CordovaCann Corp.

(formerly LiveReel Media Corporation)

Consolidated Financial Statements

For the years ended June 30, 2019, 2018 and 2017

(Expressed in Canadian Dollars)

INDEX

	Page
Reports of Independent Registered Public Accounting Firms	2 – 4
Consolidated Statements of Financial Position	5
Consolidated Statements of Operations and Comprehensive Loss	6
Consolidated Statements of Changes in Equity (Deficiency)	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 – 36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
CordovaCann Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of CordovaCann Corp. (the "Company") as of June 30, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes, comprising 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 consolidated financial position of the Company as of June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred a comprehensive loss of $5,829,331 during the year ended June 30, 2019 and, has a total accumulated deficit of $19,570,801 at June 30, 2019. As stated in Note 1 to the financial statements, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Basis for Opinion

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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.

Marcum LLP ▪ 6002 Rogerdale Road ▪ Suite 300 ▪ Houston, Texas 77072 ▪ Phone 281.223.5500 ▪ Fax 281.223.5501 ▪ www.marcumllp.com

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 the standards of the Public Company Accounting Oversight Board (United States) ("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 error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of significant 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 audit is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Marcum LLP

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

Houston, Texas
December 2, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders of LiveReel Media Corporation:

We have audited the accompanying consolidated financial statements of LiveReel Media Corporation and its subsidiary, which comprise the consolidated statement of financial position as at June 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as at June 30, 2017 and 2016 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of LiveReel Media Corporation as at June 30, 2015, and for the year then ended, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements in their report dated February 18, 2016.

MNP LLP

Toronto, Ontario
October 30, 2017

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Financial Position
As at June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
ASSETS		
Current		
Cash and cash equivalents	**71,849**	3,250,697
Promissory note receivable *(Note 5)*	**-**	15,802
Prepaid expenses and deposits	**427,894**	325,659
Advances to OR Operations *(Note 6)*	**-**	610,705
Total current assets	**499,743**	4,202,863
Investment in OR Operations *(Note 6)*	**-**	534,311
Investment in related party (*Note 7*)	**500,000**	-
Property and equipment, net *(Note 8)*	**3,645,389**	138,418
Total assets	**4,645,132**	4,875,592
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,371,386**	320,321
Mortgage payable (*Note 9*)	**657,633**	-
Debenture unit deposits (*Note 10)*	**594,889**	-
Promissory notes payable *(Note 11)*	**1,112,194**	-
Total current liabilities	**3,736,102**	320,321
Convertible debentures *(Note 12)*	**546,460**	-
Total liabilities	**4,282,562**	320,321
SHAREHOLDERS' EQUITY		
Share capital *(Note 13)*	**14,636,828**	14,480,241
Contributed surplus	**5,226,156**	3,808,611
Equity portion of convertible debentures	**62,498**	-
Accumulated deficit	**(19,570,801)**	(13,734,265)
Accumulated other comprehensive income	**7,889**	684
Total shareholders' equity	**362,570**	4,555,271
Total liabilities and shareholders' equity	**4,645,132**	4,875,592

Nature of operations and going concern (*Note 1*)
Related party transactions (*Note 18*)
Commitments (*Note 16*)
Subsequent events (*Note 23*)

Approved on behalf of the Board:

"Henry J. Kloepper", Director (signed)

"Thomas M. Turner, Jr.", Director (signed)

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Operations and Comprehensive Loss
For the years ended June 30, 2019, 2018 and 2017
(Expressed in Canadian Dollars)

	2019	2018	2017
	$	$	$
Revenue (*Note 8*)	**-**	-	-
Cost of sales (*Note 8*)	**30,529**	12,770	-
	(30,529)	(12,770)	-
Expenses			
Consulting fees	**2,448,560**	977,410	-
Share based compensation (*Note 14, 15*)	**1,413,919**	3,447,415	-
Professional fees	**371,079**	225,151	8,250
Shareholders information services	**379,058**	52,714	19,107
Advertising costs	**88,917**	-	-
Office and general	**605,334**	120,274	5,468
Financing costs	**-**	14,845	55,580
Exclusivity fee (*Note 16(a)*)	**48,367**	42,550	-
Impairment of promissory note receivable *(Note 5)*	**85,114**	-	-
Impairment of equipment *(Note 8)*	**107,515**	-	-
	5,547,863	4,880,359	88,405
Loss before other income	**(5,578,392)**	(4,893,129)	(88,405)
Interest expense (*Note 9, 11, 12)*	**39,215**	-	-
Accretion expense (*Note 11, 12)*	**24,680**	-	-
Loss on settlement of fees *(Note 12)*	**12,700**	-	-
Foreign exchange loss (gain)	**57,121**	(27,196)	-
Loss on deposit *(Note 17)*	**124,428**	-	-
Net loss	**(5,836,536)**	(4,865,933)	(88,405)
Loss per share - basic and diluted	**(0.15)**	(0.15)	(0.00)
Weighted average number of outstanding common shares - basic and diluted	**40,149,242**	32,255,112	23,521,744
Net loss	**(5,836,536)**	(4,865,933)	(88,405)
Foreign exchange translation adjustment	**7,205**	684	-
Total comprehensive loss	**(5,829,331)**	(4,865,249)	(88,405)

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Changes in Equity (Deficiency)
As at June 30, 2019, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Portion of Convertible Debentures	Accumulated Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity
	#	$	$	$	$	$	$
Balance, June 30, 2016	**23,521,744**	**7,880,660**	**361,196**	**-**	**(8,779,927)**	-	**(538,071)**
Net loss for the year	-	-	-	-	(88,405)	-	(88,405)
Balance, June 30, 2017	**23,521,744**	**7,880,660**	**361,196**	**-**	**(8,868,332)**	-	**(626,476)**
Common shares issued for settlement of loan *(Note 13(b))*	7,681,110	384,055	-	-	-	-	384,055
Common shares issued for private placement *(Note 13(c))*	5,532,500	553,250	-	-	-	-	553,250
Common shares issued for private placement *(Note 13(d))*	890,074	959,251	-	-	-	-	959,251
Issuance of options *(Note 14)*	-	-	1,177,727	-	-	-	1,177,727
Issuance of warrants *(Note 15)*	-	-	2,269,688	-	-	-	2,269,688
Common shares issued for private placement *(Note 13(e))*	2,410,800	4,703,025	-	-	-	-	4,703,025
Foreign currency translation gain	-	-	-	-	-	684	684
Net loss for the year	-	-	-	-	(4,865,933)	-	(4,865,933)
Balance, June 30, 2018	**40,036,228**	**14,480,241**	**3,808,611**	**-**	**(13,734,265)**	**684**	**4,555,271**
Issuance of warrants *(Note 15)*	-	-	1,413,919	-	-	-	1,413,919
Equity portion of convertible debentures *(Note 12)*	-	-	29,063	62,498	-	-	91,561
Warrant portion of promissory note payable *(Note 11)*	-	-	18,650	-	-	-	18,650
Common shares issued for exercise of warrants *(Note 13(a))*	750,000	156,587	(44,087)	-	-	-	112,500
Foreign currency translation gain	-	-	-	-	-	7,205	7,205
Net loss for the year	-	-	-	-	(5,836,536)	-	(5,836,536)
Balance, June 30, 2019	**40,786,228**	**14,636,828**	**5,226,156**	**62,498**	**(19,570,801)**	**7,889**	**362,570**

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Cash Flows
For the years ended June 30, 2019, 2018 and 2017
(Expressed in Canadian Dollars)

	2019	2018	2017
	$	$	$
Operating activities			
Net loss for the year	**(5,836,536)**	(4,865,933)	(88,405)
Adjusted for non-cash items:			
Shares issued on consulting agreement	**-**	322,862	-
Share based compensation	**1,413,919**	3,447,415	-
Impairment of promissory note receivable	**85,114**	-	-
Impairment of equipment	**107,515**	-	-
Depreciation	**30,529**	12,770	-
Financing costs	**-**	-	55,580
Interest expense	**39,215**	-	-
Accretion expense	**24,680**	-	-
Convertible debentures issued for settlement of fees	**250,000**	-	-
Transaction costs	**-**	(7,591)	-
Write off of receivables	**-**	-	5,239
Changes in non-cash working capital items:			
Prepaid expenses and deposits	**(102,235)**	(318,903)	(2,620)
Receivables	**-**	-	(1,600)
Accounts payable and accrued liabilities	**1,051,065**	231,906	29,386
Cash used in operating activities	**(2,936,734)**	(1,177,474)	(2,420)
Investing activities			
Purchase of property and equipment	**(2,500,373)**	(151,188)	-
Investment in OR Operations	**-**	(526,720)	-
Advances to OR Operations	**-**	(610,705)	-
Investment in related party	**(500,000)**	-	-
Promissory note receivable	**(69,312)**	(15,802)	-
Cash used in investing activities	**(3,069,685)**	(1,304,415)	-
Financing activities			
Advances from (repayments to) related parties	**-**	(117,081)	2,420
Issuance of mortgage payable	**654,350**	-	-
Debenture unit deposits	**594,889**	-	-
Issuance of promissory notes payable	**1,108,627**	-	-
Issuance of convertible debentures	**350,000**	-	-
Proceeds from the exercise of warrants	**112,500**	-	-
Repayments of related party notes payable	**-**	(43,681)	-
Proceeds from issuance of common shares	**-**	5,892,664	-
Proceeds from financing activities	**2,820,366**	5,731,902	2,420
Effect of exchange rate changes on cash	**7,205**	684	-
Net increase (decrease) in cash and cash equivalents	**(3,178,848)**	3,250,697	-
Cash and cash equivalents, beginning of year	**3,250,697**	-	-
Cash and cash equivalents, end of year	**71,849**	3,250,697	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

CordovaCann Corp. (formerly LiveReel Media Corporation) (the "Company" or "CordovaCann") is a Canadian-domiciled company focused on building a leading, diversified cannabis products business across multiple jurisdictions including Canada and the United States. CordovaCann primarily provides services and investment capital to the processing and production vertical markets of the cannabis industry. On January 3, 2018, the Company changed its name from LiveReel Media Corporation to CordovaCann Corp. The Company's principal address is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

The Company's common shares currently trade on the Canadian Securities Exchange under the symbol "CDVA" and in the United States on the OTCQB under the symbol "LVRLF".

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There is substantial doubt about the Company's ability to continue as a going concern as the Company incurred a comprehensive loss of $5,829,331 (June 30, 2018 – $4,865,249) during the year ended June 30, 2019 and has a total accumulated deficit of $19,570,801 (June 30, 2018 – $13,734,265) as at June 30, 2019. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations and raises a material concern. To this point, all operational activities and overhead costs have been funded through equity issuances, debt issuances and related party advances.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form, however, there can be no assurances that the Company will achieve this. Accordingly, these consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on December 2, 2019.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (continued)

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currencies of the group, as determined by management, are as follows:

	Currency
CordovaCann Corp.	Canadian
CordovaCann Holdings Canada, Inc.	Canadian
Cordova Investments Canada, Inc.	Canadian
CordovaCann Holdings, Inc.	United States
Cordova CO Holdings, LLC	United States
Cordova OR Holdings, LLC	United States
CDVA Enterprises, LLC	United States
Cordova CA Holdings, LLC	United States
Cordova OR Operations, LLC	United States
Cannabilt Farms, LLC	United States
Cannabilt OR Retail, LLC	United States
Cannabilt Holdings, Inc.	United States
Future Processing, LLC	United States

In translating the financial statements of the Company's foreign subsidiaries from their functional currencies into the Company's reporting currency of Canadian dollars, balance sheet accounts are translated using the closing exchange rate in effect at the balance sheet date and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in accumulated other comprehensive income (loss) in shareholders' equity.

(d) Use of Estimates and Judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2. BASIS OF PREPARATION (continued)

(d) Use of Estimates and Judgements (continued)

The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the valuation of financial instruments, valuation of acquired assets, fair value of share purchase warrants, share-based payments and deferred tax assets.

(e) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating polices of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: CordovaCann Holdings Canada, Inc.; Cordova Investments Canada Inc.; CordovaCann Holdings, Inc. and its wholly owned subsidiaries: Cordova CO Holdings, LLC, Cordova CA Holdings, LLC, CDVA Enterprises, LLC, Cordova OR Holdings, LLC and its wholly owned subsidiary Cordova OR Operations, LLC, and Cannabilt Holdings, Inc. and its wholly owned subsidiaries: Cannabilt Farms, LLC, Cannabilt OR Retail, LLC and Future Processing, LLC.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Cash and cash equivalents

Cash consists of bank balances and cash held in trust. Cash equivalents consist of short-term deposits with original maturities of three months or less. As at June 30, 2019 and June 30, 2018, there were no cash equivalents.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company records income as a result of an operating lease. The Company presents its assets subject to the operating leases in its statement of financial position. The Company recognizes income from its operating leases on a straight-line basis over the lease terms, unless another systematic basis better represents the time pattern in which the economic benefits in the leased asset diminish.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debt that can be converted into common shares. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or upon expiration, when the carrying value of the equity portion is transferred to common shares or contributed surplus.

Revenue from contracts with customers

Effective July 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the modified retrospective approach. There is no impact of adopting IFRS 15 on the Company’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Effective July 1, 2018, the Company adopted IFRS 9 – *Financial Instruments* ("IFRS 9") which replaced IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") and all previous versions of IFRS 9. The Company adopted IFRS 9 using the retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of July 1, 2018 and comparatives will not be restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at 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 of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) at fair value through profit or loss ("FVTPL").

Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

Fair value through other comprehensive income

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

Fair value through profit or loss

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Convertible debentures	N/A	Amortized cost
Mortgage payable	N/A	Amortized cost
Debenture unit deposits	N/A	Amortized cost
Promissory notes payable	N/A	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities. On adoption of IFRS 9 on July 1, 2018, there was no change in the carrying value of the financial instruments on transition from IAS 39. IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets at amortized cost.

Impairment of long-lived assets

Long-lived assets, including property, plant 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 groups of assets (the cash-generating unit, or "CGU").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets (continued)

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 equal to the amount by which the carrying amount 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.

Equity

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Property and equipment

Equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of operations. Expenditures to replace a component of an item of equipment that is accounted for separately are capitalized and the existing carrying amount of the component written off. Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the statement of operations as incurred.

Depreciation is charged to the income statement based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life. Depreciation commences when the assets are available for use. The estimated useful lives are as follows:

	Method:	Rate:
Equipment	Straight-line	5 years

Property and equipment, excluding land, acquired during the year but not yet ready for use are not amortized until they are available for use.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share (continued)

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities or assets are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Significant accounting judgement and estimates

Private company investments (securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. The Company's private investment consists of an investment in NWN Inc., as disclosed in Note 7. Options and warrants of private companies are valued using an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates (continued)

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted if:

a) there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b) there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;

c) the investee company is placed into receivership or bankruptcy;

d) based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; and

e) important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

4. STANDARDS EFFECTIVE JULY 1, 2019

Leases

In January 2016, the IASB issued a new standard, IFRS 16 – *Leases* . The new standard requires lessees to recognize most leases on the balance sheet using a single model, thereby eliminating the distinction between operating and finance leases. Lessor accounting, however, remains similar to current accounting practice, and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019 and superseded IAS 17 – *Leases*. The Company does not expect the new standard to have a significant impact on the consolidated financial statements.

5. PROMISSORY NOTE RECEIVABLE

On June 7, 2018, the Company entered into a revolving promissory note with a customer (the "Promissory Note"). The Promissory Note was unsecured, bearing interest at 8% per annum and due twelve months from the date of issuance. On June 30, 2019, due to issues related to the expected collectability of the Promissory Note, the total amount of the promissory note amounting to $85,114 was deemed impaired. As at June 30, 2019, $nil was outstanding under the Promissory Note (June 30, 2018 – $15,802).

6. ASSET ACQUISITION OF CORDOVA OR OPERATIONS, LLC

On April 4, 2018, the Company entered into an agreement to acquire a 27.5% interest of Cordova OR Operations, LLC ("OR Operations") for the acquisition of land and buildings. Under the terms of the agreement, the Company acquired a 27.5% membership interest in OR Operations for $534,311 (US $400,000). On June 19, 2019, the Company purchased the remaining 72.5% interest in OR Operations (the "Purchase Date"). The assets of OR Operations consists of land, building and construction in progress. The acquisition of OR Operations did not meet the minimum requirements of a business and therefore the Company has accounted for the transaction as an asset acquisition.

On June 19, 2019, the total asset acquisition amounted to $3,645,389, comprised of land, building and construction in progress, which were transferred to property and equipment, net (*Note 8*).

7. INVESTMENT IN RELATED PARTY

On September 18, 2018, the Company subscribed for 500,000 convertible preferred shares of NWN Inc. ("NWN") at a price of $1.00 per preferred share (a "Preferred Share") for a total consideration of $500,000. Each Preferred Share is convertible into one common share of NWN, subject to appropriate adjustments for any stock splits, consolidations or other recapitalizations.

NWN is a private company and management has determined that the cost of the investment was the most reliable basis for determining its fair value. The Company has not earned any dividend income on these preferred shares. Furthermore, NWN is considered to be a related party by virtue of a common officer and director. As at June 30, 2019, the investment in related party amounted to $500,000 (June 30, 2018 – $nil).

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	Equipment	Land	Building	Construction in progress	Total
	$	$	$	$	$
Cost					
As at July 1, 2017	-	-	-	-	-
Additions	151,188	-	-	-	151,188
As at June 30, 2018	151,188	-	-	-	151,188
Additions	-	523,480	1,361,048	1,760,861	3,645,389
Translation adjustment	-	-	-	-	-
Impairment charge	(151,188)	-	-	-	(151,188)
As at June 30, 2019	**-**	**523,480**	**1,361,048**	**1,760,861**	**3,645,389**
Accumulated depreciation					
As at July 1, 2017	-	-	-	-	-
Depreciation	12,770	-	-	-	12,770
As at June 30, 2018	12,770	-	-	-	12,770
Depreciation	30,529	-	-	-	30,529
Impairment charge	(43,299)	-	-	-	(43,299)
As at June 30, 2019	**-**	**-**	**-**	**-**	**-**
Net book value ($)					
At June 30, 2018	138,418	-	-	-	138,418
At June 30, 2019	**-**	**523,480**	**1,361,048**	**1,760,861**	**3,645,389**

Construction in progress

Construction in progress relates to the asset acquisition of OR Operations as detailed in Note 6. Depreciation on these assets will be recorded from the date when these assets are available for use.

Equipment

During the year ended June 30, 2019, the Company expensed $30,529 in depreciation (June 30, 2018 – $12,770) which has been recorded as cost of sales in relation to the below lease agreement. The equipment during the year ended June 30, 2019 was deemed impaired by management and an impairment charge was recorded in the amount of $107,515 which included a foreign translation adjustment of $374.

The Company entered into an operating lease (the "Lease") on February 1, 2018, under which the lessee (the "Lessee") agreed to lease the above equipment for an initial period of twelve months. On February 1, 2019, the Lease was automatically extended for an additional period of twelve months. The Lessee shall make monthly payments of US $5,040 due on or before the first day of each respective month. During the year ended June 30, 2019, the Company had unrecognized rental revenue in the amount of $80,057 (June 30, 2018 – $24,159), as a result of the Lease. The Company has not recorded rental revenue pending a determination by the Company that collectability is reasonably assured. The Company will recognize revenue upon receipt.

8. PROPERTY AND EQUIPMENT, NET (continued)

As at June 30, 2019, it is estimated that future minimum lease payments of US $35,280 are to be charged within the next year.

9. MORTGAGE PAYABLE

On June 16, 2019, the Company obtained financing through a mortgage (the "Mortgage") in the amount of $696,117 (US $531,915) as part of the acquisition of OR Operations which has title to 6 acres of real estate in Clackamas County, Oregon (the "Property"). The Mortgage is due six months from the date of issuance with an initial draw of US $500,000, implying interest at a rate of 12.77% per annum. The Mortgage is secured by a first charge on the Property.

Based on the implied interest rate of 12.77% per annum, the total Mortgage outstanding as at June 30, 2019 was $657,633 (June 30, 2018 – $nil). Total interest expense in relation to the Mortgage for the year ended June 30, 2019 was implied at $3,002 (June 30, 2018 – $nil).

10. DEBENTURE UNIT DEPOSITS

During the year ended June 30, 2019, the Company received a total of $594,889 in deposits related to subscriptions for a convertible debenture unit offering (the "Offering"). Each $1,000 unit of the Offering shall be comprised of a $1,000 principal amount of 10% unsecured subordinated convertible debenture and 500 common share purchase warrants. The debentures shall mature twenty-four months from the date of issuance and shall be exercisable into common shares of the Company at a price of $1.00 per share any time prior to maturity by the holder and at the option of the Company in certain circumstances. The warrants shall be exercisable for a period of twenty-four months from the date of issuance and exercisable at a price of $1.20 per share. The Offering was closed on August 13, 2019 and the convertible debenture units were issued.

11. PROMISSORY NOTES PAYABLE

Promissory Note A – February 1, 2019

On February 1, 2019, the Company issued an unsecured promissory note (the "Promissory Note A") in the principal amount of US $150,000. The Promissory Note A matured on May 1, 2019 and bears interest at a rate of 10% per annum, accrued monthly and due at maturity. As at the date of these financial statements, the Promissory Note A is in default and remains outstanding. In connection with the Promissory Note A, the Company also issued warrants for the purchase of 150,000 common shares of the Company exercisable until January 31, 2020 at a price of $1.00 per share.

The Promissory Note A was determined to be a compound instrument, comprising a liability and warrants. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no warrants. Using the residual method, the carrying amount of the warrants issued is the difference between the principal amount and the initial fair value of the financial liability.

11. PROMISSORY NOTES PAYABLE (continued)

The fair value of the liability was determined to be $192,142 (US $146,729). The residual value of $4,283 (US $3,271) was allocated to warrants. The carrying value of the Promissory Note A, net of the warrant component, has been accreted using the effective interest rate method over the term of the Promissory Note A, such that the carrying amount of the financial liability will equal the principal balance at maturity.

As at June 30, 2019, the value of the Promissory Note A amounted to $204,484 (US $156,250). Accretion expense of $8,715 and interest expense of $8,340 was recorded for the year ended June 30, 2019.

Promissory Note B – June 12, 2019

On June 12, 2019, the Company issued a secured promissory note (the "Promissory Note B") in the principal amount of $261,740 (US $200,000). The Promissory Note B matures on March 31, 2020 and bears interest at a rate of 15% per annum, accrued monthly and due at maturity. The Promissory Note B is secured by the convertible preferred shares investment in NWN Inc. Furthermore, this is considered to be a related party transaction by virtue of a common officer and director.

As at June 30, 2019, the value of the Promissory Note B amounted to $263,690 (US $201,479). Interest expense of $1,950 was recorded for the year ended June 30, 2019.

Promissory Note C – June 19, 2019

On June 19, 2019, the Company issued secured promissory notes (the "Promissory Note C") in the aggregate principal amount of $654,350 (US $500,000). The Promissory Note C matures on December 18, 2019 and bears interest at a rate of 15% per annum, accrued monthly and due at maturity. The Promissory Note C is secured by a general security interest over all the assets of Cordova OR Holdings, LLC, a wholly owned subsidiary of the Company and parent to OR Operations. In connection with the Promissory Note C, the Company issued warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $1.00 per share.

The Promissory Note C was determined to be a compound instrument, comprising of a liability and warrants. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no warrants. Using the residual method, the carrying amount of the warrants issued is the difference between the principal amount and the initial fair value of the financial liability.

The fair value of the liability was determined to be $652,675 (US $489,152). The residual value of $14,367 (US $10,848) was allocated to warrants. The carrying value of the Promissory Note C, net of the warrant component, has been accreted using the effective interest rate method over the term of the Promissory Note C, such that the carrying amount of the financial liability will equal the principal balance at maturity.

As at June 30, 2019, the value of the Promissory Note C amounted to $644,020 (US $492,086). Accretion expense of $847 and interest expense of $3,020 was recorded for the year ended June 30, 2019 (June 30, 2018 – $nil).

12. CONVERTIBLE DEBENTURES

On March 13, 2019, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the "Debenture Units") of the Company for gross proceeds of $600,000; of which $350,000 was received in cash and $250,000 was issued in settlement of outstanding fees with a fair value amounting to $237,300. The balance of $12,700 has been recorded as a loss on settlement of fees.

Each Debenture Unit consists of $1,000 principal amount of unsecured subordinated convertible debentures (the "Debentures") and 500 common share purchase warrants (the "Warrants") of the Company. The Debentures mature on March 12, 2021 (the "Maturity Date") and bear interest at a rate of 10% per annum, accrued monthly and payable on Maturity Date. The outstanding principal amount of the Debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the Maturity Date at a conversion price of $1.00 per share. Furthermore, the Company also has the option to force conversion of the Debentures and any accrued interest at the same conversion price if the Company's common shares trade above $2.50 per share for ten consecutive trading days on the Canadian Securities Exchange. Each full Warrant entitles the holder to purchase one common share of the Company until March 12, 2021 at an exercise price of $1.20 per share. As a result, 300,000 Warrants were issued related to the Debenture Units.

The Debenture Units were determined to be a compound instrument, comprising a liability, a conversion feature and warrants. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability.

The fair value of the liability was determined to be $508,439. The residual value of $91,561 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $62,498 and $29,063, respectively. The carrying value of the Debentures, net of the equity components, have been accreted using the effective interest rate method over the term of the Debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

As at June 30, 2019, the value of the Debentures amounted to $546,460. Accretion expense of $15,118 and interest expense of $22,903 was recorded for the year ended June 30, 2019 (June 30, 2018 – $nil and $nil, respectively).

13. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares.

During the year ended June 30, 2019, the Company had the following common share transactions:

- On May 4, 2019, and in connection with warrants previously issued to a consultant, warrants were exercised for the purchase of 750,000 common shares of the Company at an exercise price of $0.15 per share for total gross proceeds of $112,500. As a result of this exercise, contributed surplus in the amount of $44,087 was transferred into share capital.

13. SHARE CAPITAL (continued)

During the year ended June 30, 2018, the Company had the following common share transactions:

- On October 19, 2017, an outstanding shareholder loan in the amount of $384,055 was settled with the issuance of 7,681,110 common shares of the Company at a price of $0.05 per share;
- On December 14, 2017, the Company issued 5,532,500 common shares valued at $0.10 per share as part of a private placement for total gross proceeds of $553,250; of which $533,250 was received in cash and $20,000 was issued pursuant to a consulting agreement;
- On March 12, 2018, the Company issued 890,074 common shares valued at $1.08 per share as part of a private placement for total gross proceeds of $959,251; all of which was received in cash; and
- On June 12, 2018 and June 15, 2018, the Company issued 2,390,800 and 20,000 common shares, respectively, valued at $1.95 per share as part of a private placement for total gross proceeds of $4,703,025; of which $4,400,163 was received in cash and $302,862 was received in services provided by consultants.

14. OPTIONS

On November 22, 2018, the Company's shareholders approved and the Company adopted a new rolling stock option plan (the "Option Plan"), under which the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10) years from the date of grant with the total options issued under the Option Plan not exceeding ten percent (10%) of the common shares of the Company, outstanding at the time of the granting of such options. The minimum exercise price of an option granted under the Option plan must not be less than the market value of the common shares on the date such option is granted.

Outstanding options as at June 30, 2019 are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Life Remaining (years)
Executive Officers	900,000	$0.78	1.62
Directors	100,000	$0.40	1.55
Consultants	750,000	$0.70	1.60
	1,750,000		

14. OPTIONS (continued)

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Fair Value
Jan. 16, 2018(i)	Jan. 15, 2021	1,000,000	1,000,000	$0.40	$377,024
Mar. 9, 2018(ii)	Mar. 8, 2021	750,000	750,000	$1.15	$800,703

(i) The options fully vested on issuance and the fair value of $377,024 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.40
Risk-free interest rate	1.78 %
Expected life	3 years
Estimated volatility in the market price of the common shares	218 %
Dividend yield	Nil

(ii) The options fully vested on issuance and the fair value of $800,703 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14
Risk-free interest rate	1.83 %
Expected life	3 years
Estimated volatility in the market price of the common shares	213 %
Dividend yield	Nil

During the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $1,177,727) of the fair value of the options. No options were issued during the year ended June 30, 2019, and the options issued during the year ended June 30, 2018 fully vested and were expensed in the year ended June 30, 2018 as share based compensation.

15. WARRANTS

	Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Life Remaining (years)
July 1, 2017	**-**	**$**	**-**	**-**
Issued	**6,650,000**		**0.54**	**1.37**
Expired	**-**		**-**	**-**
June 30, 2018	**6,650,000**		**0.54**	**1.37**
Issued	**3,725,000**		**1.69**	**1.65**
Exercised	**(750,000)**		**0.15**	**0.00**
Forfeited	**(1,000,000)**		**2.00**	**0.00**
Expired	**(250,000)**		**0.10**	**0.00**
June 30, 2019	**8,375,000**	**$**	**0.93**	**1.05**

15. WARRANTS (continued)

a) On November 1, 2017 and in connection to a consulting agreement with a director and officer of the Company, the Company issued warrants for the purchase of 3,000,000 common shares of the Company exercisable until October 31, 2019 at an exercise price of $0.10 per share. On issuance, warrants for the purchase of 1,000,000 common shares vested immediately and the remaining 2,000,000 vested during the three months ended June 30, 2018.

The fair value of these issued warrants of $261,401 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	2 years
Estimated volatility in the market price of the common shares	214 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $261,401) of the fair value of the warrants as share based compensation.

b) On November 1, 2017 and in connection to a consulting agreement, the Company issued warrants for the purchase of 750,000 common shares of the Company exercisable until April 30, 2019 at an exercise price of $0.15 per share. On issuance, warrants for the purchase of 250,000 common shares vested immediately and the remaining 500,000 vested during the three months ended June 30, 2018. On April 30, 2019, the warrants were exercised (*Note 6*).

The fair value of these issued warrants of $44,087 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	1.5 years
Estimated volatility in the market price of the common shares	155 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $44,087) of the fair value of the warrants as share based compensation.

c) On November 1, 2017 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until April 30, 2019 at an exercise price of $0.10 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. On April 30, 2019, the deliverables were not met and the warrants expired.

15. WARRANTS (continued)

The fair value of these issued warrants of $16,499 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	1.5 years
Estimated volatility in the market price of the common shares	155 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $4,125) of the fair value of the warrants as share based compensation.

d) On March 9, 2018 and in connection to a consulting agreement with a director and officer of the Company, the Company issued warrants for the purchase of 1,500,000 common shares of the Company exercisable until March 8, 2020 at an exercise price of $1.15 per share, such warrants vesting immediately upon issuance.

The fair value of these issued warrants of $1,336,934 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14
Risk-free interest rate	1.83 %
Expected life	2 years
Estimated volatility in the market price of the common shares	173 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $1,336,934) of the fair value of the warrants as share based compensation.

e) On March 9, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 750,000 common shares of the Company exercisable until March 8, 2020 at an exercise price of $1.15 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. As at June 30, 2019, the deliverables were not met.

The fair value of these issued warrants of $668,467 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14
Risk-free interest rate	1.83 %
Expected life	2 years
Estimated volatility in the market price of the common shares	173 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $501,350) of the fair value of the warrants as share based compensation.

15. WARRANTS (continued)

f) On March 15, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 400,000 common shares of the Company exercisable until September 14, 2019 at an exercise price of $1.45 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. As at June 30, 2019, the deliverables were not met.

The fair value of these issued warrants of $324,775 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.42	
Risk-free interest rate	1.75	%
Expected life	1.5 years	
Estimated volatility in the market price of the common shares	129	%
Dividend yield	Nil	

For the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $121,791) of the fair value of the warrants as share based compensation.

g) On October 1, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until September 30, 2020 at an exercise price of $1.50 per share. Of these issued warrants, 100,000 vested immediately upon issuance while the remaining 150,000 warrants shall vest in six equal tranches of 25,000 warrants every three months from the date of issuance.

The fair value of these issued warrants of $207,833 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.35	
Risk-free interest rate	2.27	%
Expected life	2 years	
Estimated volatility in the market price of the common shares	126	%
Dividend yield	Nil	

For the year ended June 30, 2019, the Company expensed $183,932 (June 30, 2018 – $nil) of the fair value of the warrants as share based compensation.

h) On October 15, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until October 14, 2020 at an exercise price of $2.00 per share. The warrants shall vest in four equal tranches of 62,500 warrants every three months from the date of issuance.

15. WARRANTS (continued)

The fair value of these issued warrants of $131,421 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.05
Risk-free interest rate	2.25 %
Expected life	2 years
Estimated volatility in the market price of the common shares	124 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $119,954 (June 30, 2018 – $nil) of the fair value of the warrants as share based compensation.

i) On October 31, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until October 30, 2022 at a price of $2.00 per share. The warrants shall vest in equal tranches of 250,000 every six months from the date of issuance.

The fair value of these issued warrants of $1,251,625 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.30
Risk-free interest rate	2.41 %
Expected life	4 years
Estimated volatility in the market price of the common shares	215 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $764,874 (June 30, 2018 – $nil) of the fair value of the warrants as share based compensation.

j) On October 31, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until October 30, 2022 at a price of $2.00 per share. The warrants shall vest in equal tranches of 250,000 every six months from the date of issuance.

The fair value of these issued warrants of $1,251,625 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.30
Risk-free interest rate	2.41 %
Expected life	4 years
Estimated volatility in the market price of the common shares	215 %
Dividend yield	Nil

On February 15, 2019, all 1,000,000 warrants previously issued to the consultant were forfeited. As a result, the Company has reversed the previously recorded share based compensation expense.

15. WARRANTS (continued)

k) On December 1, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until November 30, 2020 at a price of $1.50 per share. Of these issued warrants, 100,000 vested immediately upon issuance while the remaining 150,000 warrants shall vest in three equal tranches of 50,000 warrants every three months from the date of issuance.

The fair value of these issued warrants of $138,853 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.06
Risk-free interest rate	2.14 %
Expected life	2 years
Estimated volatility in the market price of the common shares	116 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $132,682 (June 30, 2018 – $nil) of the fair value of the warrants as share based compensation.

l) On February 1, 2019 and in connection to a consulting agreement, the Company issued warrants for the purchase of 325,000 common shares of the Company exercisable until January 31, 2022 at a price of $1.00 per share. Of these issued warrants, 81,250 vested immediately while the remaining 243,750 warrants shall vest in three equal tranches of 81,250 warrants every three months from the date of issuance.

The fair value of these issued warrants of $250,793 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.95
Risk-free interest rate	1.83 %
Expected life	3 years
Estimated volatility in the market price of the common shares	152 %
Dividend yield	Nil

For the year ended June 30, 2019, the Company expensed $212,477 (June 30, 2018 – $nil) of the fair value of the warrants as share based compensation.

m) On February 1, 2019 and in connection with the Promissory Note A *(Note 11)*, the Company issued warrants for the purchase of 150,000 common shares of the Company exercisable until January 31, 2020 at a price of $1.00 per share. The fair value of these issued warrants of $4,283 was determined by the residual method as noted in Note 11. For the year ended June 30, 2019, $4,283 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

15. WARRANTS (continued)

n) On March 13, 2019 and in connection with the private placement of Debenture Units *(Note 12),* the Company issued warrants for the purchase of 300,000 common shares of the Company exercisable until March 12, 2021 at a price of $1.20 per share. The fair value of these issued warrants of $29,063 was determined by the residual method as noted in Note 12. For the year ended June 30, 2019, $29,063 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

o) On June 19, 2019 and in connection with the Promissory Note C *(Note 11)*, the Company issued warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $1.00 per share. The fair value of these issued warrants of $14,367 was determined by the residual method as noted in Note 11. For the year ended June 30, 2019, $14,367 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

During the year ended June 30, 2019, the Company expensed $1,413,919 in the fair value of warrants as a result of the issuances which have been recorded as share based compensation (June 30, 2018 – $2,269,688).

16. COMMITMENTS

(a) Exclusivity Fee

On March 7, 2018, the Company entered into a memorandum of understanding (the "MOU") with a third party which granted the Company an exclusivity option on a transaction to acquire a majority stake in real estate and intellectual property assets owned by the third party. Under the terms of the MOU, the Company agreed to pay the third party up to US $100,000 for such exclusivity until termination by either party. During the year ended June 30, 2019, the Company paid and expensed a total of $48,367 as an exclusivity fee (June 30, 2018 – $42,550).

(b) Employment Agreements

The Company is party to certain employments agreements with key executives of the Company that contain clauses requiring additional payments of up to two times the annual entitlements under these agreements upon occurrence of certain events, such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

(c) Commitments

The following is a summary of the Company's minimum operating lease obligations for its premises due in future years.

	$
2020	112,021
2021	112,991
2022	112,991

17. LOSS ON DEPOSIT

On June 19, 2019, the Company entered into an asset purchase agreement to acquire certain assets and licenses. The Company made non-refundable payments of $124,428 (US $94,000), with the balance of US $246,000 to be paid within 45 days. The Company did not make the subsequent payment of US $246,000 and has recorded a loss on deposit in the amount of $124,428.

18. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended June 30, 2019, 2018 and 2017 and balances as at those dates, not disclosed elsewhere in these consolidated financial statements are:

a) During the year ended June 30, 2019, the Company received $nil (June 30, 2018 – $nil; June 30, 2017 – $2,420) in advances from related parties, for working capital purposes;

b) During the year ended June 30, 2019, the Company purchased equipment valued at $nil (June 30, 2018 – $44,439; June 30, 2017 – $nil) from a corporation related by virtue of a common officer and a director;

c) During the year ended June 30, 2019, the Company expensed $1,116,103 (June 30, 2018 – $508,399; June 30, 2017 – $nil), in fees payable to officers and directors of the Company and in fees payable to a corporation related by virtue of a common officer and director. As at June 30, 2019, the Company has a prepaid expense amount paid to such related corporation in the amount of $nil (June 30, 2018 – $74,147) and fees payable to officers and directors of the Company of $546,653 (June 30, 2018 – $59,518); and

d) During the year ended June 30, 2019, the Company expensed $nil (June 30, 2018 – $2,286,120; June 30, 2017 – $nil) in share based compensation related to officers and directors of the Company.

19. FINANCIAL INSTRUMENTS AND RISK FACTORS

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company’s financial instruments consisting of cash and cash equivalents, promissory note and accounts payable and accrued liabilities approximate their carrying value due to the relatively short term maturities of these instruments.

19. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these consolidated financial statements. The following analysis provides a measurement of risks as at June 30, 2019:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at June 30, 2019, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and therefore it is not currently subject to any significant cash flow interest rate risk.

(ii) Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at June 30, 2019, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

(iii) Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

20. INCOME TAXES

Canadian

Current Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates were the following:

	June 30, 2019	June 30, 2018	June 30, 2017
Loss from Canadian operations	**$ (5,057,042)**	$ (4,860,659)	$ (88,405)
Combined Canadian statutory income tax rates	**26.50%**	26.50%	26.50%
Income tax recovery at statutory income tax rates	**$ (1,340,116)**	$ (1,288,075)	$ (23,427)
Increase (decrease) in taxes resulting from:			
Stock-based compensation expense	**374,689**	913,565	-
Other	**11,671**	4,790	-
Unrecognized benefit of non-capital losses	**953,756**	369,720	23,427
Provision for income taxes	**$ -**	$ -	$ -

Deferred Income Taxes

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	June 30, 2019	June 30, 2018
Amounts related to tax loss carry forwards	**$ 8,467,000**	$ 4,868,000

A deferred tax asset has not been recognized in respect of the above because it is not probable that future taxable profits will be available against which the temporary difference can be utilized.

Non-capital Losses

As at June 30, 2019, the Company has accumulated non-capital tax loss carry forwards for income tax purposes of carry-forward of approximately $8,467,000 which may be applied against future Canadian taxable income and expire as detailed below. No deferred taxes have been recognized in these consolidated financial statements in respect of the following as the probability that future taxable profit will allow the deferred tax asset to be recognized cannot be predicted at this time. The Company is in the process of filing its corporate tax returns for the years ended June 30, 2015 to June 30, 2019. The net operating losses for these years will not be available to reduce future taxable income until the returns are filed.

20. INCOME TAXES (continued)

2027	$	536,000
2028		868,000
2029		911,000
2030		260,000
2031		251,000
2032		153,000
2033		25,000
2034		131,000
2035		177,000
2036		74,000
2037		88,000
2038		1,394,000
2039		3,599,000
	$	**8,467,000**

United States

Current Income Taxes

The major factors that cause variations from the Company's combined United States federal and state level income tax rates were the following:

	June 30, 2019	June 30, 2018
	$	$
Loss from US operations	**(772,238)**	(5,274)
Combined federal and state level taxes	**26.64%**	26.21%
Expected income tax payable	**(205,724)**	(1,383)
Temporary difference, Equipment	**34,826**	(36,285)
Unrecognized benefit of non-capital losses	**170,898**	37,668
Provision for income taxes (recovery)	**-**	-

Deferred Income Taxes

Deferred tax assets have not been recognized in respect of the following United States deductible temporary differences:

		June 30, 2019		June 30, 2018
Amounts related to tax loss carry forwards	**$**	**778,000**	$	144,000

A deferred tax asset has not been recognized in respect of the above because it is not probable that future taxable profits will be available against which the temporary difference can be utilized.

20. INCOME TAXES (continued)

Non-capital Losses

As at June 30, 2019, the Company has accumulated non-capital tax loss carry forwards for income tax purposes of carry-forward of approximately $778,000 which may be applied against future United States taxable income and expire as detailed below. No deferred taxes have been recognized in these consolidated financial statements in respect of the following as the probability that future taxable profit will allow the deferred tax asset to be recognized cannot be predicted at this time.

2038	$	144,000
2039		634,000
	$	**778,000**

21. CAPITAL MANAGEMENT

The Company includes equity comprised of issued share capital, contributed surplus, deficit in the definition of capital and accumulated other comprehensive loss. As at June 30, 2019, the Company's shareholders' equity was $362,570 (June 30, 2018 – $4,555,271). The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's ability to continue as a going concern; and

(ii) to raise sufficient capital to meet its business objectives.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's long-term and short-term capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt.

22. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current period. Such reclassifications did not have an impact on previously reported net and comprehensive loss.

23. SUBSEQUENT EVENTS

On August 14, 2019, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units of the Company for gross proceeds of $713,000.

On October 10, 2019, the Company, through its wholly-owned subsidiary Cordova CA Holdings, LLC ("CA Holdings"), entered into a non-binding letter of intent (the "LOI") to purchase real assets and intellectual property (the "Assets") of a third party Los Angeles-based cannabis venture (the "Transaction). Pursuant to the terms of the LOI, Cordova has agreed to issue a total of ten million (10,000,000) common shares of the Company, valued at US $2,000,000, to the vendor in exchange for the Assets. Post closing of the Transaction, the vendors would own approximately twenty percent of the outstanding common shares of the Company. Furthermore, Cordova has also agreed to commit a further US $1,500,000 to fund the required capital expenditures and efforts of the Operators to advance the operations in California.

23. SUBSEQUENT EVENTS (continued)

On November 7, 2019 and in connection with the LOI, CA Holdings made a down payment in the amount of US $300,000 (the "Down Payment"). In connection with the LOI, CA Holdings received a promissory note (the "Promissory Note") in exchange for the Down Payment for the principal amount of US $300,000, due six months from the date of issuance bearing interest at a rate of 5% per annum. The Promissory Note has been personally guaranteed by the vendors selling the Assets to CA Holdings (the "Personal Guarantee"). CA Holdings financed the Down Payment through a loan (the "Loan") from a group of investors (the "Syndicate"), due six (6) months from the date of issuance bearing interest at a rate of 15% per annum. Furthermore, CA Holdings transferred the Personal Guarantee to the benefit of the Syndicate in relation to the Loan. The Syndicate has a right to settle the Loan on the same terms that CA Holdings finances the balance of the Cash Commitment. The Syndicate also received a total upfront fee of US $5,600 for providing the Loan.