Customer deposits	951,664	751,919
Customer overpayment	67,906	59,953
Other payables	473,799	750,485
Accrued interest	873,971	509,997
Accrued compensation and personnel related payables	-	15,471
Notes payable - Current	20,000	33,047
Notes payable - Related Parties, Current	-	15,427
Lease liability - Current	233,201	239,521
Loans payable - Current	935,975	392,605
Loan payable - Related Parties, Current	280,295	163,831

Convertible notes payable, Net, Current	1,459,536	1,421,694
Derivative liabilities, net	5,521,284	2,217,361
Warrants liabilities	3,100	21,042
Shares to be issued	283,077	138,077
Total current liabilities	13,794,327	8,815,251
Non-current liabilities:		
Loans payable, noncurrent	825,239	308,588
Note payable, noncurrent	4,828,442	4,997,323
Convertible notes payable, Net, Noncurrent	101,828	17,422
Lease liability	290,948	524,149
Total noncurrent liabilities	6,046,457	5,847,482
Total liabilities	**19,840,784**	**14,662,733**
Commitments and contingencies	-	-
Stockholders' (deficit) equity:		
Series A Preferred stock, $0.001 par value, 7,000,000 shares authorized 0 share issued outstanding at June 30, 2022 and June 30, 2021, respectively	-	-
Series B Preferred stock, $0.001 par value, 2,999,999 shares authorized 2,541,500 and 541,500 shares issued outstanding at June 30, 2022 and June 30, 2021, respectively	2,542	542
Series C Preferred stock, $0.001 par value, 1 share authorized, 1 and 1 share issued outstanding at June 30, 2022 and June 30, 2021, respectively	-	-
Common stock, $0.001 par value, 20,000,000,000 shares authorized, 11,825,389,576 and 7,402,535,676 shares issued and outstanding at June 30, 2022 and June 30, 2021, respectively	11,825,389	7,402,536
Additional paid-in capital	71,260,522	64,841,654
Share to be issued, Preferred stock	-	5,600,000
Subscription receivable	(10,042)	(500,000)
Share to be issued, Common stock	40,008	1,889,608
Accumulated deficit	(85,437,392)	(74,364,466)
Total stockholders' (deficit) equity	(2,318,974)	4,869,874
Non-Controlling Interest	(651,900)	(99,656)
Total stockholders' (deficit) equity	**(2,970,874)**	**4,770,218**
Total liabilities and stockholders' (deficit) equity	**16,869,910**	**19,432,951**

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

Sugarmade, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Year Ended, June 30, 2022	For the Year Ended, June 30, 2021
Revenues, net	$ 4,715,822	$ 3,979,049
Cost of goods sold	1,900,496	2,153,311
Gross profit	2,815,325	1,825,738
Selling, general and administrative expenses	2,503,815	1,824,757
Advertising and promotion expense	1,499,576	844,890
Marketing and research expense	175,929	431,913
Professional expense	1,014,363	1,438,341
Salaries and wages	1,766,540	709,041
Stock compensation expense	1,068,690	518,393
Total operating expenses	8,028,913	5,767,335
Loss from operations	(5,213,587)	(3,941,597)
Non-operating income (expense):		
Other (expense) income	41,948	12,637
Gain in loss of control of VIE	-	313,928
Interest expense	(1,704,564)	(1,700,420)
Bad debts	(689,110)	(522,352)
Change in fair value of derivative liabilities	(2,809,857)	1,087,485
Warrant expense	17,942	58,868
Loss on impairment	-	(43,800)
Loss on settlement	-	(106,051)
Loss on assets disposal	(4,795)	(3,742)
Amortization of intangible assets	(2,822)	-
Amortization of debt discount	(410,397)	(2,617,274)
Debt forgiveness	-	96,595
Loss on inventory	(29,801)	-
Loss on deposits	-	(119,000)
Unrealized gain on securities	(870,132)	1,451,922
Total non-operating expenses, net	(6,461,589)	(2,091,204)
Equity method investment loss	-	(81,725)
Loss before income taxes	$ (11,675,176)	$ (6,114,526)
Income tax expense	-	-
Net loss	$ (11,675,176)	$ (6,114,526)
Other comprehensive loss	-	-
Total comprehensive loss	$ (11,675,176)	$ (6,114,526)
Less: net loss attributable to the noncontrolling interest	$ (602,251)	$ (188,392)
Net loss attributable to SugarMade Inc.	$ (11,072,926)	$ (5,926,134)
Basic net loss per share	$ (0.00)	$ (0.00)
Diluted net loss per share	$ (0.00)	$ (0.00)
Basic and diluted weighted average common shares outstanding *	9,467,689,872	3,851,836,959

* Shares issuable upon conversion of convertible debts and exercising of warrants were excluded in calculating diluted loss per share as they would have been anti-dilutive.

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

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Sugarmade, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' (Deficit) Equity
For the Years ended June 30, 2022 and 2021

	Preferred Stock - Series A		Preferred Stock - Series B		Preferred Stock - Series C		Common stock		Additional paid-in capital	Shares to be issued, common shares	Shares to be cancelled, preferred shares	Subscription Receivable - CS	Common Shares Subscribed	Common Shares Subscribed	Accumulated deficit	Non Controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount									
Balance at June 30, 2020	**2,000,000**	**$ 2,000**	**1,541,500**	**$ 1,542**	**-**	**$ -**	**1,763,277,230**	**$ 1,763,278**	**$57,307,768**	**-**	**$ -**	**$ -**	**$ 236,008**	**$ -**	**$ (68,438,332)**	**$ (11,136)**	**$ (9,138,872)**
Reclass derivative liability to equity from conversion	-	-	-	-	-	-	-	-	4,956,142	-	-	-	-	-	-	-	4,956,142
Shares issued for cash	-	-	-	-	-	-	2,639,600,002	2,639,600	2,227,400	-	-	(500,000)	(196,000)	-	-	-	4,171,000
Shares issued for conversions	-	-	-	-	-	-	2,451,338,059	2,451,338	109,033	-	-	-	-	-	-	-	2,560,371
Preferred stock conversions	(2,000,000)	(2,000)	-	-	-	-	360,647,019	360,647	141,353	-	-	-	-	-	-	-	500,000
Reclassification due to deconsolidation of VIE	-	-	-	-	-	-	-	-	(169,262)	-	-	-	-	-		35,136	(134,126)
Repayment of capital to noncontrolling minority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,000)	(24,000)
Shares issued for consulting services	-	-	-	-	-	-	187,673,367	187,673	268,221	-	-	-	-	-	-	-	455,894
Series B preferred share cancelled	-	-	(1,000,000)	(1,000)	-	-	-	-	1,000	-	-	-	-	-	-	-	-
Series C preferred share issued to officer	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Distributions from non-controlling interests in other consoldiated subsidiaires	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,736	88,736
Shares issued for acquisition	-	-	-	-	-	-	-	-	-	5,600,000	-	-	1,849,600	-	-	-	7,449,600
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,926,134)	(188,392)	(6,114,526)
Balance at June 30, 2021	**-**	**$ -**	**541,500**	**$ 542**	**1**	**$ -**	**7,402,535,677**	**$ 7,402,536**	**$64,841,654**	**5,600,000**	**$ -**	**$ (500,000)**	**$ 1,889,608**	**$ -**	**$ (74,364,466)**	**$ (99,656)**	**$ 4,770,218**
Reclass derivative liability to equity from conversion	-	-	-	-	-	-	-	-	1,613,889	-	-	-	-	-	-	-	1,613,889
Shares issued for conversions	-	-	-	-	-	-	2,591,974,829	2,591,975	(1,582,739)	-	-	-	-	-	-	-	1,009,236
Shares issued for acquisition	-	-	2,000,000	2,000	-	-	660,571,429	660,571	6,787,029	(5,600,000)	-	-	(1,849,600)	-	-	-	-
Shares issued for Cash	-	-	-	-	-	-	644,117,641	644,118	(148,199)	-	-	(10,042)	-	-	-	-	485,876
Shares issued for subscription receivable - common stock	-	-	-	-	-	-	-	-	-	-	-	500,000	-	-	-	-	500,000
Repayment of Capital	-	-	-	-	-	-	-	-	(50,007)	-	-	-	-	-	-	50,007	-
Shares issued for commitment	-	-	-	-	-	-	500,000,000	500,000	(238,606)	-	-	-	-	-	-	-	261,394
Shares issued for commission	-	-	-	-	-	-	26,190,000	26,190	-	-	-	-	-	-	-	-	26,190
Issuance of options	-	-	-	-	-	-	-	-	37,500	-	-	-	-	-	-	-	37,500
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,072,926)	(602,250)	(11,675,176)
Balance at June 30, 2022	**-**	**$ -**	**2,541,500**	**$ 2,542**	**1**	**$ -**	**11,825,389,576**	**$11,825,389**	**$71,260,522**	**$ -**	**$ -**	**$ (10,042)**	**$ 40,008**	**$ -**	**$ (85,437,392)**	**$ (651,900)**	**$ (2,970,874)**

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

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Sugarmade, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For The Year Ended June 30, 2022	For The Year Ended June 30, 2021
Cash flows from operating activities:		
Net loss	$ (11,072,926)	$ (5,926,134)
Non-controlling interest	(602,251)	(188,392)
Adjustments to reconcile net loss to cash flows from operating activities:		
Excess derivative expense	1,272,109	410,889
Loss on settlement	-	106,051
Loss on deposits	-	119,000
Loss on assets disposal	4,795	3,742
Gain on debt forgiveness	-	(96,595)
Gain on loss of control of VIE	-	(313,928)
Return on EB5 Investment	-	500,000
Amortization of debt discount	410,397	2,617,274

Stock based compensation	1,068,690	518,394
Change in fair value of derivative liability	2,809,857	(1,087,485)
Change in exercise of warrant	(17,942)	(58,868)
Depreciation	187,130	105,982
Amortization of intangible assets	1,473	2,206
Impairment loss	-	43,800
Unrealized gain on securities	870,132	(1,451,922)
Bad debt	689,110	522,352
Loss on inventory	29,801	-
Changes in assets and liabilities:		
Accounts receivable	(87,334)	(402,401)
Inventory	(9,657)	93,020
Prepayment, deposits and other receivables	(74,054)	(1,015,106)
Other assets	-	54,163
Other payables	(292,157)	192,760
Accounts payable and accrued liabilities	605,699	1,122,211
Customer deposits	207,698	297,645
Unearned revenue	-	(53,248)
Right of use assets	243,406	232,374
Lease liability	(239,521)	(232,622)
Shares to be issued - liabilities	-	(26,000)
Interest Payable	314,489	160,826
Net cash used in operating activities	**(3,681,056)**	**(3,750,012)**
Cash flows from investing activities:		
Purchase of fixed assets	(1,109,481)	(69,265)
Investment to Indigo Dye	-	(564,819)
Investment proceeds from Lemon Glow	-	(274,274)
Investment proceeds from NUG	-	(28,673)
Net cash used in investing activities	**(1,109,481)**	**(937,031)**
Cash flows from financing activities:		
Proceeds from shares issuance	495,918	4,171,000
Contributions of capital to noncontrolling minority	-	88,736
Distributions of capital to noncontrolling minority	-	(24,000)
Loan receivable	-	1,365
Loan receivable - related parties	-	38,044
Proceeds (Repayment) from(to) notes payable, net	(181,928)	(345,287)
Proceeds (Repayment) from(to) note payable - related parties, net	(15,427)	-
Proceeds from advanced shares issuance	500,000	-
Subscription receivable	(10,042)	
Proceeds (Repayment) from(to) loans payable, net	1,060,021	182,087
Proceeds (Repayment) from(to) loans payable - related parties, net	823,204	122,401
Proceeds from convertible notes	1,007,810	2,174,200
Repayment of convertible notes	-	(438,752)
Reduction of cash due to Indigo deconsolidation	-	(326,812)
Net cash provided by financing activities	**3,679,557**	**5,642,982**
Net increase in cash	**(1,110,980)**	**955,940**
Cash paid during the period for:		
Cash, beginning of period	**1,396,944**	**441,004**
Cash, end of period	**$ 285,964**	**$ 1,396,944**
Supplemental information —		
Net changes in financial statement amount due to purchase of Lemon Glow:		
Goodwill acquired	-	757,648
Intangible assets acquired	-	10,637,000
Property, plant and equipment acquired	-	2,348,167
Liabilities recognized	-	(6,018,943)
Equity issued	-	(7,449,600)
Net realized gains on the transactions	-	-
Net cash paid for acquisition of Lemon Glow	-	274,272
Net changes in financial statement amount due to purchase of Nug Ave:		
Property, plant and equipment acquired	-	32,860
Other assets acquired	-	5,800
Liabilities recognized	-	(9,987)
Net realized gains on the transactions	-	-
Net cash paid for acquisition of Nug Ave	-	28,673
Supplemental disclosure of non-cash financing activities —		
Shares issued for conversion of convertible debt	1,009,236	2,560,371
Reduction in derivative liability due to conversion	1,613,889	4,956,143
Debt discount related to convertible debt	1,383,584	2,127,481
Shares issued for commitment	500,000	-

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

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Notes to Consolidated Financial Statements

1. Nature of Business

Sugarmade, Inc. (hereinafter referred to as "we", "us" or the "Company") was originally incorporated on June 5, 1986 in California as Lab, Inc., and later that month, on June 24, 1986 changed its name to Software Professionals, Inc. On May 21, 1996, the Company changed its name to Enlighten Software Solutions, Inc. On June 20, 2007, Enlighten Software Solutions, Inc. was incorporated in Delaware for the purpose of merging with Enlighten Softwear Solutions, Inc. a California corporation so as to effect a redomicile to Delaware. On January 24, 2008, the Company changed its name to Diversified Opportunities, Inc. On May 9, 2011 we closed on a Share Exchange Agreement with Sugarmade, Inc., a California corporation founded in 2010, and on June 24, 2011 changed our name to Sugarmade, Inc.

On October 24, 2014 we acquired SWC Group, Inc., a California corporation doing business as, CarryOutSupplies.com ("Carry Out Supplies").

Our Company operates much of its business activities through our subsidiaries, SWC Group, Inc., a California corporation ("SWC"), NUG Avenue, Inc., a California corporation and 70% owned subsidiary of the Company ("NUG Avenue"), and Lemon Glow Company, Inc., a California corporation and wholly owned subsidiary of the Company ("Lemon Glow").

Shares of our common stock are quoted on the OTC Pink tier of OTC Markets. Our trading symbol is "SGMD". Our corporate website is www.sugarmade.com.

As of the date of this filing, we are involved in several business sectors and business ventures:

Paper and paper-based products: The supply of consumable products to the quick-service restaurant sub-sector of the restaurant industry, and as an importer and distributor of non-medical personal protection equipment to business and consumers, via our Carry Out Supplies subsidiary. Carry Out Supplies is a producer and wholesaler of custom printed and generic supplies, servicing more than 2,000 quick-service restaurants. The primary products are plastic cold cups, paper coffee cups, yogurt cups, ice cream cups, cup lids, cup sleeves, edible packaging, food containers, soup containers, plastic spoons, and similar products for this market sector. This subsidiary, which was formed in 2009.

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Cannabis products delivery services: Following the end of the COVID cannabis delivery boom, along with a challenging cannabis retail climate from inflation, the black market, increased marketing expenses, and the cannabis excise tax moving from distribution to retail, the company has decided to reduce investments in retail operations. The company made this decision as we see more promising opportunities to increase shareholder equity by pivoting the business strategy to deploy capital to invest in cannabis real estate, cultivation, and wholesale sectors vs. cannabis retail operations.

After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

As part of pivoting our business strategy, the company negotiated with Indigo Dye Group Corp. ("Indigo") to exchange our 32% stake in Budcars for a stake in a distribution and indoor cultivation company in Santa Rosa, California. The company has already executed a share exchange agreement with Indigo. However, the final documents and terms of the new company are still being finalized. The company expects to complete the documents and announce the transition to new business post filing of this 10K.

Selected cannabis and hemp projects: On May 12, 2021, the Company entered into a Merger Agreement by and between Carnaby Spot Bay Corp, a California corporation and a wholly owned subsidiary of the Company ("Merger Sub"), Lemon Glow Company and Ryan Santiago as shareholder representative, pursuant to which Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). Upon the closing of the merger, Lemon Glow was merged into the Company. The purpose of the transactions was to establish a licensed and permitted entity which Sugarmade would cultivate, manufacture, and distribute cannabis to the California markets. At the time of the transactions, none of Lemon Glow, Merger Sub, or Sugarmade was permitted and licensed for such activities.

On October 28, 2021, Lemon Glow obtained a conditional Use Permit (UP) number from the Community Development Department of the County of Lake, California, which the Company believes is an important step towards the conditional UP for commercial cannabis cultivation at its property. The issuance of the conditional UP number by the County of Lake allows the Company to proceed with the state cannabis cultivation license application, and potentially obtain certain applicable permits, such as from the Department of Cannabis Control, Department of Food and Agriculture, Department of Pesticide Regulation, Department of Fish and Wildlife, The State Water Resources Control Board, Board of Forestry and Fire Protection, Central Valley or North Coast Regional Water Quality Control Board, Department of Public Health, and Department of Consumer Affairs, as may be required. The Company believes that obtaining the conditional UP number by the County of Lake could be the first step toward full approval to cultivate cannabis on up to 32 acres out of the total 640 acres of the property.

As of the date of this filing, Sugarmade is working diligently on satisfying the conditions required by the County of Lake to allow the Company to cultivate cannabis. It is the Company's intention to begin such activities at the earliest time possible, assuming permits are ultimately issued. Upon issuance, the company will determine the amount of acreages to grow initially based on market demand and pre-orders. However, no such license or permits have yet been issued, and applications are still pending. There can be no assurance that any such license or permits will be issued in the near future or at all.

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Once licensing and permits are issued, the company plans to divide the 32 canopy grow acres between four separate grow areas. These separate grow areas will allow the company to start with a single area and expand with demand. While waiting for demand to rise, dividing into separate grow areas will also provide an opportunity to lease the other grow areas to 3rd party or through partnership under Managed Service Agreement to generate additional revenue for the company.

We believe the market demand will increase upon federal legalization allowing for interstate commerce of cannabis. Opening the doors for out of state licensees to purchase California grown cannabis flowers.

Once fully completed, we estimate the output of 32 acres of canopy, will have the capacity of 64 tons of dry flower or 300 tons of fresh frozen, requiring approximately 300,000 sq ft of storage space. We will continue to make plans to build more storage space while concurrent with the licensing process.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of consolidation

The consolidated financial statements include the accounts of our Company, and its wholly-owned subsidiaries: SWC, Lemon Glow, Sugarrush, Sugarrush 5058, and its majority owned subsidiary, NUG Avenue. All significant intercompany transactions and balances have been eliminated in consolidation.

Going concern

The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, in which it has not been successful, and/or obtaining additional financing from its shareholders or other sources, as may be required.

Our unaudited condensed consolidated financial statements have been prepared assuming that we will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Management endeavors to increase revenue-generating operations. While the Company's priority is on generating cash from operations, management also seeks to raise additional working capital through various financing sources, including the sale of the Company's equity and/or debt securities, which may not be available on commercially reasonable terms to our Company, or which may not be available at all. If such financing is not available on satisfactory terms, we may be unable to continue our business as desired and our operating results will be adversely affected. In addition, any financing arrangement may have potentially adverse effects on us and/or our stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced, and the new equity securities may have rights, preferences or privileges senior to those of the current holders of our common stock.

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Business combinations

The Company applies the provisions of Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 805, Business Combinations, in accounting for its acquisitions. It requires the Company to recognize separately from goodwill the assets acquired and the liabilities assumed, at the acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the acquisition date fair values of the net assets acquired and the liabilities assumed. The Company used third party valuation company to determine the assets acquired and liabilities assumed with the corresponding offset to goodwill.

Use of estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Revenue recognition

We recognize revenue in accordance with ASC No. 606, Revenue Recognition. Sugarmade applied a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied.

Substantially all of the Company's revenue is recognized at the point in time that control of the products is transferred to the customer. The Company receives customer deposits in advance of delivery of product to customers; these are contract liabilities that are recognized to revenue when the Company fulfilled the performance obligations. The Company receives payments from customer in either in advance, upon delivery, or after delivery in accordance with open account credit terms set forth by management. The Company's contracts with customers do not provide for returns, refunds, and product warranties.

Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update ("ASU") No. 2016-02, which requires lessees to recognize the rights and obligations created by leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-11, Targeted Improvements, ASU No. 2018-10, Codification Improvements to Topic 842, and ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The new standard became effective April 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company adopted the new standard on July 1, 2019 using the modified retrospective transition approach as of the effective date of the initial application. The new standard provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients", which permits entities not to reassess under the new lease standard prior conclusions about lease identification, lease classification and initial direct costs. The Company does not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements.

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The most significant effects of the adoption of the new standard relate to the recognition of new ROU assets and lease liabilities on our balance sheet for office operating leases and providing significant new disclosures about our leasing activities.

The new standard also provides practical expedients for an entity's ongoing accounting. The Company has also elected the short-term leases recognition exemption for all leases that qualify. This means that the Company will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets and lease liabilities, for existing short-term leases of those assets in transition. The Company also currently expects to elect the practical expedient to not separate lease and non-lease components for its leases. All existing leases are reported under this rule.

Under ASC 840, leases were classified as either capital or operating, and the classification significantly impacted the effect the contract had on the company's financial statements. Capital lease classification resulted in a liability that was recorded on a company's balance sheet, whereas operating leases did not impact the balance sheet.

Property and equipment

Property and equipment is stated at the historical cost, less accumulated depreciation. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets for both financial and income tax reporting purposes as follows:

Machinery and equipment	3-5 years
Furniture and equipment	1-15 years
Vehicles	2-5 years
Leasehold improvements	5-30 years
Building	31.5 years
Production molding	5 years

Expenditures for renewals and betterments are capitalized while repairs and maintenance costs are normally charged to the statement of operations in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset were removed from their respective accounts and any gain or loss is recorded in the statements of income.

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment expenses for property, plant, and equipment was recorded in operating expenses during the years ended June 30, 2022 and 2021.

Impairment of Long-Lived Assets

Long-lived assets, which include property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

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Recoverability of long-lived assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. Based on its review, there was $0 and $43,800 impairment loss of its long-lived assets as of June 30, 2022 and 2021, respectively.

Income taxes

The Company accounts for income taxes using the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law. For deferred tax assets, management evaluates the probability of realizing the future benefits of such assets. The Company establishes valuation allowances for its deferred tax assets when evidence suggests it is unlikely that the assets will be fully realized.

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date and then only in an amount more likely than not to be sustained upon review by the tax authorities. Income tax positions that previously failed to meet the more likely than not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The Company classifies potential accrued interest and penalties related to unrecognized tax benefits within the accompanying consolidated statements of operations and comprehensive income (loss) as income tax expense.

Goodwill and Intangible Assets

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the acquisition method. Intangible assets represent purchased intangible assets including developed technology and in-process research and development, technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames. Purchased finite-lived intangible assets are capitalized and amortized over their estimated useful lives. Technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames are capitalized and amortized over the lesser of the terms of the agreement or estimated useful life. We capitalized the cannabis cultivation license acquired as part of a business combination.

Stock-based compensation

Stock-based compensation cost to employees is measured at the date of grant, based on the calculated fair value of the stock-based award, and will be recognized as expense over the employee's requisite service period (generally the vesting period of the award). We estimate the fair value of employee stock options granted using the Binomial Option Pricing Model. Key assumptions used to estimate the fair value of stock options will include the exercise price of the award, the fair value of our common stock on the date of grant, the expected option term, the risk-free interest rate at the date of grant, the expected volatility and the expected annual dividend yield on our common stock. We use our company's own data among other information to estimate the expected price volatility and the expected forfeiture rate. Stock-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the stock-based payment, whichever is more readily determinable.

Loss per share

We calculate basic loss per share by dividing our net loss by the weighted average number of common shares outstanding for the period, without considering common stock equivalents. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents, such as options and warrants.

Options and warrants are only included in the calculation of diluted earning per share when their effect is dilutive.

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Fair value of financial instruments

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - include other inputs that are directly or indirectly observable in the marketplace.
Level 3 - unobservable inputs which are supported by little or no market activity.

The Company used Level 3 inputs for its valuation methodology for the derivative liabilities in determining the fair value using the Binomial option-pricing model for the years ended June 30, 2022 and 2021.

Derivative instruments

The fair value of derivative instruments is recorded and shown separately under current liabilities. Changes in the fair value of derivatives liability are recorded in the consolidated statement of operations under non-operating income (expense).

Our Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Binomial option-pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Segment Reporting

FASB ASC Topic 280, "Segment Reporting", requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the Company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

The Company's financial statements reflect that substantially all of its operations are conducted in two industry segments – (1) paper and paper-based products such as paper cups, cup lids, food containers, etc., which accounts for approximately 52% of the Company's revenues for the year ended June 30, 2022; and (2) cannabis products delivery service and sales, which accounted for approximately 48% of the Company's total revenues for the years ended June 30, 2022.

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A reconciliation of the Company's segment operating income and cost of goods sold to the consolidated statements of operations for the years ended June 30, 2022 and 2021 is as follows:

	For the Year Ended	
	June 30, 2022	**June 30, 2021**
Segment operating income		
Paper and paper-based products	$ 2,455,574	$ 1,748,700
Cannabis products delivery	2,260,248	2,230,349
Total operating income	**$ 4,715,822**	**$ 3,979,049**

	For the Year Ended	
	June 30, 2022	**June 30, 2021**
Segment cost of goods sold		
Paper and paper-based products	$ 1,900,496	$ 1,505,851
Cannabis products delivery	-	647,460
Total cost of goods sold	**$ 1,900,496**	**$ 2,153,311**

New accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes". The pronouncement simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, "Income Taxes". The pronouncement also improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 was effective for us beginning in the first quarter of fiscal 2021, with early adoption permitted. The adoption had no material impact on the consolidated financial statements in the years ended June 30, 2022 and 2021.

In January 2020, the FASB issued ASU No. 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivative and Hedging (Topic 815), which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The Company adopted this ASU on the consolidated financial statements in the year ended June 30, 2021. The adoption had no material impact on the consolidated financial statements in the years ended June 30, 2022 and 2021.

In August 2020, the FASB issued ASU 2020-06, *"Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)"* ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in GAAP. The ASU's amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2020-06 on its financial statements.

On March 2021, the FASB issued ASU 2021-03, "*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*" ("ASU 2021-03"). The amendments in ASU 2021-03 provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in ASC 350-20, Intangibles—Goodwill and Other—Goodwill, as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The amendments in this ASU are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued as of March 30, 2021. The Company adopted this ASU on the consolidated financial statements in the year ended June 30, 2021. The adoption had no material impact on the consolidated financial statements in the years ended June 30, 2022 and 2021.

On April 2021, the FASB issued ASU 2021-04, "*Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options"* ("ASU 2021-04") to clarify the accounting by issuers for modifications or exchanges of equity-classified warrants. The new ASU is effective for all entities in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2021-04 on its financial statements.

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On July 2021, the FASB issued ASU 2021-05, "*Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*", which upon adoption requires a lessor to classify a lease with variable lease payments (that do not depend on a rate or index) as an operating lease on commencement date if classifying the lease as a sales-type or direct financing lease would result in a selling loss. The amendments in this ASU are effective for all entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The adoption had no material impact on the consolidated financial statements in the year ended June 30, 2022.

On July 2021, the FASB issued ASU 2021-07, "*Stock Compensation (Topic 718):* Stock Compensation" ("ASU 2021-07") *to* address the concerns from stakeholders about the cost and complexity of determining the fair value of equity-classified share-based awards for private companies. It specifically permits private companies to use 409A valuations prepared under U.S. Treasury regulations to estimate the fair value of certain awards under ASC 718. The Update is effective for private companies in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2021-07 on its financial statements.

On August 2021, the FASB issued ASU 2021-08, " Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with *Customers"* ("ASU 2021-08") to require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with revenue recognition guidance as if the acquirer had originated the contract. That is, such acquired contracts will not be measured at fair value. ASU 2021-08 is effective for privately held companies with fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of ASU 2021-08 on its financial statements.

3. Business Combination

On May 12, 2021, SugarMade, Inc. entered into an Agreement and Plan of Merger, as amended (the "Merger Agreement") by and between Lemon Glow Corporation, a California corporation ("Lemon Glow"), Carnaby Spot Bay Corp, a California corporation and a wholly owned subsidiary of the Company ("Merger Sub") and Ryan Santiago (the "Shareholder Representative"), pursuant to which, on May 25, 2021 and upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub merged with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). As a result of the Merger, Lemon Glow became a wholly-owned subsidiary of the Company.

Acquisition Consideration

The following table summarizes the fair value of purchase price consideration to acquire Lemon Glow (In US $000's):

Purchase Consideration Summary **In US $000's**			**Fair Value**
Cash Consideration	(1)	$	4,256
Equity Consideration	(2)	$	7,450
Interest-Bearing Debt Assumed		$	2,043
Total Purchase Consideration		**$**	**13,749**

Notes:

(1) The cash consideration consists of $280,000 in cash and $3,976,000 in promissory notes with 5% simple interest.
(2) The equity consideration consists of 660,571,429 shares of Common stock and 2,000,000 shares of Series B Preferred stock.

Purchase Price Allocation

The following is an allocation of purchase price as of the May 25, 2021 acquisition closing date based upon an estimate of the fair value of the assets acquired and the liabilities assumed by the Company in the acquisition (in thousands):

Allocation Summary **In US $000's**			**Fair Value**
Assets Acquired		$	6
Property, Plant & Equipment	(3)	$	2,348
Total Tangible Asset Allocation		**$**	**2,354**
Cannabis Cultivation License		$	10,637
Total Identifiable Intangible Assets		**$**	**10,637**
Assembled Workforce		$	275
Goodwill (Excluding Assembled Workforce)		$	483
Total Economic Goodwill		**$**	**758**
Purchase Consideration to be Allocated		**$**	**13,749**

Notes:

(3) The value of the land is excluded in the calculation of depreciation.

Assumptions in the Allocations of Purchase Price

Management prepared the purchase price allocations for Lemon Glow relied upon reports of a third party valuation expert to calculate the fair value of certain acquired assets, which primarily included identifiable intangible assets, and property and equipment.

Estimates of fair value require management to make significant estimates and assumptions. The goodwill recognized is attributable primarily to the acquired workforce, and other benefits that the Company believes will result from integrating the operations of the Lemon Glow with the operations of Sugarmade. Certain liabilities included in the purchase price allocations are based on management's best estimates of the amounts to be paid or settled and based on information available at the time the purchase price allocations were prepared.

The fair value of the identified intangible assets acquired from the Lemon Glow was estimated using an income approach. Under the income approach, an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. Indications of value are developed by discounting future net cash flows to their present value at market-based rates of return. More specifically, the fair value of the cannabis cultivation license was determined using the MPEEM method. MPEEM is an income approach to fair value measurement attributable to a specific intangible asset being valued from the asset grouping's overall cash-flow stream. MPEEM isolates the expected future discounted cash-flow stream to its net present value. Significant factors considered in the calculation of the cannabis cultivation license intangible assets were the risks inherent in the development process, including the likelihood of government regulation and market acceptance.

In connection with the acquisition of Lemon Glow, the Company has assumed certain operating liabilities which are included in the respective purchase price allocations above.

Goodwill recorded in connection with Lemon Glow was approximately $757,648. The Company does not expect to deduct any of the acquired goodwill for tax purposes.

4. Concentration

Customers

For the year ended June 30, 2022 and 2021, our Company earned net revenues of $2,815,325 and $1,825,738 respectively. The vast majority of these revenues for the year ended June 30, 2022 and 2021 were derived from a large number of customers.

Suppliers

For the year ended June 30, 2022 and 2021, we purchased products for sale by SWC, the Company's wholly owned subsidiary from several contract manufacturers located in Asia and the U.S. A substantial portion of the Company's inventory was purchased from two suppliers which accounted over 10% of the total purchases. The two suppliers accounted for 71.46% and 21.99%, respectively, of the Company's total inventory purchase for the year ended June 30, 2022.

Segment reporting information

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for June 30, 2022 and 2021 is as follows:

	For the Year Ended			
	June 30, 2022		**June 30, 2021**	
Segment operating income				
Paper and paper-based products	$	2,455,574	$	1,748,700
Cannabis products delivery		2,260,248		2,230,349
Total operating income	**$**	**4,715,822**	**$**	**3,979,049**

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5. Noncontrolling Interest and Deconsolidation of VIE

Starting in the fiscal year ended June 30, 2020, the Company had a variable interest entity (Indigo), for accounting purposes. The Company owned approximately 29% of Indigo's outstanding equity and as of September 30, 2020, involved its day-to-day operations, which gave the Company the power to direct the activities of Indigo that most significantly impact its economic performance. Accordingly, the Company recognized the carrying value of the non-controlling interest as a component of total stockholders' equity, and the consolidated financial statements included the financial position and results of operations of Indigo as of and for the periods ended June 30, 2020 and September 30, 2020.

Starting on October 1, 2020, the Company planned to open new locations via purchasing equity in other brand/franchises to cover delivery for the entire California. Therefore, the Company is not likely at this time to exercise its option to acquire the additional 30% interest in Indigo. In addition, the Company is no longer involved in day-to-day operations of Indigo and going forward, the Company intends to pursue cannabis delivery independent from Indigo. As of October 1, 2020, the Company ceased to have control over the day-to-day business of Indigo and it was deconsolidated and recorded as an investment in nonconsolidated affiliate at its $505,449 estimated fair value and changed to equity method of accounting. Pursuant to the terms of the Indigo agreement, if the Company determines, in its discretion not to continue to make monthly payments, its 40% ownership interest in Indigo will be decreased according to the payment then made. As of December 31, 2020, the Company made $59,370 in additional payments, and holds approximately 32% of the ownership of Indigo.

The net asset value of the Company's variable interest in Indigo was approximately $326,812 as of October 1, 2020, the date of deconsolidation. The value of the Company's variable interest on the date of deconsolidation was based on management's estimate of the fair value of Indigo at that time. The Company concluded that the market approach was the most appropriate method to determine the fair value of the entity on the date of deconsolidation, given that Indigo raised equity funding from third-party investors around the same period (i.e., level 2 inputs). The Company recognized a gain on deconsolidation of approximately $313,928 with no related tax impact, which is included in other income, net on the consolidated statement of operations. As the Company is not obligated to fund future losses of Indigo, the carrying amount is the Company's maximum risk of loss and accounted as equity method investment in affiliates in our consolidated financial statements as of and for the period ended September 30, 2021. Due to the Company had no access to Indigo's book during the year ended June 30, 2022, the Company recorded cost method investment in affiliates at $441,407 as of June 30, 2022. As of June 30, 2021, the Company recorded equity method investment in affiliates at 441,407, net with $81,725 loss from equity method investment.

As part of pivoting our business strategy, the company negotiated with Indigo Dye Group Corp. ("Indigo") to exchange our 32% stake in Budcars for a stake in a distribution and indoor cultivation company in Santa Rosa, California. The company has already executed a share exchange agreement with Indigo. However, the final documents and terms of the new company are still being finalized. The company expects to complete the documents and announce the transition to new business post filing of this 10K.

6. Legal Proceedings

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of June 30, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

- On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement agreement, the Company agreed to pay the plaintiffs $227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately $80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of June 30, 2022, there remains a balance, plus accrued interest on the $227,000 and on the $80,000 due under the notes.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

7. Cash

Cash and cash equivalents consist of amounts held as bank deposits and highly liquid debt instruments purchased with an original maturity of three months or less.

From time to time, we may maintain bank balances in interest bearing accounts in excess of the $250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). We have not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

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As of June 30, 2022 and 2021, the Company held cash in the amount of $161,014 and $1,396,944, respectively, including cash in hands in the amount of $50,112 and $74,481, respectively.

8. Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. We grant unsecured credit to our customer's deemed credit worthy. Ongoing credit evaluations are performed and potential credit losses estimated by management are charged to operations on a regular basis. At the time, any particular account receivable is deemed uncollectible, the balance is charged to the allowance for doubtful accounts. The Company had accounts receivable, net of allowance, of $29,822 and $435,598 as of June 30, 2022 and 2021, respectively; and allowance for doubtful accounts of $321,560 and $259,761 as of June 30, 2022 and 2021, respectively.

9. Loan Receivable

Loan receivables amounted $0 and $196,000 ($0 current and $196,000 noncurrent) as of June 30, 2022 and 2021, respectively. Loan receivables were wrote off due to the collectability as of June 30, 2022.

10. Trading Securities, at Market Value

In October 2019, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with iPower Inc., formerly known as BZRTH Inc. ("iPower"), a Nevada corporation, pursuant to which, among other things, the Company agreed to buy 100% of the issued and outstanding capital stock of iPower in exchange for $870,000 in cash, $7,130,000 under a promissory note, up to 650,000 shares of Sugarmade's common stock, and up to 3,500,000 shares of Sugarmade's Series B preferred stock.

Due to certain disputes that arose between the parties with respect to certain terms and conditions contained in the Share Exchange Agreement, the parties entered into a Rescission and Mutual Release Agreement on January 15, 2020 (the "Rescission Agreement"). Pursuant to the terms of the Rescission Agreement, iPower and its stockholders returned the shares of Sugarmade common stock and preferred stock and issued to Sugarmade 204,496 shares of the Company's common stock valued at a current market value of $1,451,922 as of June 30, 2021. The shares are free trading.

During the year ended June 30, 2022, the Company sold all the 204,496 shares of iPower Inc.'s common stock for total cash of $582,688.

For the years ended June 30, 2022 and 2021, the Company recorded unrealized (loss) gain on securities amounted $(870,132) and $1,451,922, respectively. For the years ended June 30, 2022 and 2021, the remaining value of securities amounted to current market value of $0 and $1,451,922, respectively.

11. Inventory

Inventory consists of finished goods paper and paper-based products such as paper cups and food containers ready for sale and is stated at the lower of cost or market. We value our inventory using the weighted average costing method. Our Company's policy is to include as a part of inventory any freight incurred to ship the product from our contract manufacturers to our warehouses. Outbound freights costs related to shipping costs to our customers are considered period costs and reflected in selling, general and administrative expenses. We regularly review inventory and consider forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of our inventory is less than cost, we make provisions in order to reduce its carrying value to its estimated market value. On a consolidated basis, as of June 30, 2022 and 2021, the balance for the inventory totaled $416,643 and $441,582, respectively. $0 was charged for obsolete inventory for the years ended June 30, 2022 and 2021, respectively.

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12. Other Current Assets

As of June 30, 2022 and 2021, other current assets consisted of the following:

For the year ended

		June 30,		
		2022		2021
Prepaid deposit	$	144,488	$	113,988
Prepayments for inventory		47,708		—
Prepaid expenses		55,442		35,590
Others		8,873		32,879
Total	$	256,511	$	182,457

13. Property, Plant and Equipment

As of June 30, 2022 and 2021, property, plant and equipment consisted of the following:

		June 30, 2022		June 30, 2021
Office and equipment	$	820,149	$	820,149
Motor vehicles		387,804		166,079
Building		197,609		-
Land		2,554,766		1,922,376
Leasehold improvement		423,329		365,620
Total		4,383,658		3,274,224
Less: accumulated depreciation		(711,967)		(524,884)
Plant and Equipment, net	$	3,671,691	$	2,749,340

For the years ended June 30, 2022 and 2021, depreciation expenses amounted to $187,083 and $105,982, respectively.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment expenses for property, plant, and equipment was recorded in operating expenses during the years ended June 30, 2022 and 2021.

14. Intangible Asset

On April 1, 2017, the Company entered into a distribution and intellectual property assignment agreement with Wagner Bartosch, Inc. ("Wagner") for use of their Divider'™ used in frozen desserts and other related uses. In lieu of cash payment under the agreement, the Company was obliged to issue common shares of the Company valued at $75,000 for acquiring the use right of the distribution and intellectual property. The Company amortized this use right as an intangible asset over 10 years, and recorded $3,333 and $1,400 amortization expense for the years ended June 30, 2022 and 2021, respectively.

On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and between Merger Sub, Lemon Glow and Mr. Ryan Santiago as shareholder representative, pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). The Company valued the cannabis cultivation license from Lemon Glow at $10,637,000, with a remaining economic life of 9 years as of June 30, 2022. This intangible asset has not been put into service, and accordingly, management has not started to amortize this asset during the year ended June 30, 2022 due to the pending status of the conditional use permit.

15. Goodwill

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. The fair values of net tangible assets and intangible assets acquired are based upon preliminary valuations and the Company's estimates and assumptions are subject to change within the measurement period. There was $757,648 and $757,648 of goodwill recorded as of June 30, 2022 and 2021, respectively. Goodwill was recognized as a result of the transactions detailed in "Note 3 - Business Combinations". Management assesses the carrying value of the goodwill at least annually; in its most recent assessment, they determined no impairment was necessary.

16. Cost Method Investments in Affiliates

Investment to Indigo Dye Inc. –

For the fiscal year ended June 30, 2020, the Company accounted for its investment in Indigo as a variable interest entity. The Company owned approximately 29% of Indigo's outstanding equity and as of December 31, 2020, and was involved its day-to-day operations, which gave the Company the power to direct the activities of Indigo that most significantly impact its economic performance. Accordingly, the Company recognized the carrying value of the non-controlling interest as a component of total stockholders' equity, and the consolidated financial statements included the financial position and results of operations of Indigo as of and for the year ended June 30, 2020.

During the quarter ended December 31, 2020, the Company began plans to open new locations via purchasing equity in other brand/franchises to cover delivery for the entire California. Therefore, the Company is not likely at this time to exercise its option to acquire the additional 30% interest in Indigo. In addition, the Company is no longer involved in day-to-day operations of Indigo and going forward, the Company intends to pursue cannabis delivery independent from Indigo. As of October 1, 2020, the Company ceased to have control over the day-to-day business of Indigo and it was deconsolidated and recorded as an investment in nonconsolidated affiliate at its $564,819 estimated fair value and changed to cost method of accounting. Pursuant to the terms of the Indigo agreement, if the Company determines, in its discretion not to continue to make monthly payments, its 40% ownership interest in Indigo will be decreased according to the payment then made. As of June 30, 2022, the Company did not receive any distributions or dividends from Indigo. In addition, due to the Company had no access to Indigo's book during the year ended June 30, 2022, the Company recorded cost method investment in affiliates at $441,407 as of June 30, 2022 and the Company still held approximately 32% of the ownership of Indigo.

As part of pivoting our business strategy, the company negotiated with Indigo Dye Group Corp. ("Indigo") to exchange our 32% stake in Budcars for a stake in a distribution and indoor cultivation company in Santa Rosa, California. The company has already executed a share exchange agreement with Indigo. However, the final documents and terms of the new company are still being finalized. The company expects to complete the documents and announce the transition to new business post filing of this 10K.

17. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities amounted to $2,664,538 and $2,058,839 as of June 30, 2022 and 2021, respectively. Accounts payables are mainly payables to vendors and accrued liabilities are mainly accrued interest of convertible notes payables and accrued contingent liabilities (see footnote #30).

		June 30, 2022		June 30, 2021
Accounts payable	$	2,079,607	$	1,464,692
Accrued liabilities		334,033		310,528
Legal liabilities (See below for detail explanation)		250,898		283,619
Total accounts payable and accrued liabilities:	**$**	**2,664,538**	**$**	**2,058,839**

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of June 30, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

- On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement agreement, the Company agreed to pay the plaintiffs $227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately $80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of June 30, 2022 and 2021, the remaining balance, plus accrued interest in total of $250,898 and 283,619, respectively.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

The company fully recognize this legal liability.

18. Customer Deposits

Customer deposits amounted $951,664 and $751,919 as of June 30, 2022 and 2021, respectively. Customer deposits are mainly advanced payments from customers.

June 30, 2021 Balance	Customer Deposited	Revenue Recognized	June 30, 2022 Balance
$ 751,919	$ 836,274	$ (636,529)	$ 951,664

19. Other Payables

Other payables amounted to $473,799 and $750,485 as of June 30, 2022 and 2021, respectively. Other payables are mainly credit card payables. As of June 30, 2022, the Company had eight credit cards, one of which is an American Express charge card with no limit and zero interest. The remaining seven cards had an aggregate credit limit of $85,000, and annual percentage rates ranging from 11.24% to 29.99%. As of June 30, 2022 and 2021, the Company had credit cards interest expense of $7,647 and $8,961, respectively.

20. Convertible Notes

As of June 30, 2022 and 2021, the balance owing on convertible notes, net of debt discount, with terms as described below was $1,561,364 and $1,439,116, respectively.

Convertible note 1: On August 24, 2012, the Company issued a convertible promissory note with an accredited investor for $25,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of June 30, 2022, the note is in default.

Convertible note 2: On September 18, 2012, the Company issued a convertible promissory note with an accredited investor for $25,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of June 30, 2022, the note is in default.

Convertible note 3: On December 21, 2012, the Company issued a convertible promissory note with an accredited investor for $100,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of June 30, 2022, the note is in default.

Convertible note 4: On November 16, 2018, the Company issued a convertible promissory note with an accredited investor for $40,000. The note has a term of one year with an interest rate of 8% and is convertible to common shares at a fixed conversion price of $0.07. As of June 30, 2022, the note is in default.

Convertible note 5: On December 3, 2018, the Company issued a convertible promissory note with an accredited investor for $35,000. The note has a term of one year with an interest rate of 8% and is convertible to common shares at a fixed conversion price of $0.07. As of June 30, 2022, the note is in default.

Convertible note 6: On October 31, 2019, the Company issued a convertible promissory note with an accredited investor for a total amount of $139,301. The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is $0.008 per share. On October 1, 2020, the Company entered an amendment to settlement note to amend the conversion price at 60% of the lowest trading bid price in the 20 consecutive trading days immediately preceding to the conversion date. On November 10, 2021, the original note with unpaid interest was assigned to an accredited investor. See Convertible note 16 below.

Convertible note 7: On November 1, 2019, the Company issued a convertible promissory note with an accredited investor for a total amount of $100,000. The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is $0.008 per share. On October 1, 2020, the Company entered an amendment to settlement note to amend the conversion price at 60% of the lowest trading bid price in the 20 consecutive trading days immediately preceding to the conversion date. On November 10, 2021, the original note with unpaid interest was assigned to an accredited investor. See Convertible note 16 below.

Convertible note 8: On September 8, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $110,000 (includes a $10,000 original issue discount "OID"). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is $0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of $0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent. As of June 30, 2022, the note has been fully converted.

Convertible note 9: On September 10, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $227,700 (includes a $20,700 OID and $7,000 legal expense). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. During the year ended June 30, 2021, the note holder converted $117,700 of the principal amount plus $7,352 accrued interest expense into 90,167,551 shares of the Company's common stock. During the year ended June 30, 2022, the note holder converted the remaining $110,000of the principal amount plus $7,112 accrued interest expense into 84,864,007 shares of the Company's common stock. As of June 30, 2022, the note has been fully converted.

Convertible note 10: On September 24, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $212,300 (includes a $19,300 OID). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is $0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of $0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent. During the periods ended March 31, 2022, the note holder converted $105,000 of the principal amount plus $28,960 accrued interest expense into 550,000,000 shares of the Company's common stock. As of March 31, 2022, the note was in default. The Company recorded additional $63,690 principal due to default breach occurred during the year ended June 30, 2022. As of June 30, 2022, the note has been fully converted.

Convertible note 11: On October 8, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $231,000 (includes a $21,000 OID). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is $0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of $0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent. As of March 31, 2022, the note was in default. The Company recorded additional $69,300 principal due to the default that occurred during the year ended June 30, 2022.

Convertible note 12: On October 13, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $275,000 (includes a $25,000 OID). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is $0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of $0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent. As of June 30, 2022, the note was in default. The Company recorded additional $82,500 principal due to default breach occurred during the year ended June 30, 2022.

Convertible note 13: On November 10, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of $58,300 (includes a $5,300 OID). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. As of June 30, 2022, the note has been fully converted.

Convertible note 14: On February 8, 2021, the Company issued a convertible promissory note with an accredited investor for a total amount of $69,300 (includes a $6,300 OID). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. As of June 30, 2022, the note has been fully converted.

Convertible note 15: On June 14, 2021, the Company issued a convertible promissory note with an accredited investor for a total amount of $300,000. The note is due in three years and bear an interest rate of 1%. The conversion price for the note is the lesser of $0.0036 and 85% of the lesser of (i) 5 days VWAP on the trading day preceding the conversion date, and (ii) the VWAP on the conversion date. "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company. During the year ended June 30, 2022, the note holder converted $85,000 of the principal amount plus $1,747 accrued interest expense into 100,000,000 shares of the Company's common stock.

Convertible note 16: On November 10, 2021, the Company entered into an assignment and assumption agreement with the assignor and assignee for two assigned convertible notes in total face value of $277,903, which consists $239,300 of principal and $38,603 of unpaid interest. The new note is due 360 days after issuance and bears an interest rate of 10% per annum. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. During the year ended June 30, 2022, the note holder converted $236,460 of the principal amount into 1,047,000,000 shares of the Company's common stock.

Convertible note 17: On January 1, 2022, the Company issued a convertible promissory note with a service provider for a total amount of $450,000. The note is due in three years and bear an interest rate of 1%. The conversion price for the note is the lesser of $0.001 and 85% of the lesser of (i) 5 days VWAP on the trading day preceding the conversion date, and (ii) the VWAP on the conversion date. "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the common stock for such date (or the nearest preceding date) on the Trading Market on which the common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m.

(New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the common stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the common stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the common stock so reported, or (d) in all other cases, the fair market value of a share of common stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Convertible note 18: On January 5, 2022, the Company issued a convertible promissory note with an accredited investor for a total amount of $485,000 (includes a $82,190 OID). The note is due in one year and bear an interest rate of 8%. The note is convertible into the Company's common stock at $0.001 par value per share.

Convertible note 19: On March 23, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of $198,000 (includes a $18,000 OID). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

Convertible note 20: On April 27, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of $144,200 (includes a $19,200 OID). The note is due in one year and bears interest at a rate of 12%. The conversion price for the note is 75% of the lowest trading bid for the 10 consecutive trading days prior to the conversion date.

Convertible note 21: On June 8, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of $220,000 (includes a $20,000 OID). The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

Convertible note 22: On June 28, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of $110,000 (includes a $10,000 OID). The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

In connection with the convertible debt, debt discount balance as of June 30, 2022 and 2021 were $1,185,079 and $391,086, respectively, and were being amortized and recorded as interest expenses over the term of the convertible debt.

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As of the year ended June 30, 2022, debt discount of the convertible notes consisted of following:

Start Date	End Date	Debt Discount As of 6/30/2021	Addition	Amortization	Debt Discount As of 6/30/2022
9/10/2020	9/10/2021	$ 39,452	$ -	$ (39,452)	$ -
9/10/2020	9/10/2021	5,312	-	(5,312)	-
11/10/2020	11/11/2021	18,306	-	(18,306)	-
11/10/2020	11/11/2021	3,024	-	(3,024)	-
2/8/2021	2/9/2022	36,712	-	(36,712)	-
2/8/2021	2/9/2022	5,701	-	(5,701)	-
6/14/2021	6/14/2024	282,578	-	(95,501)	187,077
1/1/2022	1/1/2025	-	450,000	(73,905)	376,095
1/5/2022	1/5/2023	-	82,190	(39,631)	42,559
3/23/2022	3/23/2023	-	198,000	(53,704)	144,296
4/27/2022	4/27/2023	-	144,200	(25,284)	118,916
6/8/2022	6/8/2023	-	220,000	(13,260)	206,740
6/28/2022	6/28/2023	-	110,000	(603)	109,397
Total:		**$ 391,086**	**$ 1,204,390**	**$ (410,397)**	**$ 1,185,079**

21. Derivative Liabilities

The derivative liability is derived from the conversion features in note 20 and stock warrant in note 22. All were valued using the weighted-average Binomial option pricing model using the assumptions detailed below. As of June 30, 2022 and 2021, the derivative liability was $5,521,284 and $2,217,361, respectively. The Company recorded $2,809,857 loss and $1,087,485 gain from changes in derivative liability during the year ended June 30, 2022 and 2021, respectively. In addition, the Company recorded $1,272,111 and $414,632 as excess of derivative expense at initial valuation due to the total debt discount cannot excess the face amount of the convertible note balance. The Binomial model with the following assumption inputs:

	June 30, 2021
Annual Dividend Yield	—
Expected Life (Years)	0.50-3.00
Risk-Free Interest Rate	0.01-0.46%
Expected Volatility	89-236%

	June 30, 2022
Annual Dividend Yield	—
Expected Life (Years)	0.50-3.00
Risk-Free Interest Rate	0.01-2.92%
Expected Volatility	133-262%

Fair value of the derivative is summarized as below:

Beginning Balance, June 30, 2021	$ 2,217,361
Additions	2,107,956
Mark to Market	2,809,856
Reclassification to APIC Due to Conversions	(1,613,889)
Ending Balance, June 30, 2022	$ 5,521,284

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22. Stock Warrants

On September 7, 2018, the Company entered into a settlement agreement with several investors to settle all disputes by issuing additional unrestricted shares. In connection with the note each individual investor will also receive warrants equal to the number of the shares the investors own as of the effective date of the settlement agreement. The warrants have a life of five years with an exercise price as of the date of exchange. The fair value of the warrants at the grant date was $56,730. As of June 30, 2022 and 2021, the fair value of the warrant liability was $1,100 and $1,042, respectively.

On February 4, 2020, the Company entered into a warrant agreement with an accredited investor for up to 10,000,000 shares of common stock of the Company at an exercise price of $0.008 per share, subject to adjustment. The warrants have a life of five years with an exercise price as of the date of exchange. The fair value of the warrants at the grant date was $80,000. As of June 30, 2022 and 2021, the fair value of the warrant liability was $2,000 and $20,000, respectively.

As of June 30, 2022 and 2021, the total fair value of the warrant liability was $3,100 and $21,042, respectively.

The Binomial model with the following assumption inputs:

Warrants liability:	June 30, 2021
Annual dividend yield	—
Expected life (years)	2.0-4.0
Risk-free interest rate	0.18-0.46%
Expected volatility	132-166%

Warrants liability:	June 30, 2022
Annual dividend yield	—
Expected life (years)	1.0-3.0

Risk-free interest rate			0.28-2.99%
Expected volatility			149-174%

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life
Outstanding at June 30, 2020	10,578,880	$ 0.021	5
Expired	-		
Granted	-		
Outstanding at June 30, 2021	10,578,880	$ 0.026	4
Expired	-		
Granted	-		
Outstanding at June 30, 2022	10,578,880	$ 0.027	3

23. Note Payable

Note payable due to bank

During October 2011, we entered into a revolving demand note (line of credit) arrangement with HSBC Bank USA, with a revolving borrowing limit of $150,000. The line of credit bears a variable interest rate of one quarter percent (0.25%) above the prime rate (3.25% as of September 30, 2013). In the event the deposit account is not established or minimum balance maintained, HSBC can charge a higher rate of interest of up to 4.0% above prime rate. As of June 30, 2022 and 2021, the loan principal balance was $25,982 and $25,982, respectively.

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Notes payable due to non-related parties

On June 15, 2018, the Company entered into a promissory note with one of the accredited investors. The original principal amount was $20,000 and the note bears 8% interest per annum. The note was payable upon demand. As of June 30, 2022 and 2021, this note had a balance of $20,000 and $20,000, respectively.

On October 6, 2020, the Company entered into a promissory note with Darryl Kuecker, and Shirley Ann Hunt (the "Trustee") for borrowing $ 1,390,000 with annual interest rate of 6% due in 30 years. Darryl Kuecker, Trustee of the 2002 Darry Kuecker Revocable Trust as to an undivided 36% interest, and Shirley Ann Hunt, Trustee of the 2002 Shirley Ann Hunt Revocable Trust as to an undivided 64% interest. Principal and interest shall be payable on monthly basis, in installments of $8,333.75, beginning on November 1, 2020 and until September 1, 2050. Payments to be divided and made separately to each beneficiary per the beneficiary's instruction: $3,000.15 to Darryl Kuecker, Trustee and $5,333.60 to Shirley Hunt, Trustee. As of June 30, 2022 and 2021, the Company had an outstanding balance of $1,364,436 and $1,378,222, respectively. For the years ended June 30, 2022 and 2021, the Company paid interest expense of $122,110 and $57,892, respectively.

On May 12, 2021, the Company issued a promissory note to the Lemon Glow shareholders. The original principal amount was $3,976,000 and the note bears interest at the rate of 5% per year 36 monthly payments commencing on June 15, 2021. As of June 30, 2022 and 2021, the note had a remaining balance of $3,463,389 and $3,626,000, respectively. As of June 30, 2022 and 2021, the note had accrued interest balance of $ 175,707 and $0, respectively.

On May 17, 2021, the Company issued a note to Hyundai financing in total principal amount of $13,047. The monthly payment was $251 per month. During the year ended June 30, 2022, the loan has been fully paid off. As of June 30, 2022 and 2021, the note had an outstanding balance of $0 and $13,047, respectively.

Notes payable due to related parties

On January 23, 2013, the Company entered into a promissory note with its former employee of the Company who owns less than 5% of the Company's stock. The original principal amount was $40,000 and the note bears no interest. The note was payable upon demand. As of June 30, 2022 and 2021, this note had a balance of $0 and $15,427, respectively.

24. Loans payable

On October 1, 2017, the Company issued a straight promissory note to Greater Asia Technology Limited (Greater Asia) for borrowing $ 100,000 with maturity date on June 30, 2018; the note bears an interest rate of 33.33%. As of June 30, 2022 and 2021, the note was in default and the outstanding balance under this note was $36,695 and $49,541, respectively.

During the year ended June 30, 2019, the Company entered into a series of short-term loan agreements with Greater Asia Technology Limited (Greater Asia) for borrowing $ 375,000, with interest rate at 40% - 50% of the principal balance. As of June 30, 2022 and 2021, the outstanding balance with Greater Asia loans were $100,000 and $100,000, respectively.

On June 6, 2019, SWC entered into an equipment loan agreement with a bank with maturity on June 21, 2024. The monthly payment is $648. As of June 30, 2022 and 2021, the outstanding balance under this loan were $11,842 and $19,506, respectively.

On July 28, 2020, we entered into a loan borrowed $159,900 from Bank of America ("Lender"), pursuant to a Promissory Note issued by Company to Lender (the "PPP Note"). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Note bears interest at 3.75% per annum and may be repaid at any time without penalty. Installment payments, including principal and interest, of $731 monthly, will begin 12 months from the date of the promissory note and the balance of principal and interest will be payable 30 years from the date of the promissory note. The PPP Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the PPP Note. On July 27, 2021, the loan amount has been increased to $500,000 and the monthly payment amount has been updated from $731 to $2,527.

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On January 25, 2021, we entered into a loan borrowed $96,595 from Bank of America ("Lender"), pursuant to a Promissory Note issued by Company to Lender (the "PPP Note"). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Note bears interest at 1.00% per annum and may be repaid at any time without penalty. The PPP Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the PPP Note.

The Company accounting for the PPP loan under Topic 470: (a). Initially record the cash inflow from the PPP loan as a financial liability and would accrue interest in accordance with the interest method under ASC Subtopic 835-30; (b). Not impute additional interest at a market rate; (c). Continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released or (2) the debtor pays off the loan; (d). Would reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received.

As of June 30, 2022 and 2021, the total outstanding PPP loan balance was $606,495 and $256,495, respectively.

On November 20, 2020, the Company entered into a loan with the Business Backer for borrowing $215,760. The note bears an interest at rate of 4% and is due in 15 months. The weekly installment payment is $3,425. As of June 30, 2022 and 2021, the outstanding loan balance under this note was $0 and $109,925, respectively.

On February 15, 2021, the Company entered into a loan with Manuel Rivera for borrowing $100,000 with maturity date on September 15, 2021; the note bears a monthly interest of $3,500 for 7 months. The Company shall pay the investor a fee of $70,000 within 45 days of its first harvest. As of June 30, 2022 and 2021, the outstanding loan balance under this note was $100,000 and $100,000, respectively. As of June 30, 2022 and 2021, the unpaid interest expense under this note was $56,000 and $14,000, respectively.

On March 24, 2021, the Company entered into auto loan agreement with John Deere Financial for an auto loan of $69,457 for 60 months at annual percentage rate of 2.85%. As of June 30, 2022 and 2021, the Company has an outstanding balance of $53,250 and $65,726, respectively.

On August 4, 2021, the Company entered into a loan with Coastline Lending Group of $490,000 which to be secured by a deed of trust on the real property at 5058 Valley Blvd, Los Angeles, CA 90032. The loan has an interest only payment of $3,471 per month with a term of 36 months. The loan bears an interest rate at 8.5% per annum with maturity date on August 14, 2024. As of June 30, 2022, the Company has an outstanding balance of $490,000.

On October 1, 2021, the Company entered into five auto loan agreements with Ally Auto to purchase five Ram Cargo Vans in total finance amount of $ 124,332 for 60 months at annual percentage rate of 6.44%. The monthly payment is $418 per vehicle. As of June 30, 2022, the Company has an outstanding balance of $108,791.

On October 5, 2021, the Company entered into an auto loan agreement with Hitachi Capital America Corp. to purchase one Ram Cargo Van in total finance amount of $ 32,464 for 60 months at annual percentage rate of 8.99%. The monthly payment is $587. As of June 30, 2022, the Company has an outstanding balance of $28,406.

On October 5, 2021, the Company entered into two auto loan agreements with Hitachi Capital America Corp. to purchase two Ram Cargo Vans in total finance amount of $ 64,730 for 60 months at annual percentage rate of 8.99%. The monthly payment is $674 per vehicle. As of June 30, 2022, the Company has an outstanding balance of $56,639.

On March 1, 2022, the Company entered into a short term loan with WNDR Group Inc. for borrowing $100,000. The note bears an monthly interest rate of 2% with maturity date on December 31, 2022. As of June 30, 2022, the Company has an outstanding balance of $100,000.

As of June 30, 2022 and 2021, the Company had an outstanding loan balance of $1,761,214 (consists of $935,975 current portion and $825,239 noncurrent portion) and $701,193 (consists of $392,605 current portion and $308,588 noncurrent portion), respectively.

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25. Loans Payable – Related Parties

On January 23, 2013, SWC received a loan from an officer for $40,000. The amount of loan bears no interest. As of June 30, 2022 and 2021, the balance of loans payable is $0 and $15,427, respectively.

On July 7, 2016, SWC received a loan from an officer. The amount of the loan bears no interest and amortized on a monthly basis over the life of the loan. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $49,447, respectively.

On November 21, 2016, SWC received a loan from an officer. The amount of the loan bears no interest and due in September 30, 2017. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $83,275, respectively.

On September 1, 2017, the Company had related party transaction with LMK Capital LLC, a related party company owned by Jimmy Chan, the Company's CEO. The amount of the loan payable/receivable bears no interest and is due on demand. As of June 30, 2022 and 2021, the balance of the loan payable to LMK were $278,006 and $26,452, respectively, and the balance of loan receivable were $0 and $0, respectively.

On May 25, 2021, Lemon Glow received a loan from an officer. The amount of the loan bears no interest and due on demand. As of June 30, 2022 and 2021, the balance of the loans were $2,289 and $3,000, respectively.

As of June 30, 2022 and 2021, the Company had an outstanding balance of $280,295 and $163,831 owed to various related parties, respectively.

26. Shares to Be Issued

On April 19, 2018, the Company entered into a consulting agreement with TAAD, LLP. ("the Consultant") to provide certain financial reporting preparation services. The Company will grant the Consultant 5,000,000 shares of the Company's stock per quarter as consulting fees. As of June 30, 2022 and 2021, 20,000,000 common shares for fiscal year 2022 and 5,000,000 common shares for fiscal year 2021 have not been issued to the Consultant. As of June 30, 2022 and 2021, the Company had potential shares to be issued in total amount of $54,500 and $27,500, respectively.

Starting July 1, 2021, Mr. Jimmy Chan, the Company's CEO, receives an annual salary of $250,000 with 50,000,000 commons shares at the end of fiscal year 2022. In addition, upon closing of each acquisition, Mr. Chan will receive 10% of the purchase price as a special bonus. As of March 31, 2022 and June 30, 2021, 50,000,000 common shares for fiscal year 2022 and 50,000,000 common shares for fiscal year 2021 have not been issued to Mr. Chan. As of June 30, 2022 and 2021, the Company recorded potential shares to be issued in total amount of $228,577 and $110,577, respectively.

As of June 30, 2022 and 2021, the Company had total potential shares to be issued to the consulting agreement of $283,077 and $138,077, respectively.

27. Stockholders' (Deficit) Equity

The Company is authorized to issue 10,000,000,000 shares of $0.001 par value common stock and 10,000,000 shares of $0.001 par value preferred stock. On April 22, 2020, the Company filed an amendment to increase the total authorized shares to 10,010,000,000 – 10,000,000,000 of which are designated as common stock, par $0.001 per share and 10,000,000 of which are designated as preferred stock, par value $0.001 per share. On March 2, 2022, the Company filed with the Delaware Secretary of State a certificate of amendment (the "Amendment") to the Company's certificate of incorporation (the "Certificate of Incorporation"). The Amendment had the effect of increasing the Company's authorized common stock from 10,000,000,000 shares to 20,000,000,000 shares.

Share issuances during the three months ended September 30, 2021

During the three months ended September 30, 2021, the Company issued 375,600,448 shares of common stock for debt conversions in a total amount of $385,266.

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During the three months ended September 30, 2021, the Company issued 660,571,429 shares of common stock in exchange for the Lemon Glow acquisition for a total fair value of $1,849,600.

During the three months ended September 30, 2021, the Company issued 2,000,000 shares of series B preferred stock in exchange for the Lemon Glow acquisition in total fair value of $5,600,000.

Share issuances during the three months ended December 31, 2021

During the three months ended December 31, 2021, the Company issued 214,285,714 shares of common stock for debt conversions in a total amount of $150,000.

During the three months ended December 31, 2021, the Company issued 369,999,999 shares of common stock for total cash of $444,000.

During the three months ended December 31, 2021, the Company made repayment of capital in total cash of $50,007 to their noncontrolling minority shareholder of Nug Ave. The repayment was due to the total investment from ECGI was over 30% ownership as stated in the common share purchase agreement dated February 8, 2021.

Share issuances during the three months ended March 31, 2022

Material Definitive Agreement

On January 6, 2022, Sugarmade, Inc. (the "Company") entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with Dutchess Capital Growth Fund LP ("Dutchess") providing for an equity financing facility (the "Equity Line"). The Purchase Agreement provides that upon the terms and subject to the conditions in the Purchase Agreement, Dutchess is committed to purchase up to $10,000,000 of shares of the Company's common stock over the 36-month term of the Purchase Agreement (the "Term"), which Term commences immediately following the initial date of effectiveness of the Registration Statement referenced below (the "Total Commitment").

Under the terms of the Purchase Agreement, Dutchess will not be obligated to purchase shares of common stock unless and until certain conditions are met, including but not limited to a Registration Statement on Form S-1 (the "Registration Statement") becoming effective which registers Dutchess' resale of any common stock purchased by Dutchess under the Equity Line. The Purchase Agreement obligates the Company to file the Registration Statement within 45 business days of January 6, 2022.

From time to time during the Term, the Company, in its sole discretion, may provide Dutchess with one or more drawdown notices (each, a "Drawdown Notice"), to purchase a specified number of shares of common stock ("Drawdown Notice Shares"), subject to the limitations discussed below. The actual amount of proceeds the Company will receive pursuant to each Drawdown Notice (the "Investment Amount") is to be determined by multiplying the number of Drawdown Notice Shares by 93% of the lowest traded price of the common stock during the five business days prior to the Closing Date. Closing Date shall mean the date that is eight business days after the Clearing Date. Clearing Date shall mean the first business day that the Dutchess holds the Drawdown Notice Shares in its brokerage account and is eligible to trade the shares.

The maximum number of shares of common stock to be purchased pursuant to any single Drawdown Notice cannot exceed the lesser of (i) $250,000; (ii) 200% of the average daily traded value of the Drawdown Notice Shares during the five days immediately preceding the Drawdown Notice date; or (iii) that number of shares that would cause Dutchess to beneficially own 4.99% of the number of shares of the common stock outstanding immediately prior to the issuance of the Drawdown Notice Shares.

In order to deliver a Drawdown Notice and sell Drawdown Notice Shares to Dutchess, certain conditions set forth in the Purchase Agreement must be met, including: (a) the representations and warranties of the Company shall be true and correct in all material respects as of the date of the Purchase Agreement and the applicable closing date; (b) since the date of the Company's most recent filing with the Securities and Exchange Commission (the "SEC"), no event that had or is reasonably likely to have a material adverse effect has occurred; (c) the Company has no knowledge of an event it reasonably deems more likely than not to have the effect of causing the Registration Statement to be suspended or otherwise ineffective within 15 days following the delivery of the Drawdown Notice; and (d) the Company shall have performed, satisfied and complied in all material respects its obligations under the Purchase Agreement. Notwithstanding the forgoing, the Company shall not issue any Drawdown Notice Shares if the issuance of such shares would exceed the aggregate number of shares of common stock which the Company may issue without breaching the Company's obligations under the rules and regulations of the principal market upon which the common stock trades, or if the issuance would violate such principal market's shareholder approval requirements.

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The Purchase Agreement contains customary representations, warranties, and covenants by, among, and for the benefit of the parties. Unless earlier terminated, the Purchase Agreement will terminate automatically on the earlier to occur of: (i) the end of the 36-month Term; (ii) the date that the Company sells and Dutchess purchases the Total Commitment amount; (iii) the date that the Registration Statement is no longer effective; or (iv) the occurrence of certain specified insolvency or bankruptcy-related events. The Company may terminate the Purchase Agreement at any time by written notice to Dutchess in the event of a material breach of the agreement by Dutchess.

The Purchase Agreement also provides for mutual cross-indemnification of the parties and their affiliates in the event that either party incurs losses, liabilities, obligations, claims, damages, liabilities, costs, and expenses resulting from a breach of representations, warranties, covenants, or agreements under the Purchase Agreement; an untrue or misleading statement or misleading omission in the Registration Statement or any preliminary or final prospectus pursuant thereto; or a violation or alleged violation of federal or state securities laws and regulations.

During the three months ended March 31, 2022, the Company issued 850,000,000 shares of common stock for debt conversions in a total amount of $275,747.

During the three months ended March 31, 2022, the Company issued 300,000,000 shares of common stock for total cash of $181,394.

Share issuances during the three months ended June 30, 2022

During the three months ended June 30, 2022, the Company issued 1,152,088,667 shares of common stock for debt conversions in a total amount of $198,223.

During the three months ended June 30, 2022, the Company issued 192,665,527 shares of common stock for total cash of $41,876.

During the three months ended June 30, 2022, the Company advanced issued 81,452,115 shares of common stock for total subscription receivable of $10,042. The cash was fully collected in July 7, 2022.

During the three months ended June 30, 2022, the Company issued 26,190,000 shares of common stock for commission in fair value of $26,190.

During the three months ended June 30, 2022, the Company issued 200,000,000 shares of common stock for commitment in fair value of $80,000.

As of June 30, 2022 and 2021, the Company had 11,825,389,576 and 7,402,535,676 shares of its common stock issued and outstanding, respectively.

As of June 30, 2022 and 2021, the Company had 2,541,500 and 541,500 shares of its series B preferred stock issued and outstanding, respectively.

As of June 30, 2022 and 2021, the Company had 1 and 1 share of its series C preferred stock issued and outstanding, respectively.

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28. Leases

On February 23, 2018, the Company entered into lease agreement for a new office space as part of the plan to expand operation, the lease commenced on March 1, 2018. The term of the lease is for five (5) years with 1 month free on the 1st year of the term. The monthly rent on the 1st year will be $11,770 with a 3% increase for each subsequent year. Total commitment for the full term of the lease will be $737,367. As of the date of this filing, this property became the Company's headquarters.

The Company's warehouse along with ancillary office space is located at 20529 East Walnut Drive North, Diamond Bar, California, where we lease approximately 11,627 square feet of combined space. The lease term is for five (5) years and two (2) months ending on April 30, 2025. The current monthly rental payment for the facility is $13,022.

On February 1, 2021, the Company entered into lease agreement with Magnolia Extracts, LLC dba Nug Ave-Lynwood, a California limited liability company for a certain regulatory permit issued by the City of Lynwood authorizing commercial retailer non-storefront operations at 11118 Wright Road, Lynwood, CA 90262. The lease was set to commence on February 1, 2021. The lease payment shall equal $10,000 per month and the lease term is on month-by-month basis. Parties have agreed that the first month's rent payment shall equal $7,000 and the Company owed the landlord a refundable security deposit of $20,000 within 10 days of the commencement date.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Ford Transit Connect Van. The lease payment shall be $926 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for two 2021 Hyundai Accent. The lease payment shall be $612 monthly per vehicle on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Hyundai Accent. The lease payment shall be $616 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

As of June 30, 2022		
Lease Cost		
Operating lease cost (included in general and administration in the Company's unaudited condensed statement of operations)	$	308,925
Other Information		
Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2022	$	243,406
Remaining lease term – operating leases (in years)		1.75
Average discount rate – operating leases		10%
The supplemental balance sheet information related to leases for the periods are as follows:		
Operating leases		
Short-term right-of-use assets	$	219,494
Long-term right-of-use assets	$	266,760
Total operating lease assets	$	486,253
Short-term operating lease liabilities	$	233,201
Long-term operating lease liabilities	$	290,948
Total operating lease liabilities	$	524,149

Maturities of the Company's lease liabilities are as follows:

Year Ended June 30, 2022		Operating Lease
2023	$	273,425
2024		172,465
2025		147,446
Total lease payments		593,336
Less: Imputed interest/present value discount		(69,187)
Present value of lease liabilities	$	524,149

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29. Income Tax

The deferred tax asset as of June 30, 2022 and 2021 consisted of the following:

	2022	**2021**

Net Operating Loss Carryforwards	$	16,122,226	$	13,021,807
Less Valuation Allowance		(16,122,226)		(13,021,807)
	$	—	$	—

Management provided a deferred tax asset valuation allowance equal to the potential benefit due to the Company's loss. When the Company demonstrates the ability to generate taxable income, management will re-evaluate the allowance.

As of June 30, 2022, the Company has net operating loss carryforward of $85,437,392 which is available to offset future taxable income that expires by year 2038.

TCJA modified net operating loss (NOL) rules. For most taxpayers, NOLs arising in tax years ending after 2017 can only be carried forward. Exceptions apply to certain farming losses and NOLs of insurance companies other than a life insurance company.

For losses arising in taxable years beginning after December 31, 2017, the new law limits the NOL deduction to 80% of taxable income.

Reconciliation between the provision for income taxes and the expected tax benefit using the federal statutory rate of 21% for 2022 and 2021 is as follows:

	2022	2021
US federal statutory income tax rate	(21)%	(21)%
State tax – net of benefit	(7)%	(7)%
Non-deductible expenses, net of federal benefit	7%	7%
Increase in valuation allowance	21%	21%
Income tax expense	—	—

30. Contingent Liabilities and Commitment

On April 28, 2022, Lemon Glow Company, Inc. ("Lemon Glow"), a wholly owned subsidiary of Sugarmade, Inc. (the "Company") and Cannabis Global, Inc. ("Cannabis Global") entered into a Cultivation and Supply Agreement (the "Agreement"). Cannabis Global owns a majority stake of Natural Plant Extract of California, Inc. which operates a licensed cannabis manufacturing and distribution operation in Lynwood, California.

The Agreement provides that during the Spring 2022 cannabis cultivation season, Lemon Glow will outsource the cultivation of cannabis to licensed growers in Lake County, California; oversee and co-manage the cultivation; and sell cannabis to Cannabis Global conforming to its specifications. Lemon Glow will cultivate only the cannabis chemovars (commonly called "strains") approved by Cannabis Global. The cultivation will be conducted in accordance with regulations adopted by California's Department of Cannabis Control; Lake County, California; and other state and local governmental entities that may have legal jurisdiction over the cultivation.

Under the terms of the Agreement, Lemon Glow will present a cultivation, harvest, and processing plan to Cannabis Global by May 15, 2022 (the "Plan"). Lemon Glow will begin executing the Plan as soon as practicable thereafter with the harvest expected to occur mid-October 2022 (the "Harvest"). The Harvest will be stored as "Fresh Frozen" cannabis. Fresh Frozen cannabis is immediately flash frozen upon harvest, instead of the traditional process of drying and curing cannabis.

Under the terms of the Agreement, Cannabis Global is obligated to purchase the Harvest, up to 25,000 pounds (the "Target Yield"). Cannabis Global has an option to increase the Target Yield for subsequent growing seasons by 25% within 45 days of the current Harvest. Cannabis Global is required to pay Lemon Glow $28.00 per pound for the Fresh Frozen cannabis, up to the Target Yield. If the Target Yield is achieved, the aggregate purchase price would be $700,000 (the "Purchase Price"). The Purchase Price shall be paid as a series of cash payments and a convertible promissory note, as more fully described below.

The cash portion of the Purchase Price will be paid in cash as five $40,000 monthly installments due on the 15th of each month, commencing May 15, 2022, and a final balloon payment of up to $100,000 on October 15, 2022, depending on the size of the Harvest.

The other portion of the Purchase Price is a $400,000 convertible promissory note due April 28, 2023, bearing 8% interest per year was irrevocably issued to Lemon Glow on April 28, 2022 (the "Convertible Note"). At any time after 90 days of issuance, the Convertible Note is convertible by Lemon Glow into Cannabis Global common stock at 75% of the 10-day average closing price prior to conversion (the "Discount Price"). Interest paid on the Convertible Note is also convertible by Lemon Glow into Cannabis Global common stock at the Discount Price. Lemon Glow may not convert any amount due under the Convertible Note if, after giving effect to such conversion, Lemon Glow would beneficially own in excess of 4.99% of Cannabis Global's outstanding common stock; provided, however, that Lemon Glow may waive this limitation on 61 days advanced notice.

Events of default include, but are not limited to, failure to pay principal or interest; failure of Cannabis Global common stock to remain listed for trading on OTC Markets or a principal U.S. national securities exchange for a period of five trading days; notice to Lemon Glow that Cannabis Global cannot or will refuse to convert principal or interest into common stock; failure by Cannabis Global to convert principal or interest into common stock not remedied for three days; any default on other indebtedness in excess of $100,000; any default causing acceleration under another Cannabis Global debt obligation; the occurrence of certain bankruptcy and insolvency events; and the failure of Cannabis Global to instruct the transfer agent to remove restrictive legends when converted common stock becomes eligible for resale under Rule 144 of the Securities Act of 1933, as amended.

Upon an event of default, Lemon Glow may declare the entire unpaid principal and interest due to be payable immediately; convert the unpaid principal and interest due at the Conversion Price; or exercise such other rights as Lemon Glow may have under the Convertible Note, the Agreement, other transaction documents or applicable law. Lemon Glow may transfer, sell, pledge, hypothecate or otherwise grant a security interest in the Convertible Note, subject to certain specified restrictions. The choice of law provision provides for Nevada law to govern the Convertible Note.

Ownership of harvested cannabis will transfer to Cannabis Global upon receipt of the cannabis or upon Lemon Glow notifying Cannabis Global that it has packaged the Target Yield (the "Completion Notice"). Upon receipt of the Completion Notice, Cannabis Global has 30 days to pick up the Target Yield. If Cannabis Global has not taken possession of the cannabis within 30 days, Cannabis Global will become responsible for the ongoing cost of storage, including utilities and labor. Cannabis Global is obligated to use its best efforts to take possession of the entire Harvest within 180 days. After the 180-day period, any remaining amounts of the Harvest not picked up by Cannabis Global are considered abandoned by Cannabis Global and will become Lemon Glow's property.

Under the terms of the Agreement, Lemon Glow warrants it shall have good title, right and authority to sell all of the cannabis, free and clear of all liens, encumbrances and restrictions of any kind. The parties agree to maintain in confidence all matters and activities relating to or undertaken pursuant to the Agreement. The Agreement contains a cross-indemnification and hold harmless provision, which includes attorney fees. The Agreement is non-assignable without mutual consent. Upon the expiration of a 15-day notice period commencing upon receipt of a notice of default which remains uncured, the non-defaulting party may immediately terminate the Agreement, seek equitable relief and damages, or cure such default at the defaulting party's expense. The Agreement also includes an appendix forecasting future cannabis harvests. The forecasts are not legally binding upon the parties, but the parties have agreed in principle to use them when entering into renewals or new similar agreements for subsequent growing seasons. The choice of law provision provides for California law to govern the Agreement.

Contingent Liabilities

The company fully recognize the legal liability as account payable and accrued liabilities. Please referred to Note 17. Accounts Payable and Accrued Liabilities.

31. Subsequent Events

Entry into Letter of Intent

On June 29, 2022, the Company entered into a letter of intent (the "LOI") to acquire the business and associated property known as RMI Ventures, Dba Jerusalem Grade Farm (the "Proposed Acquisition") located at 22644 Jerusalem Grade Road, Middletown, CA 95461 ("RMI Ventures").

Pursuant to the terms of the LOI, Sugarmade proposes a 40% acquisition of RMI Ventures, including the associated real estate, cannabis-related licenses, and the business operation. The Acquisition will include a 10-year cultivation license relative to the property based on a cultivation canopy size and other information outlined in the license issued by the County of Lake, California. The licensed outdoor canopy area at the property is 43,560 square feet, and the total property acreage is 21.38. In addition, the property will include the currently installed irrigation system, a weather station, a cultivation nursery, and a biomass curing room.

All existing equipment at the property shall be included in the Acquisition, such as the cultivation license, clones, and the current 2022 growing season crop.

The purchase price would be five hundred and fifty thousand dollars ($550,000).

The Parties agree the Definitive Agreement will include a management services agreement (the "MSA"), which will include Ryan Santiago and perhaps other individuals. A five-year term for the MSA is contemplated. The compensation for Mr. Santiago will be $120,000 per annum in salary with bonuses contingent on yield for the season and total gross sales for the seasonal crop. These details will be specifically outlined in the MSA or in other documents suitable to the Parties.

Sugarmade will put into place a credit line facility (the "Facility") in the amount of Six Hundred Fifty Thousand Dollars ($650,000), the funds of which shall be designated for operational costs and working capital. The Facility will hold an annual interest rate of 14% on all outstanding balances. Sugarmade shall commit to maintaining the Facility for three (3) years from the signing of a Definitive Agreement or until the Parties mutually agree the project contemplated by this LOI and implemented by the Definitive Agreement has adequate funds to be self-sustainable.

The Parties propose to close the Acquisition by July 31, 2022.

Entry into Management Services Agreement

On August 12, 2022, SugarRush, Inc. ("SugarRush"), a wholly owned subsidiary of Sugarmade, Inc. (the "Company"), entered into a Management Services Agreement (the "MSA") by and between SugarRush and Canndis, Inc. ("Canndis"), an unrelated third party, pursuant to which the parties agreed that SugarRush would manage operations for Canndis, which holds a California regulatory permit issued by the City of Desert Hot Springs authorizing Type 12 adult-use and medicinal-microbusiness at its facility located on Little Morongo Road in Desert Hot Springs, CA (the "Facility").

Pursuant to the terms of the MSA, SugarRush will be responsible for all business operations, including all commercial cannabis activities, at the Facility. SugarRush agreed to pay Canndis a license fee of (i) 2% of gross retail sales and 1.5 percent of gross wholesale sales during the initial six months following commencement of operations (the "Introductory Period"), and (ii) after the Introductory Period, the greater of (a) $2,500 or (b) 2% of gross retail sales and 1.5% of gross wholesale sales. Canndis agreed to pay to SugarRush 65% of net sales each month.

The MSA has a term of 12 months and can be terminated as follows: (i) SugarRush may terminate for any reason upon 180 days' written notice to Canndis; and (ii) either party may immediately terminate if the other party has materially breached any representation, warranty or covenant made by the breaching party and the breach has not been cured within 30 days. The MSA contains representations and warranties customary for an agreement of this type.

Common Stock Issuance Subsequent to June 30, 2022

Subsequent to June 30, 2022, the Company entered into multiple stock purchase agreements and issued 227,979,125 shares of the Company's common stock in total cash of $27,630.

Entry into Promissory Note and Warrants

On September 9, 2022, the Company entered into a loan with Rezyfi Lending Inc. for borrowing $300,000 with maturity date on October 9, 2022; the note bears an interest of 12% per annum. The Company shall pay interest in the amount of $3,000 on a monthly basis with any remaining balance payable on the due date. In connection with the issuance of the note, the property described as 8845 and 8895 High Valley Road, Clearlake Oaks, CA 95423 shall transfer to the possession and ownership of the lender immediately as the "Security". The Security may not be sold or transferred without the Lender's consent until the due date. If borrower breaches the provision, Lender may declare all sums due under this note immediately due and payable, unless prohibited by applicable law. The Lender shall have the sole-option to accept the security as full payment for the borrowed money without further liabilities or obligations. If the market value of the security does not exceed the borrowed money, the borrower shall remain liable for the balance due while accruing interest at the maximum rate allowed by law.

On November 14, 2022, the Company entered into a loan with Mast Hill Fund L.P. for borrowing $532,000 with maturity date on November 14, 2023; the note bears an interest of 16% per annum. The note shall be convertible into shares of common stock at conversion price of $0.0001, subject to adjustments. In connection with the issuance of the note, the Company granted 1,773,333,333 shares of common stock purchase warrant at an exercise price of $0.0003. The warrant period commencing on the issuance date and ending on the five-year anniversary.

On November 14, 2022, the Company granted 95,600,000 shares of common stock purchase warrant to J.H. Darbie & Co., Inc. for service provided according to the fee agreement dated December 28, 2021, at an exercise price of $0.0003. The warrant period commencing on the issuance date and ending on the five-year anniversary.

On November 15, 2022, the Company paid off the promissory note of 1800 Diagonal Lending LLC date April 27, 2022 in total cash of $80,765.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer, who is also our Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2022, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our Chief Executive Officer concluded that as of June 30, 2022 our disclosure controls and procedures were not effective such that the information relating to us required to be disclosed in our SEC reports: (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) is accumulated and communicated to our management, including our chief executive officer to allow timely decisions regarding required disclosure.

(b) Changes in internal controls over financial reporting

During the fiscal year ended June 30, 2022, there were no changes to the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our Chief Executive Officer conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2022, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework – 2013 (COSO 2013 Framework) and SEC guidance on conducting such assessments. Based upon such evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of June 30, 2022, based on the COSO framework criteria, as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were the relative inexperience of our management and supporting personnel with the compliance and control requirements of U.S. GAAP and SEC reporting compliance.

We have taken, and are continuing to take, certain actions to remediate the material weakness related to our lack of U.S. GAAP experience. We plan to hire additional credentialed professional staff and consulting professionals with greater knowledge and experience of U.S. GAAP and related regulatory requirements to oversee our financial reporting process in order to ensure our compliance with U.S. GAAP and other relevant securities laws. In addition, we plan to provide additional training to our accounting personnel on U.S. GAAP, and other regulatory requirements regarding the preparation of financial statements.

Notwithstanding the above identified material weakness, the Company's management believes that its condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

As of June 30, 2022, the following individuals are the Company's current officers and directors. Certain information about them, is set forth below:

Name	Age	Position
Jimmy Chan	43	CEO & Chairman
Christopher H. Dieterich	74	Independent Director

Biographies

Mr. Jimmy Chan is an experienced business executive who has been instrumental in growing multiple business operations. Since he was assigned as CEO and Chairman of the Board of Sugarmade, Inc in October 2014, he has grown the business's asset and operation substantially. He is also the founder of CarryOutSupplies.com, a company that revolutionized the custom-printed food containers for the frozen dessert market, a sub-sector of the quick service restaurant industry, which merged with Sugarmade during 2014. Through his experiences in various businesses operations, he has developed a strong expertise in international trade, Regulated Cannabis Industry and The Capital Market. In the early stage of his career, he has started numerous other businesses, including a real estate investment operation that accumulated a substantial portfolio of residential properties.

Christopher H. Dieterich, is qualified to serve as a director by way his extensive legal and business experience. He graduated from Virginia Polytechnic Institute in 1969 (BS Engineering), University of California at Berkeley 1970 (MS Engineering) on full scholarship by Ford Foundation; and the University of California at Los Angeles in 1979 (JD Law/MS Economics), pursuant to a grant from Olin Foundation. He operates a law firm that specializes in SEC filings and venture capital arrangements, and currently represents 15 reporting public entities. The firm has participated in capital raises for over 50 clients, and hundreds of millions of dollars for those clients. The Board believes Mr. Dieterich adds significant value to not only corporate governance, but also to operational and capital acquisition efficiency.

The Company does not carry key man life insurance policies on any of the above principals or key personnel.

Involvement in Certain Legal Proceedings

None of our directors, executive officers, significant employees or control persons has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

There has never been a petition under the Bankruptcy Act, or any State insolvency law filed by or against the Company or its principals or key personnel. Additionally, there has never been a receiver, fiscal agent, or similar officer appointed by a court for the business or property of any such persons, or any partnership in which any of such persons was a general partner at or within the past five years, or any corporation or business association of which any such person was an executive officer at or within the past five years.

Family Relationships

There are no family relationships between any director or executive officer.

Leadership Structure

Jimmy Chan, who is also a director and serves as chairman, CEO, principal financial officer, principal accounting officer and corporate Secretary. Christopher H. Dieterich became an independent director on April 22, 2019.

Board Committees

We do not have a standing audit committee, an audit committee financial expert, or any committee or person performing a similar function. We do not have any board committees including a nominating, compensation, or executive committee.

Code of Ethics

The Company has not formally adopted a written code of business conduct and ethics that governs the Company's employees, officers and Directors as the Company is not required to do so.

Director Independence

We currently have one independent director, Christopher H. Dieterich. We apply the definition of "independent director" provided under the Listing Rules of The NASDAQ Stock Market LLC ("NASDAQ"). Under NASDAQ rules, the Board has considered all relevant facts and circumstances regarding our directors and has affirmatively determined that Christopher H. Dieterich is independent of us under NASDAQ rules.

Director Compensation

Currently, non-employee directors do not receive any compensation for their services as directors. In the future, the Company expects to develop and adopt a compensation plan for all directors, officers and employees.

Item 11. Executive Compensation

The following table summarizes all compensation recorded by us in the past two fiscal years for each of our named executive officers:

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus (Preferred Shares)($)	Stock Awards (Common Stock)($)	Option Awards ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Jimmy Chan,	2022	$ 250,000(1)	$ 0.001(3)	$ 15,000(1)	0	0	0	$ 265,000
Chief Executive Officer	2021	$ 150,000(2)	$ 0.001(3)	$ 130,000(1)	0	0	0	$ 280,000

(1) For fiscal year 2022, Jimmy Chan received an annual salary of $250,000 and he was awarded 50,000,000 shares of common stock in fair value of $15,000 on June 30, 2022. As of the filing date, 50,000,000 common stock shares awarded in fiscal year 2021 have not yet been issued to Mr. Chan.

(2) For fiscal year 2021, Jimmy Chan received an annual salary of $150,000 and he was awarded 50,000,000 shares of common stock in fair value of $130,000 on June 30, 2021. As of the filing date, 50,000,000 common stock shares awarded in fiscal year 2021 have not yet been issued to Mr. Chan.

(3) The 1 share of Series C preferred stock owned by Mr. Chan has a par value of $0.001 and no conversion rights.

Officer's Compensation

For fiscal year 2022, Jimmy Chan received an annual salary of $250,000 and he was awarded 50,000,000 shares of common stock in fair value of $15,000 on June 30, 2022. As of the filing date, 50,000,000 common stock shares awarded in fiscal year 2021 have not yet been issued to Mr. Chan.

For fiscal year 2021, Jimmy Chan received an annual salary of $150,000 and he was awarded 50,000,000 shares of common stock in fair value of $130,000 on June 30, 2021. As of the filing date, 50,000,000 common stock shares awarded in fiscal year 2021 have not yet been issued to Mr. Chan.

During the fiscal year ended June 30, 2020, Mr. Chan received annual salary of $108,000 and he was awarded 5,000,000 shares of common stock on June 30, 2020. The Company recorded the fair value of stock awards in total of $21,000 based on the closing stock price of $0.0042 per share at June 30, 2020.

On April 15, 2020, Mr. Chan was awarded 2,126,500 shares of series B preferred stock as officer's compensation. Each Series B preferred stock shall be redeemable into one thousand shares of common stock. The Company recorded the fair value of stock awards in total of $5,528,900 based on the 2,126,600 shares of Series B preferred stock multiplied by the closing common stock price of $0.0026 per share at April 15, 2021 and multiplied by one thousand shares of common stock. In addition, on December 29, 2020, Mr. Jimmy Chan returned 1,000,000 bonus shares of Series B preferred shares to the Company. On May 11, 2021, Mr. Jimmy Chan returned another 1,000,000 bonus shares of Series B preferred shares to the Company. Following the aggregate return of 2,000,000 bonus shares of Series B preferred shares, the remaining 126,500 shares continue to be subject to the waiver of Mr. Chan's rights to convert such shares to common stock shares in fair value of $328,900 on grant date.

During the fiscal year ended June 30, 2021, Mr. Chan received annual salary of $150,000 and he was awarded 50,000,000 shares of common stock on June 30, 2021. The Company recorded the fair value of stock awards in total of $130,000 based on the closing stock price of $0.0026 per share at June 30, 2021.

In addition, On March 5, 2021, Mr. Chan was awarded 1 share of Series C preferred stock as bonus share at par value of $0.001. The number of authorized shares of the Series C preferred stock is one share. The share of Series C preferred stock shall have a number of votes at any time equal to (i) the number of votes then held or entitled to be made by all other equity securities of the Company, including, without limitation, the common stock, par value $0.001 per share, of the Company, debt securities of the Company or pursuant to any other agreement, contract or understanding of the Company, plus (ii) one (1). Without the prior unanimous approval and consent of the Board of Directors of the Company, the share of Series C preferred stock may not be transferred by the original share holder. The Series C preferred stock shall not be convertible into shares of any other class of stock of the Company. The Series C preferred stock shall not be entitled to receive any dividends paid on any other class of stock of the Company. In the event of any liquidation, dissolution or winding up of the Company, the Series C preferred stock shall not be entitled to receive any distribution of any of the assets or surplus funds of the Company and shall not participate with the common stock or any other class of stock of the Company. The Series C preferred stock shall not participate in any distributions or payments to the holders of the common stock or any other class of stock of the Company and shall have no economic interest in the Company.

Employment Agreements

On April 19, 2018, the Company entered into a consulting agreement with TAAD, LLP (the "Consultant") to provide certain financial reporting preparation services. The Company will grant the Consultant 5,000,000 shares of the Company's stock per quarter as consulting fees. As of June 30, 2022 and 2021, 20,000,000 common stock shares for fiscal year 2022 and 5,000,000 common stock shares for fiscal year 2021 have not been issued to the Consultant. As of June 30, 2022 and 2021, the Company had potential shares to be issued in total amount of $54,500 and $27,500, respectively.

Starting July 1, 2021, the Company entered into an employment agreement with Mr. Jimmy Chan, the Company's CEO. Mr. Jimmy Chan will receive an annual salary of $250,000 with 50,000,000 commons stock shares at the end of fiscal year 2022. In addition, upon closing of each acquisition, Mr. Chan will receive 10% of the purchase price as a special bonus. As of June 30, 2022 and 2021, 50,000,000 common stock shares for fiscal year 2022 and 50,000,000 common stock shares for fiscal year 2021 have not been issued to Mr. Chan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

As of January 12, 2023, below is information with respect to the securities holdings of (i) our named executive officers, (ii) our directors, (iii) our executive officers and directors as a group, and (iv) all persons which, pursuant to filings with the SEC and our stock transfer records, we have reason to believe may be deemed the beneficial owner of more than five percent (5%) of the shares of Common Stock.

The securities "beneficially owned" by an individual are determined in accordance with the definition of "beneficial ownership" set forth in the regulations promulgated under the Exchange Act and, accordingly, may include securities owned by or for, among others, the spouse and/or minor children of an individual and any other relative who resides in the same home as such individual, as well as other securities as to which the individual has or shares voting or investment power or which each person has the right to acquire within 60 days through the exercise of options or otherwise. Beneficial ownership may be disclaimed as to certain of the securities. The following table is based on the number of shares outstanding totaling 12,055,800,701 as of January 12, 2023.

Name and Address	Series B Preferred	Series B Preferred (as converted to Common Stock)(1)	Series C Preferred	Common Stock	Total Ownership	Percentage of Class Beneficially Owned	Percentage of Voting Power
Executive Officers and Directors:							
Jimmy Chan	500,000	500,000,000	1(2)	37,708,235(3)	537,708,236	4.49%	50.10%(4)
Other 5% Stockholders:							
Ryan Santiago	1,000,000	1,000,000,000	—	285,714,286	1,285,714,286	10.73%	5.14%(4)
SBMS Capital Inc.	700,000	700,000,000	—	—	700,000,000	5.84%	2.80%(4)

(1) Each share of Series B Preferred stock is redeemable into 1,000 shares of Common Stock.

(2) The one share of Series C Preferred held by Mr. Chan has no conversion rights. The share of Series C Preferred shall have a number of votes at any time equal to (i) the number of votes then held or entitled to be made by all other equity securities of the Company, including, without limitation, the Common Stock, debt securities of the Company or pursuant to any other agreement, contract or understanding of the Company, plus (ii) one. The Series C Preferred shall vote on any matter submitted to the holders of the Common Stock, or any class thereof, for a vote, and shall vote together with the Common Stock, or any class thereof, as applicable, on such matter for as long as the share of Series C preferred stock is issued and outstanding.

(3) Represents (i) 19,063,502 shares of common stock held by Mr. Chan; (ii) 11,266,667 shares of common stock held by LMK Capital LLC; and (iii) 7,378,066 shares of common stock held by Amy Thai. Mr. Chan is majority owner of LMK Capital LLC and therefore, is deemed to be the beneficial owner of shares owned by LMK Capital LLC. Ms. Thai shares a household with Mr. Chan and Mr. Chan is deemed to beneficially own Ms. Thai's shares.

(4) Assumes conversion of all 2,541,500 shares of Series B Preferred stock. Assuming conversion of all Series B Preferred stock outstanding, there would be (a) 12,116,925,266 eligible votes plus (b) that number of votes plus one because of the voting power of the one share of Series C Preferred stock owned by Mr. Chan. Therefore, the total number of eligible votes assuming conversion of all Series B Preferred stock would be 24,233,850,533.

As of January 12, 2023, Mr. Chan, our CEO, beneficially owns approximately 54.59% of the total shareholder voting power.

Changes in Control

As of the date of this filing, we are not aware of any arrangement that may result in a change in control of our company.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth securities authorized for issuance under any equity compensation plans approved by our stockholders as well as any equity compensation plans not approved by our stockholders as of June 30, 2022.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plans approved by our stockholders	1,578,880	0.021	2,096,446
Plans not approved by stockholders	N/A	N/A	N/A

Item 13. Certain Relationships and Related Party Transactions and Director Independence

Transactions with Related Persons

Our Company reviews transactions between our Company and persons or entities considered to be related parties (collectively "related parties"). Our Company considers entities to be related parties where an executive officer, director or a 5% or more beneficial owner of our shares of Common Stock (or an immediate family member of these persons) has a direct or indirect material interest. Transactions of this nature require the approval of our Board.

Other Transactions with Related Persons, Promoters and Certain Control Persons

The following includes a summary of any transaction occurring since July 1, 2018, or any proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of $120,000 or one percent of our average total assets at year-end for the two most recently completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation" above). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

On January 23, 2013, SWC received a loan from an officer for $40,000. The amount of loan bears no interest. As of June 30, 2022 and 2021, the balance of loans payable is $0 and $15,427, respectively.

On July 7, 2016, SWC received a loan from an officer. The amount of the loan bears no interest and amortized on a monthly basis over the life of the loan. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $49,447, respectively.

On November 21, 2016, SWC received a loan from an officer. The amount of the loan bears no interest and due in September 30, 2017. As of June 30, 2022 and 2021, the balance of the loans payable were $0 and $83,275, respectively.

On September 1, 2017, the Company had related party transaction with LMK Capital LLC, a related party company owned by Jimmy Chan, the Company's CEO. The amount of the loan payable/receivable bears no interest and is due on demand. As of June 30, 2022 and 2021, the balance of the loan payable to LMK were $278,006 and $26,452, respectively, and the balance of loan receivable were $0 and $0, respectively.

On May 25, 2021, Lemon Glow received a loan from an officer. The amount of the loan bears no interest and due on demand. As of June 30, 2022 and 2021, the balance of the loans were $2,289 and $3,000, respectively.

As of June 30, 2022 and 2021, the Company had an outstanding balance of $280,295 and $163,831 owed to various related parties, respectively.

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Item 14. Principal Accountant Fees and Services

The aggregate fees for professional services rendered to us by WWC P.C., our independent registered public accounting firm, and L&L CPAS, PA, our former independent registered public accounting firm, for the fiscal years ended June 30, 2022 and 2021, were as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2021
Audit fees (1)	$ 49,000	$ 69,000
Audit-Related fees (2)	$ —	—
Tax fees	—	—
Other fees	—	—
Total fees	**$ 49,000**	**$ 69,000**

(1) Includes fees for (i) audits of our consolidated financial statements for the fiscal years ended June 30, 2022 and 2021; and (ii) fees related to services normally provided by the accountant in connection with statutory and regulatory filings or engagements.
(2) Includes fees for review of our registration statements and offering statements filed with the SEC.

Audit and Non-Audit Service Preapproval Policy

In accordance with the requirements of the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder, our board of directors has adopted an informal approval policy that it believes will result in an effective and efficient procedure to preapprove services performed by the independent registered public accounting firm.

Audit Services. Audit services include the annual financial statement audit (including quarterly reviews) and other procedures required to be performed by the independent registered public accounting firm to be able to form an opinion on our consolidated financial statements. The board of directors preapproves specified annual audit services engagement terms and fees and other specified audit fees. All other audit services must be specifically preapproved by the board of directors. The board of directors monitors the audit services engagement and may approve, if necessary, any changes in terms, conditions, and fees resulting from changes in audit scope or other items.

Audit-Related Services. Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, which historically have been provided to us by the independent registered public accounting firm and are consistent with the SEC's rules on auditor independence. The board of directors has approved specified audit-related services within preapproved fee levels. All other audit-related services must be preapproved by the board of directors.

Tax Services. The board of directors preapproves specified tax services that it believes would not impair the independence of the independent registered public accounting firm and that are consistent with the SEC rules and guidance. The board of directors must specifically approve all other tax services.

All Other Services. Other services are services provided by the independent registered public accounting firm that do not fall within the established audit, audit-related, and tax services categories. The board of directors preapproves specified other services that do not fall within any of the specified prohibited categories of services.

Procedures. All proposals for services to be provided by the independent registered public accounting firm, which must include a detailed description of the services to be rendered and the amount of corresponding fees, are submitted to the chairman of the board of directors and the chief financial officer. The chief financial officer authorizes services that have been preapproved by the board of directors. The chief financial officer submits requests or applications to provide services that have not been preapproved by the board of directors, which must include an affirmation by the chief financial officer and the independent registered public accounting firm that the request or application is consistent with the SEC rules on auditor independence, to the board of directors (or its chair or any of its other members pursuant to delegated authority) for approval.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The consolidated financial statements and Report of Independent Registered Public Accounting Firm are listed in the "Index to Financial Statements and Schedules on page F-1 and included beginning on page F-1.

(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the financial statements included herein.

(3) Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated May 12, 2021 by and among Sugarmade, Inc., Carnaby Spot Bay Corp, Lemon Glow Company, and Ryan Santiago (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
2.2	Certificate of Merger filed with the State of California on May 14, 2021 (incorporated by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
2.3	Non-Exclusive Intellectual Property Licensing entered into as of August 26, 2021 by and between Sugarmade, Inc. and SugarRush 5058, LLC (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 31, 2021).
3.1	Certificate of Incorporation dated June 20, 2007 (incorporated by reference to Exhibit 3.1 to the registrant's registration statement on Form 10 filed with the SEC on March 14, 2008)
3.2	Amendment to Certificate of Incorporation dated January 14, 2008 (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form 10 filed with the SEC on March 14, 2008)
3.3	Certificate of Amendment to Articles of Incorporation, dated October 12, 2018 (incorporated by reference to Exhibit 3.3 to the registrant's Current Report on Form 8-K filed with the SEC on October 12, 2018)
3.4	Certificate of Correction of Designations, Powers, Preferences And Other Rights Of The Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1.6 to the registrant's Current Report on Form 8-K filed with the SEC on August 20, 2018)
3.5	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form 10 filed with the SEC on March 14, 2008)
3.6	Certificate of Withdrawal of Certificate of Designation, Preferences, and Rights of Series A Convertible Preferred Stock filed with the Delaware Secretary of State on January 15, 2021 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the SEC on January 22, 2021).
3.7	Certificate of Amendment to Certificate of Designation of Series B Senior Preferred Stock, Setting forth the Powers, Preferences, Rights, Qualifications, Limitations and Restrictions of Such Series of Preferred Stock filed with the Delaware Secretary of State on January 15, 2021 (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed with the SEC on January 22, 2021).
3.8	Certificate of Designations of Preferences and Rights of Series C Preferred Stock filed with the Delaware Secretary of State on January 15, 2021 (incorporated by reference to Exhibit 3.3 to the registrant's Current Report on Form 8-K filed with the SEC on January 22, 2021).
3.9	Certificate of Amendment to Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 7, 2022).
4.1	Common Stock Purchase Warrant, dated as of November 14, 2022, by and between Sugarmade, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 18, 2022).
10.1	Non-Exclusive Intellectual Property Licensing entered into as of August 26, 2021 by and between Sugarmade, Inc. and SugarRush 5058, LLC (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 31, 2021.
10.2	Operating Agreement of SugarRush 5058, LLC (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 31, 2021).
10.3	Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential), dated June 11, 2021, with Paredes Diana K Tr / Shalom Trust (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2021).
10.4	Common Share Purchase Agreement dated February 8, 2021 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on February 12, 2021).
10.5	Stock Redemption Agreement dated May 11, 2021 between the Company and Jimmy Chan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 13, 2021).
10.6	Promissory Note dated May 14, 2021 issued between the Company (as borrower) and Ryan Santiago (as holder) (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
10.7	Promissory Note dated May 14, 2021 issued between the Company (as borrower) and SMBS Capital Inc. (as holder) (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
10.8	Promissory Note dated May 14, 2021 issued between the Company (as borrower) and Sam Luu (as holder) (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
10.9	Promissory Note dated May 14, 2021 issued between the Company (as borrower) and Manuel Rivera (as holder) (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the SEC on May 17, 2021).
10.10	Memorandum of Understanding (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2021).
10.11	Common Stock Purchase Agreement by and between Sugarmade, Inc. and Dutchess Capital Growth Fund LP dated January 6, 2022 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on January 12, 2022).
10.12	Registration Rights Agreement by and between Sugarmade, Inc. and Dutchess Capital Growth Fund LP dated January 6, 2022 (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on January 12, 2022)
10.13	Consulting Agreement between TAAD, LLP and Sugarmade, Inc. dated as of April 19, 2018 (incorporated by reference to the registrant's registration statement on Form S-1 (333-263600) filed with the SEC on March 16, 2022)
10.14	Cultivation and Supply Agreement by and between Cannabis Global, Inc. and Lemon Glow Company, Inc. dated April 28, 2022 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 4, 2022).
10.15	$400,000 Convertible Promissory Note due April 28, 2023 bearing 8% interest per year issued by Cannabis Global, Inc. to Lemon Glow Company, Inc. on April 28, 2022 (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on May 4, 2022).
10.16	Management Services Agreement, dated as of August 12, 2022, by and between SugarRush, Inc. and Canndis, Inc. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 18, 2022).
10.17	Promissory Note, dated as of November 14, 2022, by and between Sugarmade, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 18, 2022).
10.18	Securities Purchase Agreement, dated as of November 14, 2022, by and between Sugarmade, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on November 18, 2022).
10.19	Guaranty, dated as of November 14, 2022, by and between Lemon Glow Company, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on November 18, 2022).
21.1*	List of Subsidiaries.

24.1*	Power of Attorney (set forth on signature page hereto)
31.1*	Certification of Chief Executive Officer and principal financial officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

ITEM 16. 10-K SUMMARY

As permitted, the registrant has elected not to supply a summary of information required by Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 13, 2023

SUGARMADE, INC.

By:	*/s/ Jimmy Chan*
Name:	Jimmy Chan
Title:	Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and/or officers of Sugarmade, Inc. hereby severally constitute and appoint Jimmy Chan, acting individually, his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes *as* he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jimmy Chan Jimmy Chan	Chief Executive Officer and Chairman of the Board (principal executive officer, principal financial officer and principal accounting officer)	January 13, 2023
/s/ Christopher H. Dietrich Christopher H. Dietrich	Director	January 13, 2023

EXHIBIT 21.1

List of Subsidiaries of
Sugarmade, Inc.

Entity Name	Place of Organization
Nug Avenue	Arcadia, California
SWC Group Inc.	Walnut, California
SugarRush Inc.	Monrovia, California
SugarRush 5058 Inc.	Monrovia, California
Lemon Glow Company	Alhambra, California

Exhibit 31.1

Certifications

I, Jimmy Chan, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended June 30, 2022 of Sugarmade, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 13, 2023

/s/ Jimmy Chan
Jimmy Chan
Chief Executive Officer (principal executive officer and principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sugarmade, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jimmy Chan, Chief Executive Officer of the Company, certify to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 13, 2023

/s/ Jimmy Chan
Jimmy Chan
Chief Executive Officer (principal executive officer and principal financial officer)