# TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Condensed Interim Financial Statements

Six-month period ended January 31, 2018 and 2017

(Unaudited)

Expressed in Canadian dollars

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**TIDAL ROYALTY CORP.**
(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

| | January 31, 2018 $ | July 31, 2017 (Audited) $ |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | 2,832,906 | 20,265 |
| Sales tax receivable | 9,682 | 858 |
| Prepaid expenses | - | 1,211 |
| **Total assets** | 2,842,588 | 22,334 |
| **Liabilities and Deficiency** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 252,439 | 105,225 |
| Due to related parties (Note 4) | 69,010 | 22,766 |
| Loans payable (Note 5) | 70,000 | 30,000 |
| **Total current liabilities** | 391,449 | 157,991 |
| **Equity (Deficiency)** | | |
| Share capital (Note 6) | 12,297,109 | 12,297,109 |
| Subscriptions received in advance (Note 6) | 2,862,000 | - |
| Contributed surplus | 27,464 | 27,464 |
| Deficit | (12,735,434) | (12,460,230) |
| **Total Equity (Deficiency)** | 2,451,139 | (135,657) |
| **Total liabilities and Equity** | 2,842,588 | 22,334 |

Nature of Operations and Going Concern (Note 1)
Subsequent events (Note 10)

Approved on behalf of the Board on April 3, 2018

*"Stuart Wooldridge"*
Stuart Wooldridge, Director

*"Theo van der Linde"*
Theo van der Linde, Director

**TIDAL RESOURCES CORP.**
(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars - unaudited)

| | Three month periods ended | | Six month periods ended | |
|---|---|---|---|---|
| | **January 31, 2018 $** | **January 31, 2017 $** | **January 31, 2018 $** | **January 31, 2017 $** |
| Expenses | | | | |
| Advertising and promotion | 1,087 | - | 1,087 | - |
| Consulting fees (Note 4) | 33,000 | - | 61,935 | - |
| Exchange gain | (336) | - | (336) | - |
| General and administration | 319 | 1,267 | 1,881 | 2,179 |
| Professional fees | 138,329 | - | 152,439 | - |
| Rent | 5,000 | - | 5,000 | - |
| Salaries and benefits | 35,417 | - | 35,417 | - |
| Transfer agent and filing fees | 6,311 | - | 17,781 | - |
| Net loss and comprehensive loss for the period | (219,127) | (1,267) | (275,204) | (2,179) |
| Loss per share, basic and diluted | (0.08) | (0.00) | (0.10) | (0.00) |
| Weighted average number of common shares outstanding | 2,843,636 | 2,843,636 | 2,843,636 | 2,843,636 |

(The accompanying notes are an integral part of these condensed interim financial statements)

**TIDAL RESOURCES CORP.**
(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Changes in Equity
(Expressed in Canadian dollars - unaudited)

| | Share capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount $ | Share subscriptions $ | Contributed surplus $ | Deficit $ | Total $ |
| **Balance, July 31, 2016** | 2,843,636 | 12,297,109 | - | 27,464 | (12,427,806) | (103,233) |
| Net loss for the period | - | - | - | - | (2,179) | (2,179) |
| Shares issued for cash | - | - | - | - | - | - |
| **Balance, January 31, 2017** | 2,843,636 | 12,297,109 | - | 27,464 | (12,429,985) | (105,412) |
| **Balance, July 31, 2017** | 2,843,636 | 12,297,109 | - | 27,464 | (12,460,230) | (135,657) |
| Net loss for the period | - | - | - | - | (275,204) | (275,204) |
| Subscriptions received in advance | - | - | 2,862,000 | - | - | 2,862,000 |
| **Balance, January 31, 2018** | 2,843,636 | 12,297,109 | 2,862,000 | 27,464 | (12,735,434) | 2,451,139 |

On June 26, 2017, the Company completed a one-for-three share consolidation. All references to share capital, warrants, options and per share data have been adjusted retrospectively to reflect the Company's one-for-three share consolidations for the periods ended January 31, 2018 and 2017.

(The accompanying notes are an integral part of these condensed interim financial statements)

**TIDAL ROYALTY CORP.**
(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars - unaudited)

| | January 31, 2018 $ | January 31, 2017 $ |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss for the period | (275,204) | (2,179) |
| Changes in non-cash operating working capital: | | |
| Sales tax receivable | (8,824) | 720 |
| Prepaid expenses | 1,211 | - |
| Accounts payable and accrued liabilities | 147,214 | (7,612) |
| Due to related parties | 46,244 | - |
| Net cash used in operating activities | (89,359) | (9,071) |
| Financing activities | | |
| Loans | 40,000 | 10,000 |
| Subscriptions received in advance | 2,862,000 | - |
| Net cash provided by financing activities | 2,902,000 | 10,000 |
| Increase in cash | 2,812,641 | 929 |
| Cash, beginning of period | 20,265 | 1585 |
| Cash, end of period | 2,832,906 | 2,514 |
| Supplemental disclosures: | | |
| Interest paid | - | - |
| Income tax paid | - | - |

(The accompanying notes are an integral part of these condensed interim financial statements)

## 1. Nature of Operations and Going Concern

Tidal Resources Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Resources Corp. on July 18, 2017. The Company is an investment company with a focus on the legal cannabis industry in the United States. The Company anticipates making investments involving conventional equity, licensing, royalties, debt and other forms of investments in private and public companies, in the US legal cannabis related industry. The Company is a reporting issuer in the provinces of British Columbia and Ontario and has made application to list on the Canadian Securities Exchange (CSE). The Company has received conditional approval to list on the CSE, subject to all outstanding securities of the Company becoming free trading. In that regard the Company has filed a non-offering prospectus dated March 22, 2018 with the British Columbian Securities Commission ("BCSC") as principal regulator, to qualify shares issuable upon conversion of up to 180,000,000 special warrants

The head office, address and records office of the Company are located at Suite 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

These condensed interim financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business as they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that lend significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph.

While the Company has identified the legal cannabis industry to be of interest for investments, and while it is in discussions to make various investments, it should be noted that: (i) no definitive contracts have been entered into; and, as such (ii) there is no guarantee the Company will make any investments in cannabis-related businesses, or, if made, that any such investments will be profitable. There can be no assurance that the Company will be successful in its ventures, or that it will meet the conditions for listing on the CSE. These risks include, but are not limited to, dependence on key individuals, operational risk factors in the cannabis industry, regulatory risks relating to the legal cannabis industry and the ability to secure adequate financing to meet the minimum capital required to successfully complete projects and continue as a going concern. For the 6-month period ended January 31, 2018, the Company incurred losses of $275,204 (2017 - $2,179) and as at January 31, 2018 had an accumulated deficit of $12,735,434 (July 31, 2017 - $12,460,230). The Company has no income or cash flows from operations and at January 31, 2018 had working capital of $2,451,139 (2017 – negative $105,411).

The ability of the Company to continue as a going concern is dependent upon raising additional financing through equity and non-dilutive funding and partnerships. There can be no assurance that the Company will have sufficient capital to fund its ongoing operations without future financings. These material uncertainties cast significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company is currently pursuing financing alternatives that may include equity, debt, and non-dilutive financing alternatives. There can be no assurance that additional financing will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures or the Company may be unable to continue operations. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2017. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended July 31, 2017.

The financial statements were approved and authorized for issuance by the Board of Directors on April 3, 2018.

Basis of Presentation

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*i) Share-based payment transactions*

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

*(i) Income taxes*

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

*(ii) Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

## 3. Significant Accounting Policies

Accounting Standards Issued but Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 Share-based Payment - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provides guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

(Expressed in Canadian dollars - unaudited)

## 4. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were incurred during the six-months periods ended January 31, 2018 and 2017.

During the period, the Company entered into transactions with related parties comprised of Directors, Officers and Companies with common Directors. The short-term key management compensation and Director and Consulting fees consist of the following for the six-month periods ended January 31, 2018 and 2017:

| | **January 31, 2018 $** | **January 31 2017 $** |
|---|---|---|
| Consulting fees, salaries and rent to companies with common Directors and Officers | 91,935 | - |
| Total | 91,935 | - |

The amounts due to related parties consist of the following as at January 31, 2018 and July 31, 2017:

| | **January 31, 2018 $** | **July 31, 2017 $** |
|---|---|---|
| Due to related parties | 69,010 | 22,766 |

A loan of $Nil (2017 - $10,000) is included in the amount due to related parties above and it is for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

## 5. Loans Payable

As at January 31, 2018, the Company has loans payable of $70,000 (July 31, 2017 - $30,000). The loans are unsecured, non-interest bearing and due on demand.

## 6. Share Capital

### Authorized

Unlimited number of common shares without par value, and unlimited number of preferred shares without par value.

### Issued and Outstanding

On June 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

As at January 31, 2018, the Company received total subscriptions in the amount of $2,862,000 related to the non-brokered private placement that closed on February 8, 2018 (Note 10).

(Expressed in Canadian dollars - unaudited)

## 6. Share Capital (Continued)

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. At the time of approval the amount of fixed options were set at 17,568,727. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one-year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

The following table summarizes the continuity of the Company's stock options:

| | Options outstanding and exercisable | Weighted average exercise price $ |
|---|---|---|
| Balance, July 31, 2016 | 75,000 | 0.18 |
| Expired/Cancelled | (75,000) | 0.18 |
| Balance, July 31, 2017 and January 31, 2018 | - | - |

## 7. Financial Instruments and Risks

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Input for assets or liabilities that are not based on observable market data.

**7. Financial Instruments and Risks** (continued)

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

| | January 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 2,832,906 | $ - | $ - | $ 2,832,906 |

| | July 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 20,265 | $ - | $ - | $ 20,265 |

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

During the six months ended January 31, 2018 and 2017, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability of the Company to continue as a going concern is dependent upon raising additional financing through equity and non-dilutive funding and partnerships. The Company has no income or cash flows from operations and at January 31, 2018 had working capital of $2,451,139 (2017 – negative $105,411). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 8.

(Expressed in Canadian dollars - unaudited)

## 7. Financial Instruments and Risks (continued)

The following are contractual maturities of financial liabilities as at January 31, 2018:

| | Carrying Amount | Contractual Cash Flows | Within 1 year | Within 2 years |
|---|---|---|---|---|
| Accounts payable | $ 224,022 | $ 224,022 | $ 224,022 | $ - |
| Due to related parties | $ 69,010 | $ 69,010 | $ 69,010 | $ - |
| Loans payable | $ 70,000 | $ 70,000 | $ 70,000 | $ - |

The following are contractual maturities of financial liabilities as at July 31, 2017:

| | Carrying Amount | Contractual Cash Flows | Within 1 year | Within 2 years |
|---|---|---|---|---|
| Accounts payable | $ 97,225 | $ 97,225 | $ 97,225 | $ - |
| Due to related parties | $ 22,766 | $ 22,766 | $ 22,766 | $ - |
| Loans payable | $ 30,000 | $ 30,000 | $ 30,000 | $ - |

## 8. Capital Management

The Company’s objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital. Management considers all components of shareholders' deficiency and due to related parties as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company’s investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company’s overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2017. Refer to Note 1 for management’s plan to raise capital.

## 9. Segmented Information

The Company currently operates in a single reportable operating segment. All of the Company’s assets and expenditures are located in Canada.

**10. Subsequent events**

The Company is in the process of raising up to $9,000,000, which might increase, in a non-brokered private placement by issuing up to 180 million special warrants at $0.05 per special warrant, with each special warrant convertible at no additional cost into a unit comprising of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per common share expiring two years from closing.

On February 8, 2018 the Company closed the first tranche in the non-brokered private placement and raising $2,968,500 by issuing 59,370,000 million special warrants at $0.05 per special warrant, with each special warrant convertible at no additional cost into a unit comprising of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per common share expiring two years from closing (Note 6).

On March 1, 2018 the Company closed the second tranche in the non-brokered private placement and raising a further $2,856,000 by issuing 57,120,000 million special warrants at $0.05 per special warrant, with each special warrant convertible at no additional cost into a unit comprising of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 per common share expiring two years from closing.