



**Financial Statements**

Years Ended July 31, 2018 and 2017

(Expressed in Canadian dollars)



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Shareholders and the Board of Directors of  
Tidal Royalty Corp.

### **Opinion on the Financial Statements**

We have audited the accompanying financial statements of Tidal Royalty Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Basis for Opinion**

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
October 30, 2018

We have served as the Company's auditor since 2011

**TIDAL ROYALTY CORP.**

## Statements of Financial Position

*(Expressed in Canadian dollars)*

As at July 31,	Note	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 33,904,759	\$ 20,265
Sales tax receivable		129,415	858
Prepaid expenses and deposits	4	531,859	1,211
<b>TOTAL ASSETS</b>		<b>\$ 34,566,033</b>	<b>\$ 22,334</b>
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	5	\$ 311,357	\$ 105,225
Due to related parties	6	18,685	22,766
Loans payable	7	10,000	30,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>340,042</b>	<b>157,991</b>
<b>EQUITY (DEFICIENCY)</b>			
Convertible preferred shares	8	1,754,721	-
Convertible preferred shares issuable	8	2,000,000	-
Common shares	8	45,432,573	12,297,109
Reserves	8	5,324,016	27,464
Accumulated deficit		(20,285,319)	(12,460,230)
		34,225,991	(135,657)
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>		<b>\$ 34,566,033</b>	<b>\$ 22,334</b>

Nature of Operations (Note 1)

Commitment (Note 13)

Subsequent events (Note 14)

Approved on behalf of the Board of Directors:

*"Brian Penny"*

Brian Penny, Director

*"Theo van der Linde"*

Theo van der Linde, Director

*The accompanying notes are an integral part of these financial statements*

**TIDAL ROYALTY CORP.**

## Statements of Comprehensive Loss

*(Expressed in Canadian dollars)*

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For the year ended July 31,	2018	2017
<b>Expenses</b>		
Advertising and promotion	\$ 1,164,458	\$ 1,508
Investor relations	31,851	-
Consulting fees (Note 6)	1,933,550	6,000
General and administration	93,861	1,285
Foreign exchange loss	377,265	-
Share-based compensation (Notes 6 and 8)	3,250,476	-
Salaries and benefits (Note 6)	244,526	-
Rent (Note 6)	84,670	-
Professional fees	461,195	14,717
Transfer agent and filing fees	76,869	5,919
Travel	106,368	2,995
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (7,825,089)</b>	<b>\$ (32,424)</b>
<b>Loss per share, basic and diluted for the year</b>	<b>\$ (0.26)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>30,039,081</b>	<b>2,843,636</b>

*The accompanying notes are an integral part of these financial statements*

**TIDAL ROYALTY CORP.**

Statements of Equity (Deficiency)

(Expressed in Canadian dollars)

	Number of convertible preferred shares	Convertible preferred shares \$	Convertible preferred shares issuable \$	Number of common shares	Common shares \$	Share-based payment reserve \$	Warrant reserve \$	Total reserves \$	Accumulated deficit \$	Total shareholders' equity (deficiency) \$
Balance, July 31, 2016	-	-	-	2,843,636	12,297,109	27,464	-	27,464	(12,427,806)	(103,233)
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(32,424)	(32,424)
Balance, July 31, 2017	-	-	-	2,843,636	12,297,109	27,464	-	27,464	(12,460,230)	(135,657)
Issuance of preferred shares	40,000,000	2,000,000	-	-	-	-	-	-	-	2,000,000
Exercise of preferred shares purchase warrants	-	-	2,000,000	-	-	-	-	-	-	2,000,000
Fair value of preferred shares finders' warrants	-	(141,440)	-	-	-	-	141,440	141,440	-	-
Issuance of 59,370,000 special warrants	-	-	-	-	-	-	2,968,500	2,968,500	-	2,968,500
Issuance of 3,757,000 finders' special warrants	-	-	-	-	(187,850)	-	187,850	187,850	-	-
Issuance of 57,120,000 special warrants	-	-	-	-	-	-	2,856,000	2,856,000	-	2,856,000
Issuance of 5,292,000 finders' special warrants	-	-	-	-	(264,600)	-	264,600	264,600	-	-
Issuance of 12,690,000 special warrants	-	-	-	-	-	-	634,500	634,500	-	634,500
Issuance of 1,220,000 finders' special warrants	-	-	-	-	(61,000)	-	61,000	61,000	-	-
Conversion of special warrants	-	-	-	116,490,000	5,824,500	-	(5,824,500)	(5,824,500)	-	-
Conversion of 3,757,000 finders' special warrants	-	-	-	3,757,000	187,850	-	(187,850)	(187,850)	-	-
Conversion of 5,292,000 finders' special warrants	-	-	-	5,292,000	264,600	-	(264,600)	(264,600)	-	-
Private placements	-	-	-	94,355,026	31,137,159	-	-	-	-	31,137,159
Proceeds from warrants exercised	-	-	-	5,050,000	252,500	-	-	-	-	252,500
Share issuance costs	-	(103,839)	-	-	(4,017,695)	-	1,209,136	1,209,136	-	(2,912,398)
Share-based compensation	-	-	-	-	-	3,250,476	-	3,250,476	-	3,250,476
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(7,825,089)	(7,825,089)
Balance, July 31, 2018	40,000,000	1,754,721	2,000,000	227,787,662	45,432,573	3,277,940	2,046,076	5,324,016	(20,285,319)	34,225,991

The accompanying notes are an integral part of these financial statements

**TIDAL ROYALTY CORP.**

## Statements of Cash Flows

*(Expressed in Canadian dollars)*

For the year ended July 31,	2018	2017
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (7,825,089)	\$ (32,424)
Items not affecting operating cash:		
Share-based payments	3,250,476	-
	(4,574,613)	(32,424)
Net changes in non-cash working capital:		
Sales tax receivable	(128,557)	1,491
Prepaid expense	(530,648)	(1,211)
Accounts payables and accrued liabilities	206,132	47,838
	(5,027,686)	15,694
<b>FINANCING ACTIVITIES</b>		
Due to related parties	(4,081)	(27,014)
Shares issued for cash	-	-
Repayment of loan	(60,000)	-
Proceeds from loan	40,000	30,000
Proceeds from exercise of common share purchase warrants	252,500	-
Proceeds from private placement of special warrants	6,459,000	-
Proceeds from issuance of preferred units and exercise of preferred share purchase warrants	4,000,000	-
Proceeds from private placement of common shares	31,137,159	-
Share issuance costs	(2,912,398)	-
	38,912,180	2,986
Increase in cash and cash equivalents	33,884,494	18,680
Cash and cash equivalents, beginning of the year	20,265	1,585
Cash and cash equivalents, end of the year	\$ 33,904,759	\$ 20,265
The components of cash and cash equivalents are:		
Cash at bank	\$ 33,789,759	\$ 20,265
Term deposit	115,000	-
	\$ 33,904,759	\$ 20,265
<b>Non-cash Investing and Financing Activities</b>		
Finders' warrants issued pursuant to private placement	\$ 1,209,136	\$ -
Finders' warrants issued pursuant to special warrant issuance	513,450	-
Preferred share finders' warrants	141,440	-
Conversion of special warrants	\$ 6,276,950	\$ -

*The accompanying notes are an integral part of these financial statements*

## TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

*(Expressed in Canadian dollars)*

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### 1. Nature of Operations

Tidal Royalty Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Tremingo 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 Royalty Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company's planned business is to invest in conventional equity, debt and other forms of investments in private and public companies in Canada and the United States.

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

### 2. Basis of Preparation and Statement of Compliance

#### Statement of Compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issuance by the Board of Directors on October 30, 2018.

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

#### 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.

#### *ii) 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.

## TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

*(Expressed in Canadian dollars)*

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### 3. Significant Accounting Policies

#### (a) Cash and Cash Equivalents

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As of July 31, 2018, the Company held cash and a term deposit.

#### (b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

#### (c) Financial Instruments

##### (i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash and cash equivalents as financial assets at FVTPL.

##### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.



## TIDAL ROYALTY CORP.

Notes to Financial Statements  
Years ended July 31, 2018 and 2017  
(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets classified as loans and receivables.

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

## TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

*(Expressed in Canadian dollars)*

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### 3. Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

#### (d) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

*(Expressed in Canadian dollars)*

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### 3. Significant Accounting Policies (continued)

#### (e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

#### (f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

#### (g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

#### (h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

## TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (i) Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common and convertible preferred shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The proceeds from issuance of units are allocated between shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the shares at the time the units are issued and any residual value is allocated to warrant reserve.

#### (j) Changes in Accounting Standards Issued

(i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2017 that affected the Company's financial statements.

(ii) 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.

Standards effective for annual periods beginning on or after January 1, 2018:

*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. The Company does not expect that the new standard will have a significant impact on its financial statements.

*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. The Company does not expect that the new standard will have a significant impact on its financial statements.

## TIDAL ROYALTY CORP.

Notes to Financial Statements  
Years ended July 31, 2018 and 2017  
(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (j) Changes in Accounting Standards Issued (continued)

##### (ii) Accounting Standards Issued But Not Yet Effective: (continued)

*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 provide 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. The Company does not expect that the new standard will have a significant impact on its financial statements.

Standard is effective for annual periods beginning on or after January 1, 2019:

*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 Company does not expect that the new standard will have a significant impact on its financial statements.

### 4. Prepaid Expenses and Deposits

	July 31, 2018	July 31, 2017
	\$	\$
Insurance	72,621	-
Advertising and promotion	89,894	1,211
Consulting	322,891	-
Deposits	46,453	-
	531,859	1,211

### 5. Accounts Payable and Accrued Liabilities

	July 31, 2018	July 31, 2017
	\$	\$
Trade payables	235,357	97,225
Accrued liabilities	76,000	8,000
	311,357	105,225

## TIDAL ROYALTY CORP.

Notes to Financial Statements  
Years ended July 31, 2018 and 2017  
(Expressed in Canadian dollars)

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### 6. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the years ended July 31, 2018 and 2017:

	2018	2017
	\$	\$
Consulting fees	463,602	6,000
Rent	9,100	-
Salaries and benefits	180,420	-
Share-based compensation	1,651,395	-
Total	2,304,517	6,000

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

	2018	2017
	\$	\$
Due to related parties	18,685	22,766

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

### 7. Loans Payable

During the year ended July 31, 2018, the Company received additional loan of \$40,000 (2017 - \$20,000) from an arm's length party for working capital purposes and repaid \$60,000 to this party.

As at July 31, 2018, the Company had one loan payable of \$10,000 (2017 - \$10,000). The loan is unsecured, non-interest bearing and due on demand.

### 8. Share Capital

#### Authorized

Unlimited number of common shares without par value, and unlimited number of Series 1 Convertible Preferred shares without par value, participating, each share convertible into one common share, and non-voting.

#### Issued and Outstanding

As at July 31, 2018, there were 40,000,000 Series 1 Convertible Preferred Shares and 227,787,662 common shares issued and outstanding.

## TIDAL ROYALTY CORP.

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### 8. Share Capital (continued)

#### Convertible Preferred Shares

On May 25, 2018, the Company issued 40,000,000 units in the capital of the Company at a price of \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one Series 1 Convertible Preferred share (a "Preferred Share") and one preferred share purchase warrant; each warrant (a "Warrant") is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date.

A total of 4,000,000 special finders' warrants as finder's fees to the May 25, 2018 issuance were granted with a fair value of \$141,440. The fair value of the special finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.05; exercise price - \$0.05; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.96%. As at July 31, 2018, 4,000,000 of these special warrants were outstanding.

Each special finders warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant on September 26, 2018. Each share purchase warrant is exercisable by the holder to acquire one additional common share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date of the convertible preferred share units. Accordingly these special purchase warrants are presented as an addition to warrant reserves on the Statement of Equity. The special finder's warrants were converted into an equivalent number of units in the capital of the Company on September 26, 2018. As of October 30, 2018, the Company has not yet issued the 4,000,000 units in the Company pursuant to the conversion of the 4,000,000 special finders' warrants.

#### Convertible Preferred Shares Issuable

On July 28, 2018, the holders of the 40,000,000 preferred share purchase warrants exercised these warrants and paid the \$0.05 exercise price for total proceeds of \$2,000,000. As of July 31, 2018 and October 30, 2018, the Company has not yet issued the 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of the 40,000,000 preferred share purchase warrants.

#### Common Shares

For the year ended July 31, 2018:

On June 8, 2018, the Company converted 59,370,000 special warrants and 3,757,000 special finders' warrants issued on February 8, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.

On June 12, 2018, the Company issued 94,355,026 common shares at a price of \$0.33 per common share for gross proceeds of \$31,137,159. In consideration for their services, the underwriters received a cash commission of \$2,067,500 and the Company paid other legal and finder's fees of \$64,000. A total of 5,182,365 finder's warrants were granted with a fair value of \$1,209,136; each finder warrant entitling the holder to acquire one additional common share at \$0.33 for a period of 24 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.90%.

During the period ended July 31, 2018, the Company issued 5,050,000 common shares pursuant to the exercise of 5,050,000 warrants for gross proceeds of \$252,500.

On July 1, 2018, the Company converted 57,120,000 special warrants and 5,292,000 special finders' warrants issued on March 1, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.

For the year ended July 31, 2017:

There were no issuances of common shares in the year.

## TIDAL ROYALTY CORP.

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### 8. 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. 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.

On June 22, 2018, the Company granted 16,468,727 stock options to various directors, officers and consultants of the Company with an exercise price of \$0.33 with a term of 5 years. 9,981,227 of the stock options vested immediately, with the remainder vesting 12.5% every 3 months. The estimated fair value of the stock options was \$3,250,476, measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 5 years, volatility - 147%, dividend yield - \$0; and risk-free rate - 1.98%. During the year ended July 31, 2018, the Company recognized \$3,250,476 in share-based compensation expense related to these stock options.

As at July 31, 2018, the outstanding stock options expire on June 22, 2023 and have a weighted average remaining contractual life of 4.9 years. The number of exercisable options is 9,981,227.

As at July 31, 2018, the outstanding and exercisable stock options are as follows:

	Options outstanding	Options exercisable	Weighted average exercise price \$
Balance, July 31, 2016	75,000	75,000	0.18
Expired/Cancelled	(75,000)	(75,000)	0.18
Balance, July 31, 2017	-	-	-
Issued	16,468,727	9,981,227	0.33
Balance, July 31, 2018	16,468,727	9,981,227	0.33

#### Special Warrants

On February 8, 2018, the Company completed a non-brokered private placement, of 59,370,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,968,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 3,757,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of \$187,850 was charged to warrant issue costs. On June 8, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.



**TIDAL ROYALTY CORP.**

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**8. Share Capital (continued)****Special Warrants (continued)**

On March 1, 2018, the Company completed a non-brokered private placement, of 57,120,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,856,000. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 5,292,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of the finder's warrants \$264,600 was charged to warrant issue costs. On July 1, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On April 30, 2018, the Company completed a non-brokered private placement, of 12,690,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$634,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 1,220,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The estimated fair value of the finder's warrants \$61,000 was charged to warrant issue costs. As at July 31, 2018, 13,910,000 special warrants were outstanding and on August 31, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company. As at July 31, 2018, a total of \$695,500 has been classified in warrant reserve in relation to these special warrants.

**Common Share Purchase Warrants**

The continuity of the Company's share purchase warrants pursuant to the special warrants is as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding, July 31, 2016 and 2017	-	\$ -
Issued	125,539,000	0.05
Exercised	(5,050,000)	0.05
Outstanding, July 31, 2018	120,489,000	\$ 0.05

As of July 31, 2018, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Exercise price	Number of warrants
June 8, 2020	\$ 0.05	59,777,000
July 1, 2020	0.05	60,712,000
		120,489,000

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### 8. Share Capital (continued)

#### Finders' Warrants

A continuity schedule of the Company's outstanding finders' warrants is as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding, July 31, 2016 and 2017	-	\$ -
Issued	5,182,365	0.33
Outstanding, July 31, 2018	5,182,365	\$ 0.33

As at July 31, 2018, the outstanding finder's warrants expire on June 11, 2020 and have a weighted average remaining contractual life of 1.87 years. The number of exercisable finders' warrants is 5,182,365.

### 9. 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:

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

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:

	July 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 33,904,759	\$ -	\$ -	\$ 33,904,759

  

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

#### (b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is limited by its liquidity.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal. Credit risk with respect to receivables has been assessed as low by management as the majority of receivables are government input tax credits refundable.

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### 9. Financial Instruments and Risks (continued)

#### (c) Foreign Exchange Rate and Interest Rate Risk

##### Foreign exchange rate

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. At July 31, 2018, the Company has cash of \$15,126,020 and accounts payable of \$46,138 denominated in the United States dollar. A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$1,960,000.

##### Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to any significant interest rate 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 to do this relies on the Company raising equity financing in a timely manner. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 11.

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

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years
Accounts payable	\$ 235,357	\$ 235,357	\$ 235,357	\$ -
Due to related parties	18,685	18,685	18,685	-
Loans payable	10,000	10,000	10,000	-

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	-

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**10. Income Taxes**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2018 \$	2017 \$
Net loss before income taxes	(7,825,089)	(32,424)
Canadian statutory income tax rate	26.50%	26%
Expected income tax recovery at statutory rate	2,073,649	8,430
Tax effect of:		
Other non-deductible expense	(96,209)	(124)
Change in tax rate	20,314	
Change in unrecognized deferred tax assets	(1,997,754)	(8,306)
Income tax recovery	-	-

The significant components of deferred income tax assets and liabilities are as follows:

	2018 \$	2017 \$
Deferred income tax assets:		
Non-capital losses carried forward	1,753,878	180,670
Resource pools	681,172	875,655
Share issuance costs	619,029	-
Total gross deferred income tax assets	3,054,079	1,056,325
Unrecognized deferred tax assets	(3,054,079)	(1,056,325)
Net deferred income tax assets	-	-

As at July 31, 2018, the Company has non-capital losses carried forward of approximately \$5,821,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
2038	5,923,500
	<u>6,618,500</u>

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$2,570,500 (2017 - \$3,368,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

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### 11. 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 through the issuance of equity. Management considers all components of shareholders' equity 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, 2018.

### 12. Segment Information

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

### 13. Commitment

During the year ended July 31, 2018, the Company entered into an office lease. The lease expires on September 2, 2020 and has the following estimated annual payments:

	\$
2019	257,441
2020	257,441
2021	42,907
	<u>557,789</u>

## TIDAL ROYALTY CORP.

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### 14. Subsequent Events

- (a) On August 15, 2018, the Company issued 1,000,000 stock options to an employee. The options are exercisable at US\$0.56 per share with a term of 5 years, with vesting terms of 12.5% every 3 months.
- (b) On August 27, 2018, the Company entered into a binding letter of intent (“LOI”) with CannaRoyalty Corp. (“CannaRoyalty”) to acquire 1,500 units in Alternative Medical Enterprises, LLC (“AltMed”) and a royalty on U.S. and international sales of the MüV™ product line for aggregate consideration of \$7,000,000 in cash and \$1,000,000 in common stock, respectively. The number of common shares to be issued is to be computed using the 20-day volume weighted average price of the Company’s common shares on the trading day immediately prior to the closing date. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals.
- (c) On August 31, 2018, the Company entered into a definitive agreement with Diem Cannabis (“Diem”) to provide Diem with up to US\$12.5 million (the “Financing”) over the next three years to develop and operate a large-scale cultivation and processing facility and up to four dispensaries. The Financing will be secured by all of Diem assets and 100% of all shares, membership interest and other equity interests in Diem. The Company will be entitled to 15% of all net sales generated by the financed operations in Massachusetts. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals.
- (d) Subsequent to the year ended July 31, 2018, the Company issued an aggregate of 12,700,000 common shares from the exercise of common share purchase warrants for gross proceeds of \$635,000.
- (e) On August 31, 2018, the Company converted 13,910,000 special warrants into an equivalent number of units in the capital of the Company. Each unit comprises of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.
- (f) On September 26, 2018, the 4,000,000 special finder’s warrants converted into an equivalent number of units in the capital of the Company. As of October 30, 2018, the Company has not yet issued the 4,000,000 units in the capital of the Company pursuant to the conversion of the 4,000,000 special finders’ warrants.
- (g) On September 14, 2018, the Company issued 100,000 stock options to a consultant. The options are exercisable at US\$0.24 per share with a term of 2 years, with vesting terms of 12.5% every 3 months.
- (h) The Company intends to make a \$3,000,000 equity investment in an arms-length cannabis brands company (“California Company”) that owns and operates two dispensaries and a cultivation facility in California. Each purchased unit will consist of one 12.0% unsecured convertible debenture of the California Company in the principal amount of \$1,000 and 87 common share purchase warrants of the California Company, each exercisable for one common share at an exercise price of \$8.60 for a period of 2 years. The Company’s subscription amount is currently being held in escrow pending closing. If the closing does not occur, the entire subscription amount will be returned to the Company.