1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended April 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended April 30, 2019.

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

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. ("the Company" or "1933 Industries") for the interim period ended April 30, 2019, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Davidson & Company LLP, have not performed a review of these interim financial statements

July 2, 2019

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars) - Unaudited

	Note		**April 30, 2019**		July 31, 2018
ASSETS					
Current					
Cash		**$**	**14,691,715**	$	5,056,183
Restricted cash	7		**-**		4,425,602
Receivables			**2,293,331**		1,316,562
Inventory	5		**2,168,690**		1,933,061
Biological assets	6		**125,968**		311,037
Prepaid expenses and deposits			**476,427**		311,533
Deferred financing costs	11		**-**		45,000
Total current assets			**19,756,131**		13,398,978
Property and equipment	7		**7,649,196**		6,666,034
Goodwill	4,8		**21,131,502**		21,274,604
Assets held for sale	9		**12,220,101**		-
Total assets			**60,756,930**		41,339,616
LIABILITIES AND EQUITY					
Current					
Accounts payable and accrued liabilities			**2,562,223**		1,078,807
Notes payable	10		**1,288,537**		39,339
Income taxes payable			**117,398**		1,272,942
Total current liabilities			**3,968,158**		2,391,088
Convertible debentures	11		**9,863,695**		1,965,031
Total liabilities			**13,831,853**		4,356,119
EQUITY					
Share capital	12		**65,607,680**		47,338,683
Reserves	12(d)		**5,734,601**		1,846,376
Non-controlling interest	13		**(16,934)**		231,439
Accumulated other comprehensive gain (loss)			**843,993**		(138,081)
Deficit			**(25,244,263)**		(12,294,920)
Total shareholders' equity			**46,925,077**		36,983,497
Total liabilities and shareholders' equity		**$**	**60,756,930**	$	41,339,616

Events after the reporting period (note 22)

Approved on behalf of the Board of Directors and authorized for issuance on July 2, 2019:

“Signed”	“Signed”
Cam Watt, Director	Brayden Sutton, Director

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

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
For the three and nine months ended April 30, 2019 and 2018
(Expressed in Canadian dollars, except share numbers) - Unaudited

		Three months ended		Nine months ended	
	Note	**April 30, 2019**	April 30, 2018	**April 30, 2019**	April 30, 2018
Revenues		**$ 4,597,361**	$ 3,294,504	**$ 12,814,828**	$ 8,721,690
Cost of sales					
Inventory expensed to cost of sales		**3,434,248**	1,953,643	**7,988,419**	4,681,226
Gross margin, excluding fair value items		**1,163,113**	1,340,861	**4,826,409**	4,040,464
Fair value adjustment on sale of inventory		**-**	(52,265)	**(148,597)**	(52,265)
Fair value adjustment on growth of biological assets	6	**(24,671)**	151,961	**188,462**	165,464
Gross margin		**1,138,442**	1,440,557	**4,866,274**	4,153,663
Expenses					
General and administration	19	**2,205,905**	513,828	**4,801,854**	1,575,650
Management and consulting fees		**369,436**	180,893	**1,058,650**	801,538
Wages and benefits		**1,150,475**	394,902	**3,027,011**	869,804
Professional fees		**158,863**	214,010	**772,624**	1,359,345
Share-based compensation	12(d)	**234,075**	174,110	**1,850,842**	522,330
Interest expense	10,11	**381,265**	89,174	**1,137,108**	393,218
Accretion expense	11	**476,944**	24,457	**913,025**	117,388
Depreciation	7	**121,932**	66,114	**346,462**	187,154
Foreign exchange loss (gain)		**21,525**	139,353	**12,700**	(29,516)
		5,120,420	1,796,841	**13,920,276**	5,796,911
Impairment loss	4,8	**3,044,866**	-	**5,044,866**	-
Loss from continuing operations before income tax		**(7,026,844)**	(356,284)	**(14,098,868)**	(1,643,248)
Deferred tax expense (recovery)		**70**	295	**(1,185,265)**	63,170
Net loss from continuing operations		**(7,026,914)**	(356,579)	**(12,913,603)**	(1,706,418)
Net loss from discontinued operations	21	**(250,107)**	(177,681)	**(509,966)**	(177,681)
Net loss for the period		**$ (7,277,021)**	$ (534,260)	**$ (13,423,569)**	$ (1,884,099)
Net loss from continuing operations attributable to:					
Shareholders of the Company		**$ (6,815,006)**	$ (415,299)	**$ (12,812,127)**	$ (1,876,700)
Non-controlling interest		**$ (211,908)**	$ 58,720	**$ (101,476)**	$ 170,282
Net loss attributable to:					
Shareholders of the Company		**$ (7,065,113)**	$ (592,980)	**$ (13,322,093)**	$ (2,054,381)
Non-controlling interest		**$ (211,908)**	$ 58,720	**$ (101,476)**	$ 170,282
Net loss from continuing operations per share					
Basic and Diluted		**$ (0.03)**	(0.00)	**(0.05)**	(0.01)
Net loss per share					
Basic and Diluted		**$ (0.03)**	(0.00)	(0.06)	**(0.01)**
Weighted average number of shares outstanding					
Basic and Diluted		**245,861,993**	217,898,981	**242,994,582**	179,156,836

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

1933 INDUSTRIES INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the three and nine months ended April 30, 2019 and 2018
(Expressed in Canadian Dollars) - unaudited

		Three months ended		Nine months ended	
	Note	**April 30, 2019**	April 30, 2018	**April 30, 2019**	April 30, 2018
Net loss for the period		**$ (7,277,021)**	$ (534,260)	**$ (13,423,569)**	$ (1,884,099)
Other comprehensive income					
Translation adjustment		**844,612**	835,100	**1,001,676**	420,563
Comprehensive (loss) income for the period		**(6,432,409)**	300,840	**(12,421,893)**	(1,463,536)
Comprehensive (loss) income attributable to:					
Shareholders of the Company		**(7,065,113)**	(590,980)	**(13,322,093)**	(2,054,381)
Non-controlling interest		**(211,908)**	58,720	**(101,476)**	170,282
Translation adjustment – Shareholders of the Company		**852,064**	885,030	**982,074**	421,165
Translation adjustment – Non-controlling interest		**(7,452)**	(51,930)	**19,602**	(602)
		$ (6,432,409)	$ 300,840	**$ (12,421,893)**	$ (1,463,536)

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

1933 INDUSTRIES INC.
CONDENSED INTERIM TATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars) - unaudited

		Nine months ended	
	Note	**April 30, 2019**	April 30, 2018
Operating Activities			
Loss from continuing operations		**$ (12,913,603)**	$ (1,706,418)
Adjustments to non-cash items:			
Unrealized gain from change in fair value of biological assets	6	**(188,462)**	165,464
Share-based compensation	7	**1,850,842**	522,330
Accrued interest	12(d)	**478,264**	174,157
Accretion	11	**913,025**	117,388
Depreciation	12(c)	**346,462**	187,154
Shares issued for interest	10,11	**59,650**	-
Goodwill impairment	8	**5,044,866**	-
Changes in non-cash working capital items:			
Inventory and biological assets		**137,902**	(769,175)
Receivables		**(976,769)**	(547,996)
Prepaid expenses		**(164,894)**	(44,407)
Assets and liabilities held for sale		**-**	(108,959)
Deferred financing costs		**45,000**	-
Accounts payable and accrued liabilities		**1,489,649**	482,236
Due to related parties		**-**	(428,463)
Income tax payable		**(1,155,544)**	(823)
Cash used in operating activities of continuing operations		**(5,033,612)**	(1,957,512)
Cash used in operating activities of discontinued operations		**(495,100)**	(177,681)
Investing Activities			
Property and equipment	7	**(13,146,027)**	(2,214,091)
Cash acquired on acquisition	4	**-**	4,034
Spire acquisition costs	4	**-**	(30,000)
Restricted cash	7	**4,425,602**	(2,094,493)
Cash used in investing activities		**(8,720,425)**	(4,334,550)
Financing Activities			
Common shares issued for cash – private placement	12(c)	**4,500,000**	-
Common shares issued for cash – exercise of stock options	12(c)	**490,224**	507,500
Common shares issued for cash – exercise of warrant and agent options	12(c)	**3,209,123**	13,251,727
Convertible debenture units, net	11	**15,581,986**	6,061,666
Repayment of notes payable	10	**-**	(975,236)
Cash provided by financing activities		**23,781,333**	18,845,657
Effect of exchange rate changes on cash		**103,336**	(53,362)
Increase in cash		**9,635,532**	12,322,552
Cash, beginning of period		**5,056,183**	598,641
Cash, end of period		**$ 14,691,715**	$ 12,921,193

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

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Number	Issued capital	Reserves	Non-controlling interest	Accumulated other comprehensive income	Deficit	Total
Balance, July 31, 2017		**149,641,349**	**$ 21,431,946**	**$ 1,985,195**	**$ 85,659**	**$ (1,045,817)**	**$ (6,450,104)**	**$ 16,006,879**
Shares issued - exercise of warrants	12	45,021,680	13,251,727	-	-	-	-	13,251,727
Shares issued - exercise of stock options	12	3,383,334	879,667	-372,167	-	-	-	507,500
Shares issued - conversion of convertible debentures	11,12	16,720,000	4,180,000	-	-	-	-	4,180,000
Shares issued - acquisition of Spire	4	7,692,308	5,000,000	-	-	-	-	5,000,000
Share-based payments	12	-	-	522,330	-	-	-	522,330
Warrants issued - finders fees	11	-	-	283,661	-	-	-	283,661
Equity portion of convertible debentures	12	-	-	631,990	-	-	-	631,990
Translation adjustment		-	-	-	(602)	421,165	-	420,563
Net loss for the period		-	-	-	170,282	-	(2,054,381)	(1,884,099)
Balance, April 30, 2018		**222,458,671**	**$ 44,743,340**	**$ 3,051,009**	**$ 255,339**	**$ (624,652)**	**$ (8,504,485)**	**$ 38,920,551**

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

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Number	Issued capital	Reserves	Non-controlling interest	Accumulated other comprehensive income	Deficit	Total
Balance, July 31, 2018		**227,962,060**	**$ 47,338,683**	**$ 1,846,376**	**$ 231,439**	**$ (138,081)**	**$ (12,294,920)**	**$ 36,983,497**
Shares issued - exercise of options	12	1,010,000	259,615	(162,382)	-	-	-	97,233
Shares issued - exercise of warrants	12	11,040,123	3,041,958	-	-	-	-	3,041,958
Shares issued - exercise of agents warrants	12	557,217	197,199	(30,034)	-	-	-	167,165
Shares issued - exercise of agent options	12	896,454	533,972	(134,748)	-	-	-	399,224
Shares issued - private placement	12	10,000,000	4,500,000	-	-	-	-	4,500,000
Shares issued - conversion of convertible debentures $0.25	11,12	9,700,000	2,311,957	(71,826)	-	-	-	2,240,131
Shares issued - conversion of convertible debentures $0.45	11,12	10,402,207	4,587,396	(776,192)	-	-	-	3,811,204
Shares issued for acquisition of Infused	14	7,000,000	3,150,000	-	-	-	-	3,150,000
Warrants issued - Infused 9% equity acquisition	12	-	-	190,486	-	-	-	190,486
Shares issued for interest	11,12	238,600	59,650	-	-	-	-	59,650
Shares cancelled	12	(1,065,000)	(372,750)	-	-	-	372,750	-
Equity portion of convertible debenture	11,12	-	-	2,550,084	-	-	-	2,550,084
Share-based compensation	12	-	-	1,850,842	-	-	-	1,850,842
Agent options issued as finders' fees	12	-	-	471,995	-	-	-	471,995
Translation adjustment less Infused 9% equity acquisition		-	-	-	19,602	982,074	-	1,001,676
Infused 9% equity acquisition		-	-	-	(166,499)	-	-	(166,499)
Net loss for the period		-	-	-	(101,476)	-	(13,322,093)	(13,423,569)
Balance, April 30, 2019		**277,741,661**	**$ 65,607,680**	**$ 5,734,601**	**$ (16,934)**	**$ 843,993**	**$ (25,244,263)**	**$ 46,925,077**

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

1. NATURE OF OPERATIONS

1933 Industries Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Alberta. The Company is a publicly traded corporation with its registered office is located at 105 – 45655 Tamihi Way, Chilliwack, British Columbia, Canada. On September 27, 2018, the Company continued out of the province of Alberta and into the province of British Columbia.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as a (i) cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused Mfg ("Infused"), a 100% owned subsidiary of the Company, is focused on developing, acquiring and designing hemp and CBD-infused products and brands for retail sale and use in jurisdictions where permitted. On April 1, 2019, the Company acquired the remaining 9% interest in Infused from the holder to make the Company's share in Infused 100%.

The Company also holds a 100% interest in Spire Global Strategies Inc., a provider of customized security programs, compliance, information technology, buildout design, and due diligence services for the legal cannabis, mining and investment sectors.

While some states in the United States ("U.S.") have authorized the use and sale of cannabis, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S., it assumes certain risks due to conflicting state and federal laws. The federal law relating to cannabis could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

On January 4, 2018, United States Attorney General Jeff Sessions issued a memorandum to United States district attorneys (the "Sessions Memorandum") which rescinded previous guidance from the United States Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum. With the Cole Memorandum rescinded, United States federal prosecutors no longer have guidance relating to the exercise of their discretion in determining whether to prosecute cannabis related violations of United States federal law. In response to the Sessions Memorandum, on April 13, 2018, the United States President Donald Trump promised Colorado Senator Cory Gardner that he will support efforts to protect states that have legalized cannabis. Nevertheless, a significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could cause significant financial damage to the Company. The Company may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change.

Given the current illegality of cannabis under U.S. federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the U.S. federal government and are thus prohibited from providing financing to companies engaged in cannabis related activities. The Company's ability to access public capital markets in the U.S. is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Company, please see "Description of the U.S. Legal Cannabis Industry" and "Risk Factors" in the Company's Annual Information Form filed on www.sedar.com.

(Expressed in Canadian dollars, except where noted) - unaudited

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited condensed interim consolidated financial statements ("interim financial statements") were approved by the Board of Directors and authorized for issue on July 2, 2019.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended July 31, 2018 and 2017 ("annual financial statements").

b) Basis of consolidation

These interim consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
10800034 B.C. Ltd.	0034 BC	Canada	100%	CAD	Holding company
1933 Management Services Inc.	FNM	USA	100%	USD	Holding company for infused
Infused Mfg LLC	Infused MFG	USA	100% (1)	USD	Hemp and CBD – infused products
FN Pharmaceuticals LLC	FNP	USA	100%	USD	Holding company for AMA
Alternative Medicine Association LLC	AMA	USA	91%	USD	Cannabis cultivation and production
AMA Productions LLC	AMA Pro	USA	91%	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive
QuikFlo Technologies Ltd. (2)	QuikFlo	Canada	100%	CAD	Inactive

(1) On April 1, 2019, the Company acquired the remaining 9% interest from the holder to make the Company's share in Infused 100%. As a result, from February 1, 2019 (the first day of the three months ended April 30, 2019) to April 1, 2019, the Company recorded 91% of Infused's financial statements, and 100% of Infused's financial statements from April 1, 2019 to April 30, 2019.

(2) The Company disposed of QuickFlo in 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual financial statements with exception of the following:

Effective August 1, 2018, the Company adopted the following accounting standards:

a) IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company applied IFRS 9 on August 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at August 1, 2018.

IFRS 9 replaces the classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

(Expressed in Canadian dollars, except where noted) - unaudited

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available for-sale.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39. We have assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

Financial Assets	**IFRS 9**	**IAS 39**
Cash	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL
Accounts receivable	Amortized cost	Loans and receivables
Financial Liabilities	**IFRS 9**	**IAS 39**
Accounts payable and accrued liabilities	Amortized cost	Other Financial liabilities
Convertible debt	Amortized cost	Other Financial liabilities
Notes payable	Amortized cost	Other Financial liabilities

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, did not have an impact on the carrying amounts of financial assets.

b) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard.

c) New accounting standards and interpretations issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 16, *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this standard.

- IFRIC 23*, Uncertainty over Income Tax Treatments:* This standard was issued by IASB on June 7, 2017 to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. IFRIC 23 is effective January 1, 2019. The Company is currently assessing the impact of this new standard on its financial statements.

d) Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these interim consolidated financial statements is as follows:

i. Determination of functional currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the Company determined its functional currency to be the Canadian dollar, and the functional currency of its subsidiaries to be the United States dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

ii. Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired, thereby requiring adjustment to the carrying value. The Company identified the sustained decrease in market capitalization as an indicator of impairment during the period ended April 30, 2019.

As a result of these impairment indicators, the Company assessed the goodwill associated with the Spire CGU for impairment and concluded the recoverable value of the CGU was less than its carrying value and an impairment of $5,044,866 was required.

iii. Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

iv. Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of the equity in the acquiree's identifiable net assets.

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

v. Revenue recognition as a result of adopting IFRS 15

Determination of performance obligations
The Company applied judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of product to its clients.

Transfer of control
Judgement is required to determine when transfer of control occurs relating to the sale of the Company's goods to its clients. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the physical possession of the goods, significant risks and rewards and legal title have been transferred to the customer.

vi. Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

vii. Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations based on production and customer demand are internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

viii. Equity-settled share-based payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees, and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecasted future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has a limited operating history and is in an emerging industry. Due to the emerging nature of the industry, volatility estimates require significant estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company estimates volatility based on historic share prices of companies with significant operating history in the cannabis industry. Historical volatility is not necessarily indicative of future volatility. The expected life of stock options was determined based on the estimate that they would be exercised evenly over their term.

ix. Contingencies

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

x. Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

xi. Impairment of long-lived assets

Long-lived assets, including property and equipment, and intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

xii. Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(Expressed in Canadian dollars, except where noted) - unaudited

4. ACQUISITIONS

a) SPIRE GLOBAL STRATEGY INC.

Effective March 2, 2018, the Company acquired a 100% interest in Spire Global Strategy Inc. ("Spire"), a private Canadian company. Spire is a provider of security and logistics services. Pursuant to the combination, the Company issued 7,692,308 common shares with a fair value of $0.65 per share for total consideration of $5,000,000 to the former shareholders of Spire and paid transaction fees of $30,000. The acquisition has been accounted for as a business combination using the acquisition method.

The purchase price allocation was as follows:

Net assets acquired:		
Cash	$	4,406
Account receivables		43,435
Accounts payable		(64,707)
Net assets acquired		(16,866)
Goodwill (note 8)		5,044,866
Total	**$**	**5,028,000**

Goodwill arose from the combination because the consideration paid for the combination reflected the benefit of expected revenue, future market development, and the assembled work forces of Spire. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the combination is expected to be deductible for tax purposes. During the nine months ended April 30, 2019, the Company recognized an impairment charge of $5,044,866 in relation to the goodwill recorded on initial acquisition of Spire (note 8).

b) INFUSED MFG LLC

On April 1, 2019, the Company announced that it had signed a Membership Interest Purchase Agreement (the "NCI Buyout Agreement") with the holder (the "NCI Vendor") of nine percent (9%) of the issued and outstanding membership interest in Infused MFG, whereby the Company prior to the NCI Buyout Agreement was the beneficial holder of ninety-one percent (91%) of the issued and outstanding membership interests of Infused MFG. Pursuant to the NCI Buyout Agreement the Company owns 100% of Infused MFG.

Pursuant to the terms of the NCI Buyout Agreement, the Company issued a promissory note of $1,248,000 (USD$940,000) with an interest rate of 6.0% per annum and a maturity date of December 1, 2019 (note 10); issued 7,000,000 common shares with a fair value of $0.45 per share (note 12); and issued 1,000,000 non-transferable common share purchase warrants with an exercise price of $0.53 per warrant and fair value of $190,486 as determined by Black-Scholes (note 12) for total purchase consideration of $4,588,486 to the seller.

The purchase price allocation was as follows:

Promissory note	$	1,248,000
Common shares issued		3,150,000
Common share purchase warrants issued		190,486
Non-controlling interest related to 9% interest		(166,499)
Goodwill	**$**	**4,421,988**

Goodwill arose from the acquisition because the consideration paid for the 9% interest reflected the benefit of expected revenue and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

(Expressed in Canadian dollars, except where noted) - unaudited

5. INVENTORY

		April 30, 2019		July 31, 2018
Harvested cannabis and trim	**$**	**113,664**	$	260,033
Cannabis oil and equivalent		**839,842**		1,010,948
Finished goods		**1,078,415**		66,353
Raw materials		**136,769**		102,232
Supplies and consumables		**-**		493,495
	$	**2,168,690**	$	1,933,061

6. BIOLOGICAL ASSETS

		April 30, 2019		July 31, 2018
Balance, beginning of period	**$**	**311,037**	$	56,578
Production costs capitalized		**2,799,301**		1,360,930
Change in fair value less costs to sell due to biological transformation		**189,464**		743,224
Transferred to inventory upon harvest		**(3,180,328)**		(1,868,982)
Foreign exchange		**6,494**		19,287
Balance, end of period	**$**	**125,968**	$	311,037

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market. The significant assumptions used in determining the fair value of cannabis plants include:

Assumption		April 30, 2019		July 31, 2018
Estimated sales price per gram	**USD$**	**4.13**	USD$	4.13
Weighted average stage of growth		**10 weeks**		9 weeks
Expected yields by plant strain		**96 grams**		96 grams
Wastage		**5%**		5%
Post – harvest cost per gram	**USD$**	**$0.57**	USD$	0.57

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at April 30, 2019 the carrying value of biological assets consisted entirely of live cannabis plants. The Company values cannabis plants at cost from the date of initial clipping from mother plants until the end of the sixth week of its growing cycle. Measurement of the biological asset at fair value less costs to sell and costs to complete begins at the seventh week until harvest. On average, the grow cycle is approximately 15 weeks.

The fair value measurements for biological assets have been categorized as Level 3. These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in in the gain or loss on biological assets in future periods.

Increases in cost required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets.

(Expressed in Canadian dollars, except where noted) - unaudited

7. PROPERTY AND EQUIPMENT

	Land	Construction in Progress	Leasehold Improvements	Production Equipment	Office Equipment	Total
Cost						
Balance, July 31, 2017	$ -	$ -	$ 389,511	$ 904,382	$ 97,749	$ 1,391,642
Additions	1,646,231	3,305,939	64,072	274,726	100,009	5,390,977
Foreign exchange	37,221	74,746	22,190	47,231	2,699	184,087
Balance, July 31, 2018	1,683,452	3,380,685	475,773	1,226,339	200,457	6,966,706
Additions	-	10,731,934	248,461	2,119,892	45,740	13,146,027
Transfer to assets held for sale	(582,185)	(11,637,916)	-	-	-	(12,220,101)
Foreign exchange	51,307	270,302	18,373	70,658	7,531	418,171
Balance, April 30, 2019	**$ 1,152,574**	**$ 2,745,005**	**$ 742,607**	**$ 3,416,889**	**$ 253,728**	**$ 8,310,803**
Accumulated depreciation						
Balance, July 31, 2017	$ -	$ -	$ 4,934	$ 7,892	$ 285	$ 13,111
Depreciation	-	-	70,476	195,255	12,876	278,607
Foreign exchange	-	-	3,329	5,203	422	8,954
Balance, July 31, 2018	-	-	78,739	208,350	13,583	300,672
Depreciation	-	-	54,550	254,159	37,753	346,462
Foreign exchange	-	-	3,301	10,269	903	14,473
Balance, April 30, 2019	**$ -**	**$ -**	**$ 136,590**	**$ 472,778**	**$ 52,239**	**$ 661,607**
Carrying amount						
Balance, July 31, 2018	$ 1,683,452	$ 3,380,685	$ 397,034	$ 1,017,989	$ 186,874	$ 6,666,034
Balance, April 30, 2019	**$ 1,152,574**	**$ 2,745,005**	**$ 606,017**	**$ 2,944,111**	**$ 201,489**	**$ 7,649,196**

(Expressed in Canadian dollars, except where noted) - unaudited

8. GOODWILL

		April 30, 2019		July 31, 2018
Balance, beginning of period	$	21,274,604	$	15,546,958
Acquisition (note 4(a))		-		5,044,866
Impairment - Spire Global Strategy Inc. (note 4(a))		(5,044,866)		-
Acquisition (note 4(b))		4,588,486		-
less NCI reversal		(166,499)		-
Foreign exchange variance		479,777		682,780
Balance, end of period	$	21,131,502	$	21,274,604

9. ASSETS HELD FOR SALE

		Land Las Vegas		Facilities Las Vegas		Total
Cost						
Balance, July 31, 2018 and 2017	$	-	$	-	$	-
Transfer from property and equipment		582,185		11,637,916		12,220,101
Balance, April 30, 2019	**$**	**582,185**	**$**	**11,637,916**	**$**	**12,220,101**

At April 30, 2019, the Company has listed the land and facility under construction in Las Vegas, Nevada for sale. Prior to their classification as assets held for sale, the land and facility in Las Vegas were reported under property and equipment (note 7). The assets held for sale are included at the lower of their carrying value and their fair market value. The fair market value was based on the sale-leaseback agreement dated May 13, 2019 whereby the Company will receive a sale price of $14,027,035 (USD$10,450,000) less various adjustments for title fees, commission, and transfer taxes for net sale price to the Company of 13,328,701 (US9,862,700) and after deductions for withholding, security deposit and rental payments net proceeds to the Company of $11,981,956 (USD$8,926,437) (note 22).

10. NOTES PAYABLE

		April 30, 2019		July 31, 2018
Balance, beginning of period	$	39,339	$	1,784,161
Repayment of notes payable		-		(1,744,822)
Issue of notes payable (note 4(b))		1,248,000		-
Unrealized foreign exchange (gain) loss		1,198		-
Balance, end of period	$	1,288,537	$	39,339

As at April 30, 2019 the Company owes a related party a balance of $40,537 (USD$30,200). The amount accrues interest at 6% per annum, is unsecured and due on demand.

On April 1, 2019, as part of the acquisition of the 9% interest in Infused, the Company issued a $1,248,000 (USD$940,000 promissory note payable to the seller. The note bears interest at a rate of 6.0% per annum and interest only payments are due on the first of each month until repaid. The maturity date of the note shall be accelerated in the event among other things the completion of a capital raise by the Company generating aggregate gross proceeds exceeding $10,000,000. The note shall be secured with 7% of issued and outstanding membership interest of Infused. As at April 30, 2019 the remaining balance is $1,248,000 (USD$940,000)

(Expressed in Canadian dollars, except where noted) - unaudited

11. CONVERTIBLE DEBENTURES

		April 30, 2019		July 31, 2018
Balance, beginning of period	**$**	**1,965,031**	$	-
Convertible debentures issued (a)(b)(c)		**17,250,000**		6,500,000
Equity component		**(2,911,250)**		(710,863)
Transaction costs - non-cash		**(392,337)**		(270,802)
Transaction costs - cash		**(1,386,506)**		(433,613)
Interest expense		**1,022,727**		366,610
Accretion expense		**913,025**		364,542
Converted to common shares		**(6,051,335)**		(3,484,301)
Interest paid - cash		**(486,010)**		(110,405)
Interest paid - shares		**(59,650)**		(256,137)
Balance, end of period		**9,863,695**		1,965,031
Less: non-current portion		**9,863,695**		-
Current portion of convertible debentures	**$**	**-**	$	1,965,031

a) $5,700,000 convertible debenture units

On August 16, 2017 the Company closed a private placement of $5,700,000 aggregate principal amount of convertible debenture units at a price of $1,000 per convertible debenture unit. Each convertible debenture unit consists of a $1,000 principal amount 10% senior unsecured convertible debenture and 4,000 common share purchase warrants of the Company. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.35 per share until August 16, 2019. Provided that if, at any time after December 17, 2017 and prior to the expiry date of the warrants, the volume weighted average trading price of the common shares of the Company equals or exceeds $0.70 for 10 consecutive trading days, the Company may, within 30 days of the occurrence of such event, deliver a notice to the holders of the warrants accelerating the expiry date of the warrants to the date that is 30 days following the date of such notice. Any unexercised warrants shall automatically expire at the end of the accelerated exercise period.

The convertible debentures bear interest from the date of closing at 10.0% per annum, payable in common shares of the Company at a price of $0.25 semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019. The convertible debentures are convertible into common shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the maturity date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per common share, subject to adjustment in certain events.

Additionally, beginning on December 17, 2017, the Company may force the conversion of all of the principal amount of the then outstanding convertible debentures at the conversion price on 30 days prior written notice should the daily volume weighted average trading price of the common shares be greater than $0.45 for any 10 consecutive trading days.

The convertible debentures will be subject to redemption, in whole or in part, by the Company at any time after August 16, 2018 upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the convertible debentures plus all accrued and unpaid interest up to and including the redemption date.

The Company paid cash fees of $444,372 and issued 200 convertible debenture units (the "Agent's Units"), in payment of the Agent's commission, corporate finance fee and other expenses. In addition, the Agent received an option (the "August 2017 Agent's Option") to acquire 2,155,200 units of the Company at an exercise price of $0.25 per unit (2,127,300 of which were exercised as at July 31, 2018). Each Unit is comprised of one common share and one common share purchase warrant exercisable at a price of $0.35 per share subject to the same terms and conditions as the warrants. The fair value of the August 2017 Agent's Option was $304,054 and was recorded as a transaction cost.

The fair value of the Agent Options and 800,000 warrants issued as part of the Agent Units was determined using the Black-Scholes Valuation Model using the following assumptions: risk free interest rate 1.25%, expected life of 2 years, volatility of 75%.

The equity component of the $5,700,000 convertible debenture was determined to be $519,648 net of transaction costs of $81,850. Convertible debentures with a principal balance of $1,550,000 were converted into 6,200,000 common shares of the Company (note 12) during the period. The principal balance outstanding at April 30, 2019 is $nil.

11. CONVERTIBLE DEBENTURES (cont'd)

b) $1,000,000 convertible debenture units

On October 4, 2017 the Company completed a private placement of $1,000,000 aggregate principal amount of convertible debenture units at a price of $1,000 per unit. Each convertible debenture unit consists of a $1,000 principal amount 10% senior unsecured convertible debenture and 4,000 common share purchase warrants of the Company.

Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.25 per warrant until October 4, 2019. Provided that if, at any time after February 5, 2018 and prior to the expiry date of the warrants, the volume weighted average trading price of the common shares of the Company equals or exceeds $0.50 for 10 consecutive trading days, the Company may, within 30 days of the occurrence of such event, deliver a notice to the holders of the warrants accelerating the expiry date of the warrants to the date that is 30 days following the date of such notice. Any unexercised warrants shall automatically expire at the end of the accelerated exercise period.

The convertible debentures bear interest from the date of closing at 10.0% per annum (subject to withholdings for non-residents), semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (the "Maturity Date"). The convertible debentures are convertible into common shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per common share, subject to adjustment in certain events. Additionally, beginning on February 5, 2018, the Company may force the conversion of all of the principal amount of the then outstanding convertible debentures at the conversion price on 30 days prior written notice should the daily volume weighted average trading price of the common shares be greater than $0.45 for any 10 consecutive trading days.

The convertible debentures will be subject to redemption, in whole or in part, by the Company at any time after October 4, 2018 upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the convertible debentures plus all accrued and unpaid interest up to and including the redemption date.

The Company paid finder's fees of $42,534 and issued 24,000 warrants exercisable at a price of $0.25 to certain arm's-length parties in the connection with the offering.

The equity component of the $1,000,000 convertible debenture was determined to be $104,712 net of transaction costs of $4,652. Convertible debentures with a principal balance of $875,000 were converted into 3,500,000 common shares of the Company (note 12) during the period. The principal balance outstanding at April 30, 2019 is $nil.

c) $17,250,000 convertible debenture units

On September 14, 2018, the Company closed a short form prospectus offering of convertible debenture units raising gross proceeds of $17,250,000. Pursuant to the offering, the Company issued an aggregate of 17,250 debenture units at a price per debenture unit of $1,000. Each debenture unit consisted of: (i) one 10.0% unsecured convertible debenture of the Company in the principal amount of $1,000 convertible into common shares at a conversion price of $0.45 per common share at the option of the holder, with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing on September 14, 2021; and (ii) 2,222 common share purchase warrants expiring September 14, 2021.

Each warrant will entitle the holder thereof to purchase one common share at an exercise price of $0.65 per share until September 14, 2021, subject to adjustment in certain events.

The Company paid cash fees of $1,668,014 in payment of the Agent's commission, corporate finance fees and other expenses. In addition, the Agent received options (the "September 2018 Agent's Options") to acquire 3,066,666 units of the Company at an exercise price of $0.45 per unit. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of $0.65 per share subject to the same terms and conditions as the warrants. The fair value of the September 2018 Agent's Options was $471,996 and was recorded as a transaction cost. The fair value of the September 2018 Agent's Options was determined using the Black-Scholes Valuation Model using the following assumptions: risk free interest rate 1.25%, expected life of 3 years, volatility of 75%.

The Company may force the conversion of the principal amount of the then outstanding convertible debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the common shares be greater than $0.70 for any 10 consecutive trading days.

11. CONVERTIBLE DEBENTURES (cont'd)

The equity component of the $17,250,000 convertible debenture was determined to be $2,550,084 net of transaction costs of $361,165. Convertible debentures with a principal balance of $4,689,994 were converted into 10,402,207 common shares of the Company (note 12) during the period. The principal balance outstanding as at April 30, 2019 is $12,560,006.

12. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series. As of April 30, 2019, there were 277,741,661 common shares outstanding (July 31, 2018 – 227,962,060).

b) Escrow shares

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2020. As at April 30, 2019, a total of 13,842,478 common shares were subject to these escrow restrictions.

c) Issued common shares

The Company had the following common share transactions during the nine months ended April 30, 2019:

- Pursuant to the exercise of 1,010,000 stock options, the Company issued 1,010,000 common shares at a price of $0.15 per share for gross proceeds of $151,000. In relation to the exercise of stock options $162,382 was reallocated from reserves to share capital.
- Pursuant to the exercise of 9,975,123 share purchase warrants, the Company issued 9,975,123 common shares at prices between $0.25 - $0.65 per share for gross proceeds of $3,041,958.
- Pursuant to the exercise of 557,217 agent warrants, the Company issued 557,217 common shares at a price of $0.30 per share for gross proceeds of $167,165. In relation to the exercise of agent warrants $30,034 was reallocated from reserves to share capital.
- Pursuant to the exercise of 896,454 Agent Options, the Company issued 896,454 common shares at share prices between $0.10 and $0.15 per share for gross proceeds of $339,224. In relation to the exercise of stock options $134,748 was reallocated from reserves to share capital.
- Pursuant to the conversion of convertible debentures with a principal value of $7,114,994, the Company issued 20,102,207 common shares at share prices between $0.25 and $0.45 per share. Of the principal amount converted, $848,018 was reallocated from reserves to share capital and $6,899,353 was recorded as share capital representing the accreted balance of convertible debentures net of transaction costs.
- On September 25, 2018, the Company cancelled and returned 1,065,000 common shares to treasury.
- On December 31, 2018, in accordance with the debenture interest subscription agreement, the Company issued 238,600 common shares with a deemed value of $0.25 per share to settle interest payable representing an interest payment of $56,650. The Company recognized a loss on the shares issued of $21,474, which was recorded to share capital.
- On March 15, 2019, pursuant to a non-brokered private placement, the Company issued 10,000,000 units at a price of $0.45 per unit for gross proceeds of $4,500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 per share for 24 months. The Company may force acceleration of the warrants on less than 30 days' notice should the trading price of the company's shares on the Canadian Securities Exchange be greater than $0.75 for any 10 consecutive trading days.
- On March 29, 2019, pursuant to the terms of the Agreement with Infused MFG, issued 7,000,000 common shares with a fair value of $0.45 per share for total consideration of $3,150,000.

The Company had the following common share transactions during the year ended July 31, 2018:

- Pursuant to 6,041,671 common shares were issued upon exercise of stock options at prices between $0.15 and $0.50 per share for gross proceeds of $947,502. In relation to the exercise of stock options $551,833 was reallocated from reserves to share capital.
- Pursuant to the exercise of 6,041,671 stock options, the Company issued 6,041,671 common shares for gross proceeds of $57,500.
- 43,684,882 common shares were issued upon the exercise of warrants at prices between of $0.10 to $0.35 per share for gross proceeds of $12,654,851. In relation to the exercise of warrants $659,863 was reallocated from reserves to share capital.

(Expressed in Canadian dollars, except where noted) - unaudited

12. SHARE CAPITAL AND RESERVES (cont'd)

- 2,127,300 common shares were issued upon the exercise of Agent Options at a price of $0.25 per share for gross proceeds of $531,815. In relation to the exercise of Agent Options, the fee of $218,899 was reallocated from reserves to share capital.
- 17,100,000 common shares were issued upon the conversion of $4,275,000 of convertible debentures. In relation to the conversion $552,534 was reallocated from reserves to share capital and $3,950,333 was recorded as share capital representing the accreted balance of convertible debentures net of transaction costs.
- 7,692,308 common shares were issued at a fair value of $0.65 for the acquisition of Spire for total consideration of $5,000,000.
- 650,000 common shares were issued for compensation with a value of $483,500
- 1,024,550 common shares were issued for interest with a value of $0.25 per share representing interest of $256,138 in accordance with the debenture unit subscription agreements. The company recognized a loss on the shares issued for interest of $565,502 which was recorded to share capital for total consideration paid of $812,640.

d) Reserves

The following is a summary of changes in reserves:

	Stock options	Convertible debentures	Warrants	Total
Balance, July 31, 2017	$ 940,307	$ -	$ 1,044,888	$ 1,985,195
Share-based payments	915,896	-	-	915,896
Agent options and warrants issued as finders' fee	-	-	304,054	304,054
Equity portion of convertible debenture	-	624,360	-	624,360
Reclassified on conversion of convertible debentures	-	(552,534)	-	(552,534)
Reclassified on exercise of agent option and warrants	-	-	(878,762)	(878,762)
Reclassified on exercise of stock options	(551,833)	-	-	(551,833)
Balance, July 31, 2018	1,304,370	71,826	470,180	1,846,376
Share-based payments	1,850,842	-	-	1,850,842
Agent options issued as finders' fee	471,995	-		471,995
Equity portion of convertible debenture	-	2,550,084	-	2,550,084
Warrants issued as part of 9% interest acquisition	-	-	190,486	190,486
Reclassified on conversion of convertible debentures	-	(848,018)	-	(848,018)
Reclassified on exercise of agent warrants	-	-	(30,034)	(30,034)
Reclassified on exercise of stock options and Agents options	(297,130)	-	-	(297,130)
Balance, April 30, 2019	**$ 3,330,077**	**$ 1,773,892**	**$ 630,632**	**$ 5,734,601**

(Expressed in Canadian dollars, except where noted) - unaudited

12. SHARE CAPITAL AND RESERVES (cont'd)

e) Warrants

A summary of share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at July 31, 2017	32,010,880	$ 0.26
Issued – finders' warrants	824,000	0.35
Issued – convertible debentures	26,000,000	0.33
Issued – exercise of agent unit options	2,127,300	0.35
Expired	(425,000)	0.10
Exercised	(43,684,883)	0.29
Balance at July 31, 2018	16,852,297	0.32
Issued – convertible debentures	38,329,500	0.65
Issued – exercise of agent option	31,767	0.35
Issued – private placement	10,000,000	0.50
Issued – 9% interest acquisition	1,000,000	0.53
Exercised	(9,467,340)	0.30
Balance at April 30, 2019	**56,746,224**	**$ 0.58**

The following table summarizes share purchase warrants outstanding as at April 30, 2019:

Expiry date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Years
16-Aug-19	6,299,224	$ 0.35	0.30
04-Oct-19	1,117,500	0.25	0.43
14-Mar-21	10,000,000	0.50	1.87
28-Mar-21	1,000,000	0.53	1.91
14-Sep-21	38,329,500	0.65	2.38
	56,746,224	**$ 0.58**	**2.01**

f) Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the exercise price permitted by the CSE, and all stock options granted under the plan will have a maximum term of five years.

(Expressed in Canadian dollars, except where noted) - unaudited

12.SHARE CAPITAL AND RESERVES (cont'd)

A summary of stock option activity is as follows:

	Number of Options		Weighted Average Exercise Price
Balance at July 31, 2017	15,235,000	$	0.16
Issued – finders' warrants	(150,000		0.15
Issued – convertible debentures	(6,041,670)		0.16
Issued – exercise of agent unit options	1,300,000		0.65
Balance at July 31, 2018	10,343,330		0.22
Granted	8,925,000		0.55
Exercised	(1,010,000)		0.30
Cancelled	(745,000)		0.15
Balance at April 30, 2019	**17,513,330**	**$**	**0.39**

The following table summarizes stock options outstanding and exercisable as at April 30, 2019:

Expiry date	Number of Options	Number of Exercisable Options		Weighted Average Exercise Price	Weighted Average Remaining Years
November 14, 2020	237,500	237,500	$	0.50	1.55
January 8, 2021	37,500	37,500		0.64	1.70
June 13, 2022	7,396,664	4,931,109		0.15	3.12
February 15, 2023	1,300,000	683,333		0.65	3.80
October 5, 2021	8,541,666	2,847,222		0.55	2.44
	17,513,330	8,736,665	$	0.39	2.81

Share-based compensation expense recognized during the period of $1,850,842 (April 30, 2018 - $522,330) related to options granted and vested during the period. The Company granted 8,925,000 stock options during the nine months ended April 30, 2019 (2018: nil). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	April 30, 2019
Risk-free interest rate	1.75%
Expected life of options	3 years
Annualized volatility	75%
Dividend rate	0%
Weighted average fair value per option	$0.24

g) Agent Options

A summary of Agent Option activity is as follows:

	Number of Options		Weighted Average Exercise Price
Balance at July 31, 2017	-	$	-
Expired	2,155,200		0.25
Exercised	(2,127,300)		0.25
Balance at July 31, 2018	27,900		0.25
Granted	3,066,666		0.45
Exercised	(896,454)		0.45
Balance at April 30, 2019	**2,198,112**	**$**	**0.45**

(Expressed in Canadian dollars, except where noted) - unaudited

12. SHARE CAPITAL AND RESERVES (cont'd)

The following table summarizes Agent Options outstanding and exercisable as at April 30, 2019:

Expiry date	Number of Options	Number of Exercisable Options		Weighted Average Exercise Price	Weighted Average Remaining Years
August 16, 2019[1]	7,000	7,000	$	0.25	0.30
September 14, 2021[2]	2,191,112	2,191,112		0.45	2.38
	2,198,112	2,198,112	$	0.45	2.37

[1] Each Agent Option entitles the holder to acquire one unit. Each unit is comprised of one common share and one share purchase warrant exercisable at $0.35 until August 16, 2019.
[2] Each Agent Option entitles the holder to acquire one unit. Each unit is comprised of one common share and one share purchase warrant exercisable at $0.65 until September 14, 2021

13. NON-CONTROLLING INTEREST

The following table presents summarized financial information for the non-wholly owned subsidiaries as at April 30, 2019 and July 31, 2018:

		April 30, 2019		July 31, 2018
Assets				
Current	$	2,328,127	$	5,493,247
Non-current		16,126,525		3,695,514
		18,454,652		9,188,761
Liabilities				
Current		1,452,105		2,354,720
Net assets		17,002,547		6,834,041
Non – controlling interest	$	(16,934)	$	231,439

14. FINANCIAL RISK MANAGEMENT

a) Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

The fair value of cash and restricted cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, notes payable, and due to related parties approximate their respective fair values due to the short-term nature of these instruments. The fair value of convertible debentures approximates fair value as it is discounted using a market rate of interest.

(Expressed in Canadian dollars, except where noted) - unaudited

15. CAPITAL RISK MANAGEMENT

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in note 1, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

16. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel compensation for the three and nine months ended April 30, 2019 and 2018, was as follows:

	Three months ended		Nine months ended	
	April 30, 2019	April 30, 2018	**April 30, 2019**	April 30, 2018
Management and consulting fees	**$ 1,639,779**	$ 339,393	**$ 2,187,613**	$ 438,137
Interest expense - notes payable	**-**	(242,912)	**-**	77,583
Share-based payments	**888,305**	64,240	**1,616,767**	192,720
	$ 2,528,084	$ 160,721	**$ 3,804,380**	$ 708,440

Other related party transactions:

	Three months ended		Nine months ended	
	April 30, 2019	April 30, 2018	**April 30, 2019**	April 30, 2018
Legal fees	**$ -**	$ 372,549	**$ -**	$ 66,492
Legal fees - acquisition of Spire	**-**	30,000	**-**	30,000
	$ -	$ 372,549	**$ -**	$ 66,492

Due to related parties as at April 30, 2019 and July 31, 2018, was as follows:

	April 30, 2019	July 31, 2018
Notes payable	**$ 1,288,537**	$ 39,339

(Expressed in Canadian dollars, except where noted) - unaudited

17. COMMITMENTS

In April 2014, the Company entered into a lease agreement for its operating facility for AMA in Las Vegas, Nevada. The Company amended the lease agreement in June 2015. The amended lease agreement is for a term to March 2022, with an option to extend for an additional two years. Base rent ranges from USD$6,100 to USD$6,800 per month over the life of the lease agreement, plus changes and maintenance. The rent under the two-year option period, if exercised will be USD$6,800 per month.

Future required minimum lease payments on the facility are as follows (approximate):

Year		
2019	$	97,000
2020	$	100,000
2021	$	104,000
2022	$	105,000

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the nine months ended April 30, 2019 were as follows:

- Convertible debentures with principal value of $7,114,994 were converted into 20,102,207 common shares of the Company (notes 11, 12).
- The equity portion of the $17,250,000 convertible debentures issued on September 14, 2018 was determined to be $2,550,084 (note 11).
- Non-cash transaction costs related to Agent Units issued in relation to the convertible debentures were valued at $471,995 (note 11).
- Reallocated $162,382 from reserves to share capital upon exercise of stock options.
- Reallocated $30,034 from reserves to share capital upon exercise of agent warrants.
- Reallocated $134,748 from reserves to share capital upon exercise of Agent Options.
- Pursuant to the terms of the NCI Buyout Agreement, the Company issued a promissory note of $1,248,000 (USD$940,000) with an interest rate of 6.0% per annum and a maturity date of December 1, 2019 (note 10); issued 7,000,000 common shares with a fair value of $0.45 per share (note 12); and issued 1,000,000 non-transferable common share purchase warrants with an exercise price of $0.53 per warrant and fair value of $190,486 as determined by Black-Scholes (note 12) for total purchase consideration of $4,588,486 to the Vendor.
- The Company made cash interest payments of $579,611 during the period ended April 30, 2019. No income taxes were paid.

The significant non-cash transactions for the nine months ended April 30, 2018 were as follows:

- Convertible debentures with principal value of $4,180,000 were converted into 16,720,000 common shares of the Company.
- The equity portion of the $5,700,000 convertible debentures issued on August 16, 2017 the $1,000,000 convertible debentures issued on October 4, 2017 was determined to be $631,990.
- Non-cash transaction costs related to warrants issued to agents in relation to the convertible debentures were valued at $283,661.
- Reallocated $372,167 from reserves to share capital upon exercise of stock options.
- The Company made cash interest payments of $142,576 during the period ended April 30, 2018. No income taxes were paid.

(Expressed in Canadian dollars, except where noted) - unaudited

19. SEGMENTED INFORMATION

The Company operates in three segments, referred to as AMA, Infused MFG, and Corporate. AMA is focused on the cultivation and sale of medical and adult use cannabis products, and Infused MFG is focused on the manufacturing of Hemp derived CBD products. The corporate head office is located in Canada while the operations of AMA and Infused MFG are located in the United States. Segmented information for the period ended April 30, 2019 is as follows:

Nine months ended April 30, 2019	**AMA (USA)**	**Infused MFG (USA)**	**Corporate (Canada)**	**Total**
Revenues	$ 5,331,204	$ 7,483,624	$ -	$ 12,814,828
Cost of sales				
Inventory expensed to cost of sales	5,882,637	2,105,782	-	7,988,419
Gross margin, excluding fair value items	(551,433)	5,377,842	-	4,826,409
Fair value adjustment on sale of inventory	(148,597)	-	-	(148,597)
Fair value adjustment on growth of biological assets	188,462	-	-	188,462
Gross margin (loss)	(511,568)	5,377,842	-	4,866,274
Expenses				
General and administration	1,478,808	1,876,056	1,446,990	4,801,854
Management and consulting fees	-	174,308	884,342	1,058,650
Wages and benefits	436,852	2,590,159	-	3,027,011
Professional fees	182,169	178,585	411,870	772,624
Share-based compensation	-	-	1,850,842	1,850,842
Interest expense	-	-	1,137,108	1,137,108
Accretion expense	-	-	913,025	913,025
Depreciation	137,541	207,709	1,212	346,462
Foreign exchange gain	-	-	12,700	12,700
	2,235,370	5,026,817	6,658,089	13,920,276
Impairment loss	-	-	5,044,866	5,044,866
(Loss) income from continuing operations before income tax	**$ (2,746,938)**	**$ 351,025**	**$ (11,702,955)**	**$ (14,098,868)**

As at April 30, 2019				
Property and equipment	$ 6,389,681	$ 1,214,513	$ 45,002	$ 7,649,196
Goodwill	-	-	21,131,502	21,131,502
Assets held for sale	12,220,101	-	-	12,220,101
Total assets	23,360,170	8,040,313	29,356,447	60,756,930
Total liabilities	$ 1,554,047	$ 921,355	$ 15,324,609	$ 17,800,011

(Expressed in Canadian dollars, except where noted) - unaudited

19. SEGMENTED INFORMATION (cont'd)

Three months ended April 30, 2019	**AMA (USA)**	**Infused MFG (USA)**	**Corporate (Canada)**	**Total**
Revenues	$ 1,784,861	$ 2,812,500	$ -	$ 4,597,361
Cost of sales				
Inventory expensed to cost of sales	2,710,115	724,133	-	3,434,248
Gross margin, excluding fair value items	(925,254)	2,088,367	-	1,163,113
Fair value adjustment on sale of inventory	-	-	-	-
Fair value adjustment on growth of biological assets	(24,671)	-	-	(24,671)
Gross margin (loss)	(949,925)	2,088,367	-	1,138,442
Expenses				
General and administration	744,488	784,968	676,449	2,205,905
Management and consulting fees	-	40,663	328,773	369,436
Wages and benefits	246,501	903,974	-	1,150,475
Professional fees	63,408	49,887	45,568	158,863
Share-based compensation	-	-	234,075	234,075
Interest expense	-	-	381,265	381,265
Accretion expense	-	-	476,944	476,944
Depreciation	44,146	77,786	-	121,932
Foreign exchange gain	-	-	21,525	21,525
	1,098,543	1,857,278	2,164,599	5,120,420
Impairment loss	-	-	3,044,866	3,044,866
(Loss) income from continuing operations before income tax	**$ (2,048,468)**	**$ 231,089**	**$ (5,209,465)**	**$ (7,026,844)**

20. GENERAL AND ADMINISTRATION EXPENSE

	Three months ended		Nine months ended	
	April 30, 2019	April 30, 2018	**April 30, 2019**	April 30, 2018
Advertising, promotion and selling costs	**$ 536,598**	$ 69,438	**$ 995,625**	$ 169,681
Investor relations	**490,060**	46,672	**785,512**	130,990
Office expenses and general administration	**939,556**	249,088	**1,873,316**	962,236
License fees, taxes, and insurance	**131,470**	114,773	**800,152**	225,571
Travel and entertainment	**108,221**	33,857	**347,249**	87,172
	$ 2,205,905	$ 513,828	**$ 4,801,854**	$ 1,575,650

(Expressed in Canadian dollars, except where noted) - unaudited

21. DISCONTINUED OPERATIONS

The results of Spire have been presented as net loss and cash flows from discontinued operation for the three and nine months ended April 30, 2019. The components of net loss from discontinued operation included in these consolidated financial statements for the three and nine months ended April 30, 2019 and 2018 relating to Spire as follow:

	Three months ended		Nine months ended	
	April 30, 2019	April 30, 2018	**April 30, 2019**	April 30, 2018
Revenue	**$ 30,040**	$ 22,993	**$ 150,378**	$ 22,993
Professional fees	**(1,140)**	(73,982)	**(7,580)**	(73,982)
Management and consulting fees	**(240,000)**	(86,500)	**(550,053)**	(86,500)
General and administration	**(39,007)**	(40,192)	**(102,711)**	(40,192)
Net loss from discontinued operations	**$ (250,107)**	$ (177,681)	**$ (509,966)**	$ (177,681)

22. EVENTS AFTER THE REPORTING PERIOD

On May 15, 2019, the Company, through its subsidiary AMA, completed a sale and lease-back (the “Sale Transaction”) for its newly constructed cannabis cultivation facility in Las Vegas, Nevada. The purchase price for the Sale Transaction is USD$10,450,000 (less selling costs), which the Company has received, subject to a USD$500,000 hold back to be released upon the completion of the facility and issuance of permanent occupancy permits, and a USD$250,000 hold back to be released upon issuance of state and local permitting for the facility. Subsequent to receiving the proceeds from the Sale Transaction, the Company repaid the $1,248,000 (USD$940,000) promissory note payable to the seller of Infused (note 10).

The Sale Transaction includes the cultivation facility as well as the 1.39 acres of land it occupies. The sale transaction includes a lease-back agreement for a period of 10 years, with the option to extend the lease term for two additional periods of 5 years each, ensuring a long-term location for the ongoing cultivation operations of the Company