



1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended April 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

Notice of Disclosure of Non-Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended April 30, 2022 and 2021.

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

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. (the "Company" or "1933 Industries") for the interim period ended April 30, 2022 and 2021, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of these condensed interim consolidated financial statements.

June 29, 2022

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars) - Unaudited

As at	Note	April 30, 2022	July 31, 2021
		\$	\$
ASSETS			
Current			
Cash		966,053	4,405,849
Receivables	4	1,737,056	934,109
Inventory	5	7,466,085	4,199,850
Biological assets	6	904,916	865,953
Loan receivable	7	620,968	-
Prepaid expenses and deposits	8	887,726	743,455
		12,582,804	11,149,216
Property and equipment	9	16,677,759	18,677,577
Goodwill	10	4,465,341	15,527,023
Total assets		33,725,904	45,353,816
LIABILITIES			
Current			
Accounts payable and accrued liabilities		3,137,629	1,381,208
Income tax payable		1,227,246	488,899
Current portion of lease liability	11	431,255	459,553
Warrant liability	12	-	380,146
Current portion of convertible debentures	13	4,482,729	-
		9,278,859	2,709,806
Lease liability	11	13,173,081	13,176,655
Convertible debentures	13	-	4,234,819
Total liabilities		22,451,940	20,121,280
Shareholders' equity			
Share capital	14	81,855,012	81,817,159
Reserves	14(d)	10,152,909	10,145,449
Accumulated other comprehensive loss		(1,156,057)	(1,320,710)
Deficit		(78,807,037)	(64,649,281)
Equity attributable to shareholders of the Company		12,044,827	25,992,617
Non-controlling interest	15	(770,863)	(760,081)
Total shareholders' equity		11,273,964	25,232,536
Total liabilities and shareholders' equity		33,725,904	45,353,816

Events after the reporting period (note 23)

Approved on behalf of the Board of Directors and authorized for issuance on June 29, 2022:

"Signed"

 Brian Farrell, Director

"Signed"

 Paul Rosen, Director

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

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME

For the three and nine months ended April 30, 2022 and 2021

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

	Note	Three months ended 2022	Three months ended 2021	Nine months ended 2022	Nine months ended 2021
		\$	\$	\$	\$
Revenues	22	4,256,280	3,370,510	9,930,426	9,464,852
Cost of sales	5	2,474,488	2,527,492	6,385,625	6,217,990
Gross margin, excluding fair value adjustments		1,781,792	843,018	3,544,801	3,246,862
Fair value adjustment on sale of inventory	6	(604,400)	334,784	(1,716,877)	(471,017)
Fair value adjustment on biological assets	6	833,301	1,289,352	2,756,157	2,115,003
Gross margin		2,010,693	2,467,154	4,584,081	4,890,848
Expenses (income)					
General and administration	18,20	447,021	413,114	1,144,374	1,436,109
License fees, taxes, and insurance		1,080,836	208,321	2,617,880	1,348,047
Management and consulting fees	18	107,000	110,580	321,677	305,227
Wages and benefits	18	167,264	280,435	713,428	1,338,825
Professional fees	18	425,698	349,736	972,459	880,796
Share-based compensation (recovery) expense	14(f)	(17,510)	315,602	8,138	930,231
Interest expense	11,13	440,046	439,994	1,335,139	1,580,914
Accretion expense	13	-	16,625	10,434	91,377
Depreciation	9	97,746	49,187	291,082	975,080
Gain on change in fair value of warrant liability	12	(10,146)	-	(380,146)	-
Gain on disposal of property and equipment	9	(527,446)	-	(527,446)	-
Goodwill impairment	10	11,472,845	-	11,472,845	-
Interest income	7	(14,907)	-	(14,907)	-
Other income		-	(298,013)	-	(298,013)
Foreign exchange (gain) loss		(731)	(1,100)	44,786	(55,271)
		13,667,716	1,884,481	18,009,743	8,533,322
(Loss) income from continuing operations before income taxes		(11,657,023)	582,673	(13,425,662)	(3,642,474)
Current income tax expense		(718,368)	-	(718,368)	-
Net (loss) income from continuing operations		(12,375,391)	582,673	(14,144,030)	(3,642,474)
Net loss from discontinued operations	21	-	-	-	(2,493)
Net (loss) income for the period		(12,375,391)	582,673	(14,144,030)	(3,644,967)
Net (loss) income from continuing operations attributable to:					
Shareholders of the Company		(12,371,044)	389,107	(14,157,756)	(3,700,717)
Non-controlling interest		(4,347)	193,566	13,726	58,243
Net (loss) income attributable to:					
Shareholders of the Company		(12,371,044)	389,107	(14,157,756)	(3,703,210)
Non-controlling interest		(4,347)	193,566	13,726	58,243
Net (loss) income from continuing operations per share					
Basic and diluted		(0.03)	0.00	(0.03)	(0.01)
Net loss from discontinued operations per share					
Basic and diluted		-	-	-	(0.00)
Net (loss) income per share					
Basic and diluted		(0.03)	0.00	(0.03)	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		450,699,319	365,763,894	450,679,522	365,763,894

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

1933 INDUSTRIES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

For the three and nine months ended April 30, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net (loss) income for the period	(12,375,391)	582,673	(14,144,030)	(3,644,967)
Other comprehensive income (loss)				
Foreign currency translation adjustment (Item that will be subsequently reclassified to profit or loss)	140,235	(1,096,389)	140,145	(2,542,959)
Comprehensive loss for the period	(12,235,156)	(513,716)	(14,003,885)	(6,187,926)
Comprehensive (loss) income attributable to:				
Shareholders of the Company	(12,371,044)	389,107	(14,157,756)	(3,703,210)
Translation adjustment – Shareholders of the Company	137,209	(1,072,570)	164,653	(2,510,024)
Comprehensive loss attributable to shareholders of the Company	(12,233,835)	(683,463)	(13,993,103)	(6,213,234)
Non-controlling interest	(4,347)	193,566	13,726	58,243
Translation adjustment –Non-controlling interest	3,026	(23,819)	(24,508)	(32,935)
Comprehensive loss attributable to Non- controlling interest	(1,321)	169,747	(10,782)	25,308
	(12,235,156)	(513,716)	(14,003,885)	(6,187,926)

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

1933 INDUSTRIES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended April 30, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	2022	2021
	\$	(Note 2(e)) \$
Operating activities		
Loss from continuing operations before income taxes	(13,425,662)	(3,642,474)
Adjustments to non-cash items:		
Fair value adjustment on sale of inventory	1,716,877	471,017
Fair value adjustment on growth of biological assets	(2,756,157)	(2,115,003)
Share-based compensation	8,138	930,231
Accretion expense	10,434	91,377
Depreciation	1,349,173	1,361,604
Gain on change in fair value of warrant liability	(380,146)	-
Interest expense on convertible debentures	274,651	541,642
Warrants issued for professional fees	-	35,136
Gain on lease termination	(11,976)	-
Gain on sale of property and equipment	(527,446)	-
Goodwill impairment	11,472,845	-
Interest income	(14,907)	-
Unrealized foreign exchange gain	(467,579)	(585,417)
Changes in non-cash working capital items		
Receivables	(766,456)	(159,852)
Inventory	(3,177,282)	(950,745)
Biological assets	1,000,317	1,160,609
Prepaid expenses and deposits	(128,908)	4,554
Accounts payable and accrued liabilities	1,711,893	152,116
Net cash used in operating activities of continuing operations	(4,112,191)	(2,705,205)
Net cash used in operating activities of discontinued operations	-	(2,493)
Investing activities		
Purchase of property and equipment	(14,871)	(202,643)
Advance of loan receivable	(606,061)	-
Net cash used in investing activities of continuing operations	(620,932)	(202,643)
Financing activities		
Common shares issued for cash - private placement	-	6,662,026
Share issue costs	-	(472,645)
Proceeds from sale of property and equipment	1,622,001	-
Repayment of lease obligation	(252,374)	(15,966)
Net cash provided by financing activities	1,369,627	6,173,415
Effect of exchange rate changes on cash	(76,300)	(105,953)
Change in cash	(3,439,796)	3,157,091
Cash, beginning of period	4,405,849	2,761,542
Cash, end of period	966,053	5,918,633

Supplemental disclosure with respect to cash flows (note 19)

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

1933 INDUSTRIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Number	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Non-controlling interest	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Balance, July 31, 2020		305,647,546	70,887,770	6,653,522	817,190	(57,996,162)	(910,138)	19,452,182
Shares issued - conversion of convertible debentures \$0.10	13,14	74,493,056	7,502,555	(143,170)	-	-	-	7,359,385
Shares issued – private placement	14	69,475,969	4,509,446	2,152,580	-	-	-	6,662,026
Share-based compensation	14,18	-	-	930,231	-	-	-	930,231
Share issue costs	14	-	(654,483)	181,838	-	-	-	(472,645)
Purchase of non-controlling interest		-	-	182,703	-	(182,703)	-	-
Net income attributable to non-controlling interest		-	-	-	-	-	58,243	58,243
Translation adjustment		-	-	-	(2,510,023)	-	(32,936)	(2,542,959)
Net loss for the period		-	-	-	-	(3,703,210)	-	(3,703,210)
Balance, April 30, 2021		449,616,571	82,245,288	9,957,704	(1,692,833)	(61,882,075)	(884,831)	27,743,253
Shares issued - conversion of convertible debentures \$0.10	13,14	710,082	71,966	(1,313)	-	-	-	70,653
Shares issued - Private Placement	14	-	(480,095)	94,215	-	-	-	(385,880)
Share-based compensation	14,18	-	-	94,843	-	-	-	94,843
Share issue costs	14	-	(20,000)	-	-	-	-	(20,000)
Net income attributable to non-controlling interest		-	-	-	-	-	215,929	215,929
Translation adjustment		-	-	-	372,123	-	(91,179)	280,944
Net loss for the period		-	-	-	-	(2,767,206)	-	(2,767,206)
Balance, July 31, 2021		450,326,653	81,817,159	10,145,449	(1,320,710)	(64,649,281)	(760,081)	25,232,536
Shares issued - conversion of convertible debentures \$0.10	13,14	372,666	37,853	(678)	-	-	-	37,175
Share-based compensation	14,18	-	-	8,138	-	-	-	8,138
Net income attributable to non-controlling interest		-	-	-	-	-	13,726	13,726
Translation adjustment		-	-	-	164,653	-	(24,508)	140,145
Net loss for the period		-	-	-	-	(14,157,756)	-	(14,157,756)
Balance, April 30, 2022		450,699,319	81,855,012	10,152,909	(1,156,057)	(78,807,037)	(770,863)	11,273,964

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

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

1. NATURE OF OPERATIONS

1933 Industries Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Alberta and later continued into the Province of British Columbia. The Company is a publicly traded corporation with its registered office located at 300 – 1055 West Hastings Street, Vancouver, British Columbia, Canada. The Company's common shares are listed under the symbol "TGIF" on the Canadian Securities Exchange and under the symbol "TGIF" on the OTCQX.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as (i) a cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. On November 4, 2021, the Company acquired the remaining 9% interest in AMA Production LLC ("AMA Pro") from the holders to make the Company's share in AMA Pro 100% (note 15). Infused Mfg ("Infused"), a 100% owned subsidiary of the Company, is focused on developing, and manufacturing hemp and cannabidiol ("CBD") infused products and brands for retail sale and use in jurisdictions where permitted. On April 1, 2020, the Company acquired the remaining 9% interest in Infused from the holder to make the Company's share in Infused 100%.

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

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

COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic. The COVID-19 pandemic has negatively impacted global economic and financial markets. Most industries have been impacted by the COVID-19 pandemic and are facing operating challenges associated with the regulations and guidelines resulting from efforts to contain it.

As a direct result of the COVID-19 pandemic, the Company realized significant decreases in revenues resulting from the decline in tourism to Las Vegas. The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation, and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world including in jurisdictions where the Company operates may also have potentially significant economic and social impacts. If the Company's business operations are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Company's business, results of operations and financial performance. Factors that may be impacted, among other things, are the Company's operating plan, supply chain and workforce. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

Going Concern

The Company has not yet achieved profitable operations and during the nine months ended April 30, 2022, the Company incurred a net loss of \$14,144,030 (2021 - \$3,644,967) and used cash in operating activities of \$4,111,885 (2021 - \$2,705,205). In addition, at April 30, 2022, the Company had an accumulated deficit of \$78,807,037 (July 31, 2021 - \$64,649,281). The ability of the Company to ensure continuing operations is dependent on the Company's ability to raise sufficient funds to finance development activities and expand sales to achieve profitable operations. These circumstances may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements ("interim financial statements") have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities. See note 23 for events after the reporting period.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim financial statements were approved by the Board of Directors and authorized for issue on June 29, 2022.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended July 31, 2021 and 2020 ("annual financial statements").

b) Basis of measurement

These interim financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and warrant liability measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. References to "USD" are to United States dollars.

c) Functional and presentation currency

These interim financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

d) Basis of consolidation

All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
1080034 B.C. Ltd.	0034 BC	Canada	100%	CAD	Holding company
1933 Management Services Inc.	FNM	USA	100%	USD	Holding company
1933 Legacy Inc.	Legacy	USA	100%	USD	Holding Company Hemp and CBD – Infused products
Infused Mfg LLC	Infused MFG	USA	100%	USD	
FN Pharmaceuticals LLC	FNP	USA	100%	USD	Holding company Cannabis cultivation and production
Alternative Medicine Association LLC	AMA	USA	91%	USD	
AMA Productions LLC ⁽¹⁾	AMA Pro	USA	100% ⁽¹⁾	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive

⁽¹⁾ On November 4, 2020, the Company acquired the remaining 9% interest in AMA Pro from the holders to make the Company's share in AMA Pro 100% (note 15).

e) Reclassification of prior year amounts

The Company has reclassified inventory, biological assets, interest expense on lease liability, repayment of lease obligation, unrealized foreign exchange gain and effect of exchange rate changes on cash on the condensed interim consolidated statements of cash flows to improve clarity.

3. SIGNIFICANT ACCOUNTING POLICIES

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

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

4. RECEIVABLES

	April 30, 2022	July 31, 2021
	\$	\$
Trade receivables	1,547,164	796,390
GST receivable	148,119	95,837
Other	41,773	41,882
	1,737,056	934,109

Goods and Services Tax ("GST") receivable include input tax credits receivable from the Government of Canada.

5. INVENTORY

	April 30, 2022	July 31, 2021
	\$	\$
Harvested cannabis and trim	5,214,868	2,466,382
Cannabis oil and equivalent	323,751	87,712
Finished goods	1,359,955	1,107,313
Raw materials	567,511	538,443
	7,466,085	4,199,850

Inventories expensed to cost of sales during the three and nine months ended April 30, 2022, were \$2,474,488 and \$6,385,625, respectively (2021 - \$2,527,492 and \$6,217,990 respectively).

6. BIOLOGICAL ASSETS

	April 30, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	865,953	810,332
Production costs capitalized	4,600,862	4,946,872
Change in fair value less costs to sell due to biological transformation	2,756,157	3,154,163
Transferred to inventory upon harvest	(7,350,700)	(7,894,046)
Foreign exchange gain (loss)	32,644	(151,368)
Balance, end of period	904,916	865,953

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

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at April 30, 2022, the carrying value of biological assets consisted entirely of live cannabis plants. On average, the grow cycle is approximately 17 weeks (July 31, 2021 – 17 weeks).

The fair value measurements for biological assets have been categorized as Level 3 (as defined in note 16). These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in gain or loss on biological assets in future periods.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of the model:

- Estimated Sales price per gram - calculated as the weighted average selling prices for all expected grades and strains of cannabis based on actual selling prices of the fair value of various cannabis forms on a per pound basis.
- Weighted average stage of growth - represents the weighted average number of weeks out of the expected 17 week growing cycle that cannabis plants have reached as of the measurement date.
- Expected yields by plant strain - represents the number of grams of finished cannabis that are expected to be obtained from each harvested cannabis plant.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

6. BIOLOGICAL ASSETS (continued)

- Wastage - represents the weighted average percentage of cannabis plants expected to fail to mature to the point of harvest based upon historical actual results.
- Post-harvest processing cost - calculated as the cost per gram of harvested cannabis to convert into finished dry bulk flower ready to be packaged into finished goods

The following table quantifies each significant unobservable input used in the model to calculate fair value less costs to sell of cannabis plants:

Assumption	April 30, 2022	July 31, 2021
Estimated sales price per gram	USD\$ 3.93	USD\$ 3.65
Weighted average stage of growth	7 weeks	9 weeks
Expected yields by plant strain	134 grams	116 grams
Wastage	2.20%	1.56%
Post-harvest processing cost per gram	USD\$ 1.01	USD\$ 0.83

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

The following table provides the impact that a 10% increase/decrease in each input would have on net loss and comprehensive loss.

Assumption	April 30, 2022	July 31, 2021
Estimated sales price per gram	95,261	112,162
Weighted average stage of growth	70,741	102,569
Expected yields by plant strain	71,160	102,569
Wastage	(4,882)	(4,417)
Post – harvest cost per gram	(24,139)	(9,594)

7. LOAN RECEIVABLE

On December 9, 2021, the Company entered into a loan agreement (the "Agreement") where the Company has agreed to loan up to \$639,600 (USD\$500,000) through a line of credit. The line of credit is non-interest bearing until January 31, 2022. Subsequent to January 31, 2022, any borrowing will accrue interest at a rate of 10% per annum until paid in full. Any principal together with all accrued interest and fees thereon, is due and payable on or before December 31, 2022. Up until the principal, together with all accrued interest and fees thereon, is paid back in full, the Company has an absolute right to convert any or all of the principal balance, and any accrued amounts of interest and fees thereon, into shares of common stock of borrower.

During the nine months ended April 30, 2022, the Company advanced \$606,061 (USD\$469,000) pursuant to the Agreement. During the three and nine months ended April 30, 2022, the Company has accrued \$14,907 (USD\$11,515) of interest income (2021 - \$nil) on the advance which remains outstanding as at April 30, 2022.

8. PREPAID EXPENSES AND DEPOSITS

	April 30, 2022	July 31, 2021
	\$	\$
Prepaid expenses	774,383	660,839
Security deposit	113,343	82,616
	887,726	743,455

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2022 and 2021

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

9. PROPERTY AND EQUIPMENT

	Land	Construction in Progress	Leasehold Improvements	Production Equipment	Office Equipment	Right of Use	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, July 31, 2020	1,150,943	3,210,246	944,599	4,992,047	280,217	15,088,260	25,666,312
Additions	-	-	-	306,299	150,061	-	456,360
Impairment	-	-	-	(427,459)	-	-	(427,459)
Effects of movement in foreign exchange	(80,885)	(225,608)	(66,384)	(350,829)	(16,385)	(1,060,366)	(1,800,457)
Balance, July 31, 2021	1,070,058	2,984,638	878,215	4,520,059	413,893	14,027,894	23,894,756
Additions	-	-	-	14,752	119	-	14,871
Disposals	(1,094,555)	-	-	-	-	-	(1,094,555)
Termination of lease	-	-	-	-	-	(107,898)	(107,898)
Effects of movement in foreign exchange	28,336	79,035	23,256	119,693	9,714	370,846	630,880
Balance, April 30, 2022	3,839	3,063,673	901,471	4,654,504	423,726	14,290,842	23,338,054
Accumulated depreciation							
Balance, July 31, 2020	-	-	223,432	838,077	183,415	2,326,546	3,571,470
Depreciation	-	-	88,257	551,686	20,152	333,212	993,307
Effects of movement in foreign exchange	-	-	15,971	441,574	6,234	188,624	652,403
Balance, July 31, 2021	-	-	327,660	1,831,337	209,801	2,848,382	5,217,180
Depreciation	-	-	64,755	602,100	30,013	652,305	1,349,173
Termination of lease	-	-	-	-	-	(56,383)	(56,383)
Effects of movement in foreign exchange	-	-	12,195	58,168	5,574	74,389	150,326
Balance, April 30, 2022	-	-	404,610	2,491,605	245,388	3,518,693	6,660,296
Carrying amount							
Balance, July 31, 2021	1,070,058	2,984,638	550,555	2,688,722	204,092	11,179,512	18,677,577
Balance, April 30, 2022	3,839	3,063,673	496,861	2,162,899	178,338	10,772,149	16,677,759

On February 22, 2022, the Company sold land with a carrying value of \$1,094,555 (USD\$835,000) for total net proceeds of \$1,622,001 (USD\$1,270,000) resulting in a \$527,446 (USD\$435,000) gain. The gain is included in gain on disposal of property and equipment on the condensed interim consolidated statements of loss (income).

During the nine months ended April 30, 2022, the Company terminated an Infused office lease. As a result of the lease termination, the Company derecognized the right-of-use asset with a cost of \$107,898, accumulated amortization of \$56,383 and lease liability of \$63,491 resulting in a gain on lease termination of \$11,976 representing the undepreciated portion of the right-of-use asset above the lease liability. The gain is included in general and administration expense on the condensed interim consolidated statements of loss (income).

Total depreciation expense for the three and nine months ended April 30, 2022 was \$701,875 and \$1,349,173, respectively (2021 - \$435,711 and \$993,307, respectively). Of the total depreciation expense, \$604,129 and \$1,058,091, respectively was allocated to inventory (2021 - \$18,227 and \$18,227, respectively).

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9. PROPERTY AND EQUIPMENT (continued)

During the year ended July 31, 2021, the Company recorded an impairment expense of \$427,459 related to production equipment that was not in use. Prior to recognizing the impairment expense, the Company had taken no depreciation against the production equipment.

10. GOODWILL

	April 30, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	15,527,023	16,700,708
Impairment	(11,472,845)	-
Effects of movement in foreign exchange	411,163	(1,173,685)
Balance, end of period	4,465,341	15,527,023

The goodwill balance relates to the acquisition of AMA and Infused MFG on June 15, 2017. The transaction has been accounted for as a business combination under IFRS 3, *Business Combinations*. The goodwill recorded represents the fair value of consideration in excess of the net assets acquired. As at April 30, 2022, goodwill for AMA was \$4,465,341 (USD\$3,490,729) (July 31, 2021 - \$4,350,147 (USD\$3,490,729)) and Infused MFG was \$11,472,845 (USD\$8,968,766) (July 31, 2021 - \$11,176,876 (USD\$12,021,734)).

At April 30, 2022, the Company identified AMA and Infused MFG as distinct cash generating units. The Company identified an indicator of impairment as at April 30, 2022, as the market capitalization of the Company was less than net assets. As such, the Company assessed the goodwill recorded through each acquisition for impairment. The impairment tests were performed based on value in use calculation which uses cash flow projections covering a five-year period. The cash flow projections for AMA incorporated the following key assumptions: (1) discount rate - 15%; (2) income tax rate - 21%; (3) terminal growth rate - 5%; (4) working capital - 20% of sales; and (5) revenue growth - 20%- 25%. The Company noted that the recoverable amount was greater than the carrying value for AMA and that there was no impairment as at April 30, 2022. The cash flow projections for Infused MFG incorporated the following key assumptions: (1) discount rate - 15%; (2) income tax rate - 21%; (3) terminal growth rate - 5%; (4) working capital - 15% of sales; and (5) revenue growth - 5%. The Company noted that the recoverable amount was less than the carrying amount for Infused MFG and recorded an impairment expense of \$11,472,845 (USD\$8,968,766) related to Infused MFG as sales have not recovered from the COVID-19 pandemic.

11. LEASE LIABILITY

	April 30, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	13,636,208	14,821,569
Repayment of lease obligation	(1,312,862)	(1,474,861)
Interest expense	1,060,488	1,365,022
Termination of lease	(63,491)	-
Effects of movement in foreign exchange	283,993	(1,075,522)
Balance, end of period	13,604,336	13,636,208
Less: Non-current portion	13,173,081	13,176,655
Current portion of lease liability	431,255	459,553

Total expense included in the general and administration expense relating to short-term leases and low-value leases for the three and nine months ended April 30, 2022, is \$nil and \$nil, respectively (2021 - \$1,647 and \$21,872, respectively).

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11. LEASE LIABILITY (continued)

The maturity of the lease liability is as follows:

2022	\$	433,450
2023		1,648,751
2024		1,554,379
2025		1,550,053
Thereafter		23,799,884
Total lease payments		28,986,517
Less: Unamortized interest		(15,382,181)
Total lease liability	\$	13,604,336

12. WARRANT LIABILITY

Certain warrants are classified as a financial instrument under the principles of IFRS 9, as the exercise price is in US dollars while the functional currency of the Company is the Canadian dollar. Accordingly, warrants are remeasured to fair value at each reporting date with the change in fair value charged to change in fair value of warrant liability in the condensed interim consolidated statement of (loss) income and comprehensive loss.

	Exercise Price (\$)	Warrants #	Warrant Liability \$
Balance, July 31, 2020		-	-
Issued	0.10 (USD0.08)	13,920,000	385,879
Gain on change in fair value of warrant liability		-	(5,733)
Balance, July 31, 2021	0.10 (USD0.08)	13,920,000	380,146
Gain on change in fair value of warrant liability		-	(380,146)
Balance, April 30, 2022		-	-
Less: Current portion of warrant liability		-	-
Non-current portion of warrant liability		-	-

The fair value of warrants was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2022	2021
Risk-free interest rate	0.25%	0.25%
Expected life of options	0.01 years	0.76 years
Annualized volatility	100%	100%
Dividend rate	0%	0%
Weighted average fair value per warrant	\$0.00	\$0.027

The following table summarizes the warrants outstanding and exercisable as at April 30, 2022:

Expiry date	Number of warrants	Weighted average exercise price (\$)	Weighted average remaining life (in years)
May 3, 2022	13,920,000	0.10 (USD0.08)	0.01

On November 3, 2020, pursuant to a non-brokered private placement, the Company issued 13,920,000 units. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.106 (US\$0.08) per unit for a period of 18 months from the closing date (note 14(c)).

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13. CONVERTIBLE DEBENTURES

	April 30, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	4,234,819	10,923,172
Interest expense	274,651	634,492
Accretion expense	10,434	107,194
Converted to common shares	(31,909)	(6,733,724)
Interest paid – shares	(5,266)	(696,315)
Balance, end of period	4,482,729	4,234,819
Less: non-current portion	-	4,234,819
Current portion of convertible debentures	4,482,729	-

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

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

The Company paid cash fees of \$1,668,014 in payment of the Agent's commission, corporate finance fees and other expenses of which \$45,000 was paid prior to July 31, 2020 and recorded as a transaction cost. In addition, the Agent received options (the "September 2018 Agent's Options") to acquire 3,066,666 units of the Company at an exercise price of \$0.45 per unit. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of \$0.65 per share subject to the same terms and conditions as the warrants. The fair value of the September 2018 Agent's Options was \$738,547 and was recorded as a transaction cost. The fair value of the September 2018 Agent's Options was determined using the Black-Scholes Valuation Model using the following assumptions: risk free interest rate 1.25%, expected life of 3 years, volatility of 75%.

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

On June 28, 2020, the Company amended the terms of the convertible debentures. The following were the significant amendments:

- the conversion price applicable to the debentures was amended from \$0.45 per common share to \$0.10 per common share;
- the price at which the Company may require a forced conversion of the debentures is amended from \$0.70 per common share to \$0.15 per common share, with any such conversion to be made at the amended conversion price of \$0.10 per common share;
- the Company is authorized, at its discretion, to pay interest due on the debentures in cash or through the issuance of its common shares, at a price of \$0.10 per common share; and
- payment of interest is amended from being payable semi-annually in arrears on the last day of June and December in each year to being payable at the maturity date of the debentures.

The equity component of the \$17,250,000 convertible debenture was initially determined to be \$2,505,099 net of transaction costs of \$406,151. At June 28, 2020, the remaining equity component of the original convertible debenture was \$1,805,415. The Company determined that the June 28, 2020 modification was a substantial modification as defined by IFRS 9, *Financial Instruments*, and as a result derecognized the debt obligation and equity component (conversion option). The equity component of the remaining principal balance of the convertible debentures of \$12,432,007 was determined to be \$263,220. The Company did not incur any transaction costs associated with the amendment. As a result of the amendment, the Company recognized a gain on debt modification of \$185,327 which is the result of the amendment to the equity component of \$1,542,195 less the amendment to the debt obligation of \$1,356,868.

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13. CONVERTIBLE DEBENTURES (continued)

On April 14, 2021, debentureholders approved an extension of the maturity date of the debentures to from September 14, 2021 to September 14, 2022.

During the nine months ended April 30, 2022, convertible debentures with a principal balance of \$32,000 and interest payable of \$5,267 were converted into 372,666 common shares of the Company (note 14(c)). The principal and interest balance outstanding as at April 30, 2022 was \$3,662,007 and \$820,722, respectively.

14. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series. As of April 30, 2022, there were 450,699,319 common shares outstanding (July 31, 2021 - 450,326,653).

b) Escrow shares

The Company does not have any shares subject to escrow restrictions.

c) Issued common shares

The Company had the following common share transactions during the nine months ended April 30, 2022:

- The Company issued 372,666 common shares pursuant to the conversion of \$32,000 of convertible debentures and interest payable on the convertible debentures of \$5,267.

The Company had the following common share transactions during the year ended July 31, 2021:

- On September 4, 2020, pursuant to the closure of its private placement, the Company issued 10,510,040 units at a price of \$0.075 per unit for gross proceeds of \$788,253. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.125 per unit until September 4, 2022. Share issue costs included cash payment for finders' fees of \$6,037 and the issuance of 40,250 share purchase warrants valued at \$836 using the Black-Scholes option pricing model with the following assumptions: a two-year expected average life, share price of \$0.06; 100% volatility; risk-free interest rate of 0.25%; and an expected dividend yield of 0%. Consideration of \$109,106 was recorded to warrant reserve and the residual amount of \$679,147 was recorded to share capital.
- On November 3, 2020, pursuant to a non-brokered private placement, the Company issued 13,920,000 units at a price of \$0.066 (US\$0.05) per unit for gross proceeds of \$918,720 (US\$696,000). All proceeds were raised and paid in US dollars. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.106 (US\$0.08) per unit for a period of 18 months from the closing date. The units shall be subject to a four month and one day hold period, expiring on March 4, 2021. Consideration of \$385,879 was recorded to warrant liability and the residual amount of \$532,841 was recorded to share capital.
- On March 4, 2021, pursuant to the closure of a brokered private placement, the Company issued 45,045,929 units at a price of \$0.11 per unit for gross proceeds of \$4,955,052. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable to acquire one common share at an exercise price of \$0.16 per common share until March 4, 2023. The units will be subject to a four month and one day hold period expiring on July 5, 2021. Share issue costs included cash payments of \$467,444 comprised of 7% broker commission plus legal fees and the issuance of 3,153,214 Agent Options valued at \$181,002 using the Black-Scholes option pricing model with the following assumptions: a 2-year expected average life, share price of \$0.11; 100% volatility; risk-free interest rate of 0.28%; and an expected dividend yield of 0%. Consideration of \$2,137,689 was recorded to warrant reserve and the residual amount of \$2,817,363 was recorded to share capital.
- During the year ended July 31, 2021, the Company issued 75,203,138 common shares pursuant to the conversion of \$6,733,724 of convertible debentures and interest payable on the convertible debentures of \$696,315. In relation to the conversion \$144,483 was reallocated from reserves to share capital and \$7,574,521 was recorded as share capital representing the accreted balance of convertible debentures net of transaction costs.

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14. SHARE CAPITAL AND RESERVES (continued)

d) Reserves

The following is a summary of changes in reserves:

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
Balance, July 31, 2020	5,028,636	222,695	1,402,191	6,653,522
Share-based compensation	1,025,074	-	-	1,025,074
Purchase of non-controlling interest	-	-	182,703	182,703
Warrants issued for share issue costs	-	-	836	836
Warrants issued on private placement	-	-	2,246,795	2,246,795
Agent Options issued on private placement	181,002	-	-	181,002
Reclassified on conversion of convertible debentures	-	(144,483)	-	(144,483)
Balance, July 31, 2021	6,234,712	78,212	3,832,525	10,145,449
Share-based compensation	8,138	-	-	8,138
Reclassified on conversion of convertible debentures	-	(678)	-	(678)
Balance, April 30, 2022	6,242,850	77,534	3,832,525	10,152,909

e) Warrants

A summary of share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	50,870,566	0.61
Issued - private placement	64,220,949	0.15
Issued - share issue cost	40,250	0.13
Issued - purchase of non-controlling interest	3,700,000	0.08
Expired	(11,670,900)	0.50
Balance, July 31, 2021	107,160,865	0.33
Expired	(39,199,666)	0.65
Balance, April 30, 2022	67,961,199	0.14

The following table summarizes share purchase warrants outstanding as at April 30, 2022:

Expiry date	Number of Warrants	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
May 3, 2022	13,920,000	0.10	0.01
September 3, 2022	5,255,020	0.13	0.35
September 3, 2022	40,250	0.13	0.35
March 4, 2023	45,045,929	0.16	0.84
June 13, 2024	3,700,000	0.08	2.12
	67,961,199	0.14	0.70

f) Stock options

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

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14. SHARE CAPITAL AND RESERVES (continued)

The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the Plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the Plan shall not be lower than the exercise price permitted by the Canadian Securities Exchange, and all stock options granted under the Plan will have a maximum term of five years. A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	17,170,000	0.40
Granted	21,250,000	0.09
Exercised	(50,000)	0.50
Cancelled	(21,190,000)	0.25
Balance, July 31, 2021	17,180,000	0.20
Expired	(1,730,000)	0.55
Forfeited	(1,200,000)	0.08
Cancelled	(1,900,000)	0.45
Balance, April 30, 2022	12,350,000	0.11

The following table summarizes stock options outstanding and exercisable as at April 30, 2022:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
August 15, 2022	750,000	750,000	0.35	0.30
August 6, 2025	300,000	100,000	0.08	3.27
November 8, 2025	11,300,000	7,533,333	0.10	3.53
	12,350,000	8,383,333	0.11	3.33

For the three and nine months ended April 30, 2022, the Company recognized a recovery of \$17,510 and expense of \$8,138, respectively (2021 – expense of \$315,602 and expense of \$930,231, respectively). The recovery of \$17,150 in the three months ended April 30, 2022 related to the reversal of share-based compensation expense for forfeited unvested options. Share-based compensation expense related to the vesting of options in accordance with the Plan. The Company granted no stock options during the three and nine months ended April 30, 2022 (2021 - nil and 21,250,000). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2022	2021
Risk-free interest rate	-	0.38%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0%
Weighted average fair value per option	-	\$0.05

The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from Canadian government zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

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14. SHARE CAPITAL AND RESERVES (continued)

g) Agent options

A summary of agent option activity is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	2,191,112	0.45
Granted	3,153,214	0.11
Balance, July 31, 2021	5,344,326	0.25
Expired	(2,191,112)	0.45
Balance, April 30, 2022	3,153,214	0.11

The following table summarizes Agent Options outstanding and exercisable as at January 31, 2022:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
March 4, 2023 ⁽¹⁾	3,153,214	3,153,214	0.11	0.84

⁽¹⁾ Each Agent Option entitles the holder to acquire one unit for \$0.11. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.16 until March 4, 2023. The Agent Option is exercisable on or after July 5, 2021.

15. NON-CONTROLLING INTEREST

On November 4, 2020, the Company acquired the remaining 9% interest in AMA Pro from the holders to make the Company's share in AMA Pro 100% through the issuance of 3,700,000 share purchase warrants (note 14(e)). The share purchase warrants were valued at \$182,703 using the Black-Scholes option pricing model with the following assumptions: a 3.59 year expected average life, share price of \$0.075; 100% volatility; risk-free interest rate of 0.25%; and an expected dividend yield of 0%. The carrying value of non-controlling interest for AMA Pro on November 4, 2020 was \$nil. The excess of consideration above the value of consideration of \$182,703 was recorded as a direct charge to deficit.

The following table presents summarized financial information for AMA as at April 30, 2022 and July 31, 2021 and results of operations for AMA for the nine months ended April 30, 2022 and 2021:

	April 30, 2022	July 31, 2021
	\$	\$
Assets		
Current	10,726,610	5,983,237
Non-current	16,594,049	18,246,417
	27,320,659	24,229,654
Liabilities		
Current	2,203,610	771,719
Non-current	12,976,480	12,814,254
	15,180,090	13,585,973
Net assets	12,140,569	10,643,681
Non-controlling interest	(770,863)	(760,081)
Revenues	8,482,478	6,939,430
Net income	565,473	458,426

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16. FINANCIAL RISK MANAGEMENT

a) Fair value of financial assets and liabilities

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

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

The carrying values of cash, receivables and accounts payable and accrued liabilities and loan receivable approximate their respective fair values due to the short-term nature of these instruments. The fair value of convertible debentures approximates fair value due to the short-term nature of the remaining term.

As at April 30, 2022 and July 31, 2021, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above with the exception of the biological assets and warrant liability, which are a Level 3 fair value measurement.

b) Risk management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration activities, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

i. Credit Risk

Credit risk primarily arises from the Company's cash and receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date.

Cash is held as cash deposits on hand and deposits with financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the credit quality of its financial institutions and is satisfied with the credit ratings of its banks.

Receivable primarily consists of trade receivables and GST credits. The objective of managing counterparty credit risk is to minimize potential losses in trade receivables. The Company assesses the quality of its customers, taking into account their credit worthiness and reputation, past performance and other factors. The Company does not expect significant credit losses as the Company has not had bad debts in its history due to the regulated nature of the industry. The counterparty for the GST credits is the government of Canada and therefore credit risk is low.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

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16. FINANCIAL RISK MANAGEMENT (continued)

The following table summarizes the maturity profile of the Company's financial liabilities as at April 30, 2022:

	Total	Within 1 years	1 - 5 years	Greater than 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,137,629	3,137,629	-	-
Lease liability	13,604,336	431,255	1,182,990	11,990,091
Convertible debentures	4,482,729	4,482,729	-	-
	21,224,694	8,051,613	1,182,990	11,990,091

The Company's cash is deposited in major banks, which is available on demand to fund the Company's operating costs and other financial demands.

iii. Currency Risk

The Company has administration in Canada and operations in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the U.S. dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies:

	April 30, 2022	July 31, 2021
	\$	\$
Canadian dollar net monetary liabilities	4,342,787	527,391

A change of 1% in the CAD/USD exchange rate would impact loss and comprehensive loss by \$55,553. The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

iv. 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 Company is not subject to any cash flow interest rate volatility as its and convertible debentures are carried at a fixed interest rate throughout their term.

17. CAPITAL RISK MANAGEMENT

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

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

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

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18. RELATED PARTY TRANSACTIONS

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

Key management personnel compensation for the three and nine months ended April 30, 2022 and 2021, was as follows:

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and consulting fees	87,000	79,500	261,020	215,700
Wages and benefits	-	120,933	48,350	320,832
Directors' fees included in general and administration expense	19,143	21,076	71,361	113,094
Share-based compensation	2,258	283,873	13,831	790,130
	108,401	505,382	394,562	1,439,756

Other related party transactions for the three and nine months ended April 30, 2022 and 2021, were as follows:

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Legal fees	-	2,860	-	5,092
	-	2,860	-	5,092

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions and supplemental disclosure for the nine months ended April 30, 2022 were as follows:

- Convertible debentures of \$32,000 and interest payable on the convertible debentures of \$5,267 were converted into 372,666 common shares of the Company (notes 13 and 14(c)). In relation to the conversion \$37,853 was recorded to share capital and \$678 was reallocated from reserves to share capital.
- The Company made cash interest payments of \$nil. No income taxes were paid.

The significant non-cash transactions and supplemental disclosure for the nine months ended April 30, 2021 were as follows:

- Convertible debentures with a face value of \$20,000 and carrying value of \$15,862 were converted into 44,444 common shares of the Company (notes 11 and 12(c)). In relation to the conversion \$18,766 was recorded to share capital and \$2,904 was reallocated from reserves to share capital.
- Reallocated \$9,616 from reserves to share capital upon exercise of stock options (notes 12(d) and 12(f)).
- Issuance of 650,000 share purchase warrants for professional services with a fair value of \$240,500.
- The Company made cash interest payments of \$622,050 in relation to the convertible debentures. No income taxes were paid.

20. GENERAL AND ADMINISTRATION EXPENSE

General and administration expense information for the three and nine months ended April 30, 2022 and 2021 is as follows:

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Advertising, promotion and selling costs	262,293	2,686	394,879	258,057
Investor relations	32,760	62,960	90,981	210,858
Office expenses and general administration	300,318	346,643	638,114	943,969
Travel and entertainment (accrual reversal)	(148,350)	825	20,400	23,225
	447,021	413,114	1,144,374	1,436,109

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21. DISCONTINUED OPERATIONS

On August 15, 2019, the Company, through its wholly-owned subsidiary Legacy, signed a management services agreement to provide operational and accounting services, as well as general management and oversight to Green Spectrum LLC ("Green Spectrum"), a medicinal and recreational cannabis business licensee in the State of California in order to develop the Company's brands within the California market. The operation was discontinued during the year ended July 31, 2020 and as a result Legacy will have no continuing involvement with Green Spectrum LLC. The components of net loss (income) from discontinued operations included in these interim financial statements for the three and nine months ended April 30, 2022 and 2021 relating to Legacy are as follows:

	Three months ended		Nine months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and consulting fees	-	-	-	2,291
General and administration	-	-	-	202
	-	-	-	2,493

22. SEGMENTED INFORMATION

The Company operates in three segments, referred to as AMA, Infused MFG, and Corporate. AMA is focused on the cultivation and sale of medical and adult use cannabis products, and Infused MFG is focused on the manufacturing of Hemp derived CBD products. The corporate head office is located in Canada while the operations of AMA and Infused MFG are located in the United States. All revenues are earned in the United States. All long-lived assets are located or owned in the United States.

Segmented information for the three months ended April 30, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	3,815,686	440,594	-	4,256,280
Cost of Sales				
Inventory expensed to cost of sales	2,228,761	245,727	-	2,474,488
Gross margin, excluding fair value items	1,586,925	194,867	-	1,781,792
Fair value adjustment on sale of inventory	(604,400)	-	-	(604,400)
Fair value adjustment on growth of biological assets	833,301	-	-	833,301
Gross margin	1,815,826	194,867	-	2,010,693
Expenses				
General and administration	62,150	227,496	157,375	447,021
License fees, taxes, and insurance	877,004	10,096	193,736	1,080,836
Management and consulting fees	-	-	107,000	107,000
Wages and benefits	(2,486)	3,110	166,640	167,264
Professional fees	280,775	56,686	88,237	425,698
Share-based compensation	-	-	(17,510)	(17,510)
Interest expense	359,047	(14,436)	95,435	440,046
Accretion expense	-	-	-	-
Depreciation	-	4,733	93,013	97,746
Gain on change in fair value of warrant liability	-	-	(10,146)	(10,146)
Gain on sale of property and equipment	(527,446)	-	-	(527,446)
Goodwill impairment	-	11,472,845	-	11,472,845
Interest income	-	-	(14,907)	(14,907)
Foreign exchange gain	-	-	(731)	(731)
	1,049,044	11,760,530	858,142	13,667,716
(Loss) income from continuing operations before income taxes	766,782	(11,565,663)	(858,142)	(11,657,023)

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22. SEGMENTED INFORMATION (continued)

Segmented information for the nine months ended April 30, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	8,482,478	1,447,948	-	9,930,426
Cost of Sales				
Inventory expensed to cost of sales	5,782,129	603,496	-	6,385,625
Gross margin, excluding fair value items	2,700,349	844,452	-	3,544,801
Fair value adjustment on sale of inventory	(1,716,877)	-	-	(1,716,877)
Fair value adjustment on growth of biological assets	2,756,157	-	-	2,756,157
Gross margin	3,739,629	844,452	-	4,584,081
Expenses				
General and administration	242,461	404,602	497,311	1,144,374
License fees, taxes, and insurance	1,865,710	29,697	722,473	2,617,880
Management and consulting fees	-	-	321,677	321,677
Wages and benefits	32,458	33,513	647,457	713,428
Professional fees	551,636	106,781	314,042	972,459
Share-based compensation	-	-	8,138	8,138
Interest expense	1,009,337	38,580	287,222	1,335,139
Accretion expense	-	-	10,434	10,434
Depreciation	-	143,300	147,782	291,082
Gain on change in fair value of warrant liability	-	-	(380,146)	(380,146)
Gain on sale of property and equipment	(527,446)	-	-	(527,446)
Goodwill impairment	-	11,472,845	-	11,472,845
Interest income	-	-	(14,907)	(14,907)
Foreign exchange loss	-	-	44,786	44,786
	3,174,156	12,229,318	2,606,269	18,009,743
(Loss) income from continuing operations before income taxes	565,473	(11,384,866)	(2,606,269)	(13,425,662)
As at April 30, 2022				
Property and equipment	12,118,798	1,806,325	2,752,636	16,677,759
Goodwill	4,465,341	-	-	4,465,341
Total assets	27,310,750	2,325,674	4,089,479	33,725,904
Total liabilities	16,407,336	786,265	5,258,339	22,451,940

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22. SEGMENTED INFORMATION (continued)

Segmented information for the three months ended April 30, 2021 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	2,638,590	731,920	-	3,370,510
Cost of Sales				
Inventory expensed to cost of sales	2,438,634	88,857	-	2,527,492
Gross margin, excluding fair value items	199,956	643,062	-	843,018
Fair value adjustment on sale of inventory	334,784	-	-	334,784
Fair value adjustment on growth of biological assets	1,289,352	-	-	1,289,352
Gross margin	1,824,092	643,062	-	2,467,154
Expenses				
General and administration	-	-	621,435	621,435
Management and consulting fees	18,320	21,614	70,646	110,580
Wages and benefits	43,772	10,793	225,870	280,435
Professional fees	43,424	39,875	266,437	349,736
Share-based compensation	-	-	315,602	315,602
Interest expense	319,071	17,457	103,466	439,994
Accretion expense	-	-	16,625	16,625
Depreciation	-	-	49,187	49,187
Other income	(238,023)	(59,990)	-	(298,013)
Foreign exchange gain	-	-	(1,099)	(1,099)
	186,564	29,749	1,668,169	1,884,482
(Loss) income from continuing operations before income taxes	1,637,528	613,313	(1,668,169)	582,672

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22. SEGMENTED INFORMATION (continued)

Segmented information for the nine months ended April 30, 2021 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	6,939,430	2,525,422	-	9,464,852
Cost of Sales				
Inventory expensed to cost of sales	5,275,591	942,399	-	6,217,990
Gross margin, excluding fair value items	1,663,839	1,583,023	-	3,246,862
Fair value adjustment on sale of inventory	(471,017)	-	-	(471,017)
Fair value adjustment on growth of biological assets	2,115,003	-	-	2,115,003
Gross margin	3,307,825	1,583,023	-	4,890,848
Expenses				
General and administration	1,207,860	308,847	1,267,449	2,784,156
Management and consulting fees	18,320	21,614	265,293	305,227
Wages and benefits	43,772	145,830	1,149,223	1,338,825
Professional fees	137,831	97,432	645,533	880,796
Share-based compensation	-	-	930,231	930,231
Interest expense	965,101	55,575	560,238	1,580,914
Accretion expense	-	-	91,377	91,377
Depreciation	714,538	109,699	150,843	975,080
Other income	(238,023)	(59,990)	-	(298,013)
Foreign exchange gain	-	-	(55,271)	(55,271)
	2,849,399	679,007	5,004,916	8,533,322
(Loss) income from continuing operations before income taxes	458,426	904,016	(5,004,916)	(3,642,474)
As at April 30, 2021				
Property and equipment	14,080,292	2,205,033	2,842,125	19,127,450
Goodwill	4,285,817	11,020,672	-	15,306,489
Total assets	24,116,953	15,231,320	7,688,212	47,036,485
Total liabilities	12,952,714	807,133	5,533,386	19,293,233

23. EVENTS AFTER THE REPORTING PERIOD

On May 11, 2022, the Agreement was terminated. Pursuant to the termination, the loan receivable plus accrued interest in the amount of \$620,968 (USD\$480,515) is due and payable in full on or before June 30, 2022 (the "Loan Repayment"). In addition, on or before June 9, 2022, the Company will be reimbursed for costs incurred of \$38,193 (USD\$30,052). While intended to be a full and final settlement of the terms of the Agreement, in the event the Loan Repayment is not made by June 30, 2022, the Company will retain all its rights under the Agreement, including the right to convert the loan balance into shares of common stock of the borrower at a pre-negotiated valuation of \$5,727,600 (USD\$4,500,000). On June 28, 2022, the Company received the Loan Repayment and reimbursement for costs incurred.

On May 3, 2022, 13,920,000 outstanding warrants expired unexercised.