



1933 INDUSTRIES INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended April 30, 2023 and 2022

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

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. for the interim periods ended April 30, 2023 and 2022, 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 management.

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

June 29, 2023

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	April 30, 2023	July 31, 2022
		\$	\$
ASSETS			
Current			
Cash		1,694,672	363,274
Receivables	4,19	2,197,227	1,343,273
Inventory	5	4,328,699	5,861,394
Biological assets	6	445,751	1,311,192
Prepaid expenses and deposits	7	1,011,689	396,546
Assets held for sale	8	-	3,071,337
		9,678,038	12,347,016
Property and equipment	9	11,819,842	12,170,940
Goodwill	10	4,739,712	4,491,721
Total assets		26,237,592	29,009,677
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11,19	2,560,661	2,755,626
Income tax payable		1,745,768	1,050,251
Current portion of lease liability	12	158,192	290,582
Convertible debentures	14	4,457,873	4,574,279
		8,922,494	8,670,738
Lease liability	12	13,467,444	12,816,214
Total liabilities		22,389,938	21,486,952
SHAREHOLDERS' EQUITY			
Share capital	16(b)	82,248,922	81,855,012
Reserves	16(c)	10,320,949	10,157,141
Accumulated other comprehensive loss		(401,695)	(1,034,349)
Deficit		(87,046,392)	(82,456,203)
Equity attributable to shareholders of the Company		5,121,784	8,521,601
Non-controlling interest		(1,274,130)	(998,876)
Total shareholders' equity		3,847,654	7,522,725
Total liabilities and shareholders' equity		26,237,592	29,009,677

Nature of operations and going concern (Note 1)
Subsequent event (Note 24)

Approved and authorized for the issue on behalf of the Board of Directors:

/s/ "Brian Farrell"

Director

/s/ "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 and Comprehensive Loss

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

	Note	Three months ended April 30, 2023	Three months ended April 30, 2022	Nine months ended April 30, 2023	Nine months ended April 30, 2022
		\$	\$	\$	\$
Revenues		4,073,142	4,256,280	13,335,368	9,930,426
Cost of sales	5	(3,181,529)	(2,474,488)	(8,435,719)	(6,385,625)
Gross margin, excluding fair value adjustments		891,613	1,781,792	4,899,649	3,544,801
Change in fair value due to biological transformation	6	(1,748,185)	833,301	(2,220,734)	2,756,157
Fair value adjustment on sale of biological assets		(740,582)	(604,400)	(3,700,450)	(1,716,877)
Gross margin		(1,597,154)	2,010,693	(1,021,535)	4,584,081
Expenses (income)					
Accretion expense	14	-	-	-	10,434
Change in fair value of warrant liability	13	-	(10,146)	-	(380,146)
Depreciation	9	69,678	97,746	291,115	291,082
Foreign exchange loss (gain)		(201)	(731)	(52,034)	44,786
Gain on disposal of assets held for sale	8	-	-	(63,481)	-
Gain on sale of property and equipment	9	-	(527,446)	-	(527,446)
General and administration	9,17,19	411,052	447,021	1,126,661	1,144,374
Goodwill impairment	10	-	11,472,845	-	11,472,845
Interest expense	12,14	421,585	440,046	1,273,512	1,335,139
Interest income		-	(14,907)	-	(14,907)
License, taxes, and insurance		411,539	1,080,836	1,797,066	2,617,880
Management and consulting fees	19	150,000	107,000	428,000	321,677
Other income	18	-	-	(2,962,283)	-
Professional fees		91,700	425,698	701,235	972,459
Share-based compensation (recovery)	19	21,896	(17,510)	164,824	8,138
Wages and benefits	19	187,999	167,264	646,760	713,428
		1,765,248	13,667,716	3,351,375	18,009,743
Loss before income taxes		(3,362,402)	(11,657,023)	(4,372,910)	(13,425,662)
Current income tax expense		-	(718,368)	(515,534)	(718,368)
Net loss for the period		(3,362,402)	(12,375,391)	(4,888,444)	(14,144,030)
Foreign currency translation adjustment		181,255	140,235	655,655	140,145
Comprehensive loss for the period		(3,181,147)	(12,235,156)	(4,232,789)	(14,003,885)
Net income (loss) attributable to:					
Shareholders of the Company		(3,123,786)	(12,371,044)	(4,590,189)	(14,157,756)
Non-controlling interest		(238,616)	(4,347)	(298,255)	13,726
Comprehensive loss attributable to:					
Shareholders of the Company		(2,948,149)	(12,233,835)	(3,957,535)	(13,993,103)
Non-controlling interest		(232,998)	(1,321)	(275,254)	(10,782)
Net loss per share					
Basic and diluted		(0.01)	(0.03)	(0.01)	(0.03)
Weighted average number of shares outstanding					
Basic and diluted		457,534,847	450,699,319	454,014,638	450,699,319

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

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Nine months ended	
	2023	April 30, 2022
	\$	\$
Operating activities		
Net loss for the period	(4,888,444)	(14,144,030)
Items not affecting cash:		
Change in fair value due to biological transformation	2,220,734	(2,756,157)
Fair value adjustment on sale of biological assets	3,700,450	1,716,877
Accretion expense	-	10,434
Change in fair value of warrant liability	-	(380,146)
Depreciation	291,115	291,082
Unrealized foreign exchange gain	(2,210)	(467,579)
Gain on disposal of assets held for sale	(63,481)	-
Gain on lease termination (recorded in general and administration)	-	(11,976)
Gain on sale of property and equipment	-	(527,446)
Goodwill impairment	-	11,472,845
Interest expense	276,488	274,651
Interest income	-	(14,907)
Share-based compensation	164,824	8,138
Changes in non-cash working capital:		
Receivables	(853,954)	(766,456)
Inventory	2,607,814	(2,119,191)
Biological assets	(5,055,743)	1,000,317
Prepaid expenses and deposits	(615,143)	(128,908)
Accounts payable and accrued liabilities	(194,965)	1,711,893
Income tax payable	515,534	718,368
Net cash used in operating activities	(1,896,981)	(4,112,191)
Investing activities		
Purchase of property and equipment	(302,301)	(14,871)
Proceeds from sale of property and equipment	-	1,622,001
Proceeds from sale of assets held for sale	3,134,818	-
Loan receivable advanced	-	(606,061)
Net cash provided by investing activities	2,832,517	1,001,069
Financing activities		
Repayment of lease liability	(259,793)	(252,374)
Net cash used in financing activities	(259,793)	(252,374)
Effect of exchange rate on changes on cash	655,655	(76,300)
Change in cash	1,331,398	(3,439,796)
Cash, beginning of period	363,274	4,405,849
Cash, end of period	1,694,672	966,053

Supplemental disclosure with respect to cash flows (Note 20)

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

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)

	Common shares	Share capital	Reserves	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total shareholders' equity
	#	\$	\$	\$	\$	\$	\$
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	372,666	37,853	(678)	-	-	-	37,175
Share-based compensation	-	-	8,138	-	-	-	8,138
Net income attributable to non-controlling interest	-	-	-	-	-	13,726	13,726
Foreign currency 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
Share-based compensation	-	-	4,232	-	-	-	4,232
Net loss attributable to non-controlling interest	-	-	-	-	-	(272,478)	(272,478)
Foreign currency translation adjustment	-	-	-	121,708	-	44,465	166,173
Net loss for the period	-	-	-	-	(3,649,166)	-	(3,649,166)
Balance, July 31, 2022	450,699,319	81,855,012	10,157,141	(1,034,349)	(82,456,203)	(998,876)	7,522,725
Shares issued - conversion of convertible debentures \$0.05	7,857,885	393,910	(1,016)	-	-	-	392,894
Share-based compensation	-	-	164,824	-	-	-	164,824
Net loss attributable to non-controlling interest	-	-	-	-	-	(298,255)	(298,255)
Foreign currency translation adjustment	-	-	-	632,654	-	23,001	655,655
Net loss for the period	-	-	-	-	(4,590,189)	-	(4,590,189)
Balance, April 30, 2023	458,557,204	82,248,922	10,320,949	(401,695)	(87,046,392)	(1,274,130)	3,847,654

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

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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. 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.

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.

The Company has not yet achieved profitable operations and during the three and nine months ended April 30, 2023 and 2022, the Company incurred a net loss of \$3,362,402 and \$4,888,444 respectively (2022 - \$12,375,391 and \$14,144,030, respectively). In addition, at April 30, 2023, the Company had an accumulated deficit of \$87,046,392 (July 31, 2022 - \$82,456,203) and convertible debentures of \$4,457,873 (July 31, 2022 - \$4,574,279). These factors represent a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements ("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 24 for disclosure of an event after the reporting period.

2. BASIS OF PREPARATION

a) Statement of compliance

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

These financial statements were approved by the Board of Directors and authorized for issue on June 29, 2023.

b) Basis of measurement

These 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 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.

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)**d) Basis of consolidation**

All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation. These 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
Infused Mfg LLC	Infused MFG	USA	100%	USD	Hemp and CBD - Infused products
FN Pharmaceuticals LLC	FPN	USA	100%	USD	Holding company
Alternative Medicine Association LLC	AMA	USA	91%	USD	Cannabis cultivation and production
AMA Productions LLC	AMA Pro	USA	100%	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive

e) Reclassification of prior year amount

The Company has reclassified certain items on the condensed interim consolidated statements of cash flows, and the condensed interim consolidated statement of loss and comprehensive loss to conform with the current period presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 3 of the Company's audited annual financial statements for the years ended July 31, 2022 and 2021.

4. RECEIVABLES

A summary of the Company's receivables is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Trade receivables	2,189,135	1,335,053
Other	8,092	8,220
	2,197,227	1,343,273

5. INVENTORY

A summary of the Company's inventory is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Harvested cannabis and trim	2,007,625	3,636,954
Cannabis oil and equivalent	213,299	320,086
Finished goods	1,817,831	1,480,574
Raw materials	289,944	423,780
	4,328,699	5,861,394

Inventories expensed to cost of sales during the three and nine months ended April 30, 2023 were \$3,181,529 and \$8,435,719, respectively (2022 - \$2,474,488 and \$6,385,625 respectively).

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

6. BIOLOGICAL ASSETS

A summary of the Company's biological assets is as follows:

	\$
Balance, July 31, 2021	865,953
Capitalized production costs	6,895,214
Change in fair value due to biological transformation	3,591,853
Transfer to inventory upon harvest	(10,118,647)
Effects of movement in foreign exchange	76,819
Balance, July 31, 2022	1,311,192
Capitalized production costs	5,671,755
Change in fair value due to biological transformation	(2,220,734)
Transfer to inventory upon harvest	(4,387,922)
Effects of movement in foreign exchange	71,460
Balance, April 30, 2023	445,751

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at April 30, 2023, the carrying value of biological assets consisted entirely of cannabis plants. On average, the grow cycle is approximately 16 weeks (July 31, 2022 - 16 weeks).

The fair value less costs to sell is estimated using an expected cash flow model which assumes the biological assets will grow to maturity, harvested, converted into finished goods inventory, and sold in the retail cannabis market. The fair value measurements for biological assets have been categorized as Level 3 (as defined in the fair value hierarchy established in Note 22). These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in profit 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:

- Selling price - calculated as the weighted average selling price for all expected grades and strains of cannabis based on actual selling prices of the fair value of cannabis forms on a per pound basis.
- Yield per plant - represents the number of grams of finished cannabis that are expected to be obtained from each harvested cannabis plant.
- Stage of growth - represents the weighted average number of weeks out of the expected 16 week growing cycle that cannabis plants have reached as of the measurement date.
- Wastage - represents the weighted average percentage of cannabis plants expected to fail to mature to the point of harvest.
- Post-harvest processing costs - calculated as the cost per gram of harvested cannabis to convert into finished dry bulk flower ready to be packaged into finished goods.

A summary of the Company's significant unobservable inputs used in the model to estimate fair value less costs to sell is as follows:

	April 30, 2023	July 31, 2022
Estimated sales price per gram ⁽¹⁾	\$4.01	\$4.58
Weighted average stage of growth	8 weeks	9 weeks
Expected yield per plant	91 grams	140 grams
Wastage	0.83%	0.00%
Post-harvest processing cost per gram ⁽²⁾	\$2.21	\$1.91

(1) Estimated sales price per gram input is translated from USD\$2.95 (July 31, 2022 - USD\$3.57).

(2) Post-harvest processing cost per gram input is translated from USD\$1.63 (July 31, 2022 - USD\$1.49).

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

6. BIOLOGICAL ASSETS (continued)

Increases in costs 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.

A summary of the impact of a 10% increase or decrease in each input on the Company's net loss and comprehensive loss is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Estimated sales price per gram	73,297	145,653
Weighted average stage of growth	32,829	85,087
Expected yield per plant	32,829	85,087
Wastage	1,197	3,690
Post-harvest processing cost per gram	40,468	60,566

7. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Prepaid expenses	762,714	188,482
Security deposit	248,975	208,064
	1,011,689	396,546

8. ASSETS HELD FOR SALE

During the year ended July 31, 2022, the Company had listed a building with a cost of \$3,071,337 (USD\$2,394,991) for sale. Prior to their classification as assets held for sale, the building was reported under construction in progress within property and equipment (Note 9). The assets held for sale are included at the lower of their carrying value and their fair value less cost to sell. The fair value was based on a sales agreement dated September 27, 2022 whereby the Company received net proceeds of \$3,134,818 (USD\$2,432,719) after selling costs. As the carrying amount is less than the fair value less cost to sell, the Company has transferred the balance at the carrying value. The sale was completed on September 27, 2022. The Company recorded a gain on disposal of assets held for sale of \$63,481 in the condensed interim consolidated statements for loss and comprehensive loss for the nine months ended April 30, 2023.

1933 INDUSTRIES INC.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

9. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

	Land	Construction in progress	Leasehold improvements	Production equipment	Office equipment	Right of use	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, July 31, 2021	1,070,058	2,984,638	878,215	4,520,058	413,893	14,027,895	23,894,757
Additions	-	-	-	14,789	119	-	14,908
Disposals	(1,097,293)	-	-	(585,569)	-	-	(1,682,862)
Termination of lease	-	-	-	-	-	(108,789)	(108,789)
Modification of lease	-	-	-	-	-	(716,420)	(716,420)
Transfer to assets held for sale	-	(3,071,337)	-	-	-	-	(3,071,337)
Effects of movement in foreign exchange	31,083	86,699	25,511	131,300	10,656	407,487	692,736
Balance, July 31, 2022	3,848	-	903,726	4,080,578	424,668	13,610,173	19,022,993
Additions	-	-	-	302,301	-	-	302,301
Termination of lease	-	-	-	-	-	(79,243)	(79,243)
Effects of movement in foreign exchange	226	-	53,136	239,922	22,201	800,636	1,116,121
Balance, April 30, 2023	4,074	-	956,862	4,622,801	446,869	14,331,566	20,362,172
Accumulated depreciation							
Balance, July 31, 2021	-	-	327,660	1,831,337	209,801	2,848,382	5,217,180
Depreciation	-	-	120,057	832,766	80,244	890,181	1,923,248
Termination of lease	-	-	-	-	-	(58,021)	(58,021)
Modification of lease	-	-	-	-	-	(381,906)	(381,906)
Effects of movement in foreign exchange	-	-	13,378	63,808	6,115	68,251	151,552
Balance, July 31, 2022	-	-	461,095	2,727,911	296,160	3,366,887	6,852,053
Depreciation	-	-	68,734	639,253	41,224	617,023	1,366,234
Termination of lease	-	-	-	-	-	(79,243)	(79,243)
Effects of movement in foreign exchange	-	-	34,923	181,869	17,455	169,039	403,286
Balance, April 30, 2023	-	-	564,752	3,549,033	354,839	4,073,706	8,542,330
Carrying amount							
Balance, July 31, 2022	3,848	-	442,631	1,352,667	128,508	10,243,286	12,170,940
Balance, April 30, 2023	4,074	-	392,110	1,073,768	92,030	10,257,860	11,819,842

On February 22, 2022, the Company sold land with a carrying value of \$1,097,293 (USD\$835,000) for total net proceeds of \$1,624,739 (USD\$1,270,000) resulting in a \$527,446 (USD\$435,000) gain, which is included in gain on sale of property and equipment on the consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company disposed of production equipment with carrying value of \$585,569 (USD\$465,620) for proceeds of \$313,269 (USD\$235,361), resulting a \$272,300 (USD\$230,259) loss, which is included in gain on sale of property and equipment on the consolidated statements of loss for the year ended July 31, 2022

1933 INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

9. PROPERTY AND EQUIPMENT (continued)

During the year ended July 31, 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 \$108,789, accumulated depreciation of \$58,021 and lease liability of \$63,491 resulting in a gain on lease termination of \$12,723 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 consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company determined that it would not exercise its extension option for an Infused facility lease. As a result of the lease modification, the Company derecognized the right-of-use asset with a cost of \$716,420, accumulated depreciation of \$381,906 and lease liability of \$393,856 resulting in a gain on lease termination of \$59,342 representing the undepreciated portion of the right-of-use asset less than the lease liability. The loss is included in general and administration expense on the condensed consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company entered a letter of intent to sell a building with a cost of \$3,071,337 (USD\$2,394,991) which was included in construction in progress. Management has classified the balance to held for sale. The sale was completed on September 27, 2022 (Note 8).

During the nine months ended April 30, 2023, the Company derecognized a right-of-use asset with cost of \$79,243 and accumulated depreciation of \$79,243.

Total depreciation expense for the three and nine months ended April 30, 2023, was \$446,528 and \$1,366,234 respectively (2022 - \$689,444 and \$1,349,173, respectively). Of the total depreciation expense during the three and nine months ended April 30, 2023, \$376,850 and \$1,075,119 was allocated to inventory, respectively (2022 - \$591,698 and \$1,058,091, respectively). As a result of the allocation to inventory, the Company recognized depreciation expense for the three and nine months ended April 30, 2023 of \$69,678 and \$291,115, respectively (2022 - \$97,746 and \$291,082, respectively), in the condensed interim consolidated statements of loss.

10. GOODWILL

A summary of the Company's goodwill is as follows:

	\$
Balance, July 31, 2021	15,527,023
Impairment	(11,540,439)
Effects of movement in foreign exchange	505,137
Balance, July 31, 2022	4,491,721
Effects of movement in foreign exchange	247,991
Balance, April 30, 2023	4,739,712

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. The goodwill related to Infused MFG was fully impaired during the year ended July 31, 2022. As at April 30, 2023, the balance is related entirely to the acquisition of AMA.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Trades payable	2,180,561	2,576,809
Accrued liabilities	183,759	12,823
Payroll liabilities	196,341	165,994
	2,560,661	2,755,626

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements**

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12. LEASE LIABILITY

A summary of the Company's lease liability is as follows:

	\$
Balance, July 31, 2021	13,636,208
Repayment of lease obligation	(1,786,241)
Interest expense	1,382,931
Termination of lease	(63,491)
Modification of lease	(393,856)
Effects of movement in foreign exchange	331,245
Balance, July 31, 2022	13,106,796
Repayment of lease obligation	(1,244,809)
Interest expense	985,016
Effects of movement in foreign exchange	778,633
Balance, April 30, 2023	13,625,636
Current portion	158,192
Non-current portion	13,467,444

13. WARRANT LIABILITY

Certain warrants are classified as a financial instrument under the principles of IFRS 9 *Financial Instruments* ("IFRS 9"), as the exercise price is in USD 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 profit or loss.

A summary of the Company's warrant liability is as follows:

	Warrants	Warrant liability
	#	\$
Balance, July 31, 2021 ⁽¹⁾	13,920,000	380,146
Gain on change in fair value of warrant liability	-	(380,146)
Balance, April 30, 2023 and July 31, 2022	-	-

(1) The exercise price is \$0.10 (USD\$0.08). On May 3, 2022, 13,920,000 warrants expired.

Change in fair value of warrant liability during the three and nine months ended April 30, 2023 is \$nil and \$nil, respectively (2022 - gain of \$10,146 and \$380,146, respectively).

14. CONVERTIBLE DEBENTURES

A summary of the Company's convertible debentures is as follows:

	\$
Balance, July 31, 2021	4,234,819
Interest expense	366,201
Accretion expense	10,434
Converted to common shares	(31,909)
Interest paid - shares	(5,266)
Balance, July 31, 2022	4,574,279
Interest expense	276,488
Converted to common shares	(302,000)
Interest paid - shares	(90,894)
Balance, April 30, 2023	4,457,873

1933 INDUSTRIES INC.

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For the three and nine months ended April 30, 2023 and 2022

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14. CONVERTIBLE DEBENTURES (continued)

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 entitled 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 option pricing 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 day.

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, 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.

On April 14, 2021, debenture holders approved an extension of the maturity date of the debentures from September 14, 2021 to September 14, 2022. On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to \$0.05 per share and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023.

On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to \$0.05 per share being the lowest price at which the Company is permitted to amend the conversion price, the reduction of the price per share for interest payments on the Debentures from \$0.10 to \$0.05 per share, if the Company in its sole discretion elects to pay such interest through the issuance of its common shares, and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023.

1933 INDUSTRIES INC.

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14. CONVERTIBLE DEBENTURES (continued)

During the three months and nine months ended April 30, 2023, accretion expense was \$nil and \$nil, respectively (2022 - \$2,002 and \$3,772, respectively), and interest expense was \$95,748 and \$276,488 respectively (2022 - \$91,551 and \$274,651, respectively).

During the nine months ended April 30, 2023, convertible debentures of \$302,000 and interest payable on the convertible debentures of \$90,894 were converted into 7,857,885 common shares of the Company (Note 16(b)). The principal and interest balance outstanding as at April 30, 2023 was \$3,360,007 and \$1,097,866.

15. LINE OF CREDIT

On September 9, 2022, the Company obtained a line of credit of up to \$1,282,400 (USD\$1,000,000) (the "Loan"), provided by Mr. Paul Rosen, Chairman and CEO of the Company. The Company has agreed to provide Mr. Rosen (the "Lender") with senior first-priority security interests in all of its assets as collateral for the Loan. Withdrawals from the line of credit must be approved by the Lender and must include the requested amount and the use of the funds (the "Principal"). Interest on the Principal will commence to accrue on the date of each withdrawal, with an interest rate of 11% per annum accrued until the Principal is paid in full. The Loan has a one-year term (the "Maturity Date"). The Principal, together with all accrued interest and fees is due and payable on or before the Maturity Date. A 2% interest penalty over the remaining term of maturity is payable on any amount prepaid prior to the Maturity Date.

As at April 30, 2023, the Company had not utilized the loan.

16. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series.

b) Issued common shares

As of April 30, 2023, there were 458,557,204 common shares outstanding (July 31, 2022 - 450,699,319).

The Company had the following common share transaction during nine months ended April 30, 2023:

- The Company issued 7,857,885 common shares pursuant to the conversion of \$302,000 of convertible debentures and interest payable on the convertible debentures of \$90,894.

The Company had the following common share transaction during the year ended July 31, 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.

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16. SHARE CAPITAL AND RESERVES (continued)**c) Reserves**

A summary of the Company's reserves activity is as follows:

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
Balance, July 31, 2021	6,234,712	78,212	3,832,525	10,145,449
Share-based compensation	12,370	-	-	12,370
Reclassified to share capital on conversion of convertible debentures	-	(678)	-	(678)
Balance, July 31, 2022	6,247,082	77,534	3,832,525	10,157,141
Share-based compensation	164,824	-	-	164,824
Reclassified to share capital on conversion of convertible debentures	-	(1,016)	-	(1,016)
Balance, April 30, 2023	6,411,906	76,518	3,832,525	10,320,949

d) Warrants

A summary of the Company's share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise Price
	#	\$
Balance, July 31, 2021	107,160,865	0.33
Expired	(53,119,666)	0.51
Balance, July 31, 2022	54,041,199	0.15
Expired	(50,341,199)	0.16
Balance, April 30, 2023	3,700,000	0.08

A summary of the Company's share purchase warrants outstanding and exercisable as at April 30, 2023 is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
June 13, 2024	3,700,000	0.08	1.12

e) Stock options

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

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

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16. SHARE CAPITAL AND RESERVES (continued)

A summary of the Company's stock option activity is as follows:

	Number of options	Weighted average exercise price
	#	\$
Balance, July 31, 2021	17,180,000	0.20
Expired	(1,730,000)	0.55
Forfeited	(1,200,000)	0.08
Cancelled	(2,150,000)	0.40
Balance, July 31, 2022	12,100,000	0.11
Granted	13,490,000	0.05
Expired	(750,000)	0.35
Cancelled	(300,000)	0.05
Balance, April 30, 2023	24,540,000	0.07

A summary of the Company's stock options outstanding and exercisable as at April 30, 2023 is as follows:

Expiry date	Number of options	Number of exercisable options	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
November 8, 2025	11,050,000	11,050,000	0.10	2.53
August 24, 2027	13,490,000	6,346,667	0.05	4.32
	24,540,000	17,396,667	0.07	3.51

For the three and nine months ended April 30, 2023, the Company recognized a share-based compensation expense of \$21,896 and \$164,824, respectively (2022 - recovery of \$17,510 and expense of \$8,138, respectively).

A summary of the Company's assumption used in the Black-Scholes option pricing model for the stock options granted during the nine months ended April 30, 2023 and the year ended July 31, 2022 is as follows:

	2023	2022
Risk-free interest rate	3.27%	-
Expected life of options	5.00 years	-
Annualized volatility	100%	-
Dividend rate	0%	-
Weighted average fair value per option	\$0.02	-

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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16. SHARE CAPITAL AND RESERVES (continued)**f) Agent options**

A summary of the Company's agent options activity is as follows:

	Number of options	Weighted average exercise price
	#	\$
Balance, July 31, 2021	5,344,326	0.25
Expired	(2,191,112)	0.45
Balance, July 31, 2022	3,153,214	0.11
Expired	(3,153,214)	0.11
Balance, April 30, 2023	-	-

17. GENERAL AND ADMINISTRATION

A summary of the Company's general and administration is as follows:

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Advertising, promotion and selling costs	152,241	262,293	460,304	394,879
Investor relations	10,423	32,760	36,650	90,981
Office expenses and general administration	241,228	300,318	607,666	638,114
Travel and entertainment	7,160	(148,350)	22,041	20,400
	411,052	447,021	1,126,661	1,144,374

18. OTHER INCOME

During the three and nine months ended April 30, 2023, the Company received payroll tax refunds of \$nil and \$2,544,757 (USD\$1,819,374), respectively (2022 - \$nil and \$nil, respectively), from the Internal Revenue Service ("IRS") related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES") act that was enacted on December 27, 2020. In the CARES act there was the Employee Retention Credit created to help encourage businesses to keep employees on their payroll during the COVID pandemic.

During the three and nine months ended April 30, 2023, the Company received a refund of \$nil and \$35,595 (USD\$26,762), respectively (2022 - \$nil and \$nil, respectively), from the IRS related to the reversal of a penalty paid in 2019.

During the three and nine months ended April 30, 2023, the Company received a settlement of \$nil and \$26,601 (USD\$20,000), respectively (2022 - \$nil and \$nil, respectively), related to Infused MFG disputed invoices from 2019 and 2020.

During the three and nine months ended April 30, 2023, the Company recorded the recovery of a fair value adjustment of \$nil and \$355,330 (USD\$267,153), respectively (2022 - \$nil and \$nil, respectively), related to Infused MFG inventory.

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19. 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.

A summary of the Company's related party transactions is as follows:

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Directors' fees included in general and administration ⁽¹⁾	19,377	19,143	70,523	71,361
Management and consulting fees	120,000	87,000	338,000	261,020
Share-based compensation	11,087	2,258	93,918	13,831
Wages and benefits	-	-	-	48,350
	150,464	108,401	502,441	394,562

(1) Included in office expense within general and administration (Note 17).

As at April 30, 2023, \$64,157 (July 31, 2022 - \$nil) was owed to directors and officers or their related companies in respect of the services rendered and were included in accounts payable and accrued liabilities. These are non-interest bearing with standard payment terms.

As at April 30, 2023, \$nil (July 31, 2022 - \$208,903) was included in receivables related to a director of the Company.

20. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

A summary of the significant non-cash transactions and supplemental disclosure for the nine months ended April 30, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Conversion of convertible debentures principal into common shares (Note 14, 16(b)).	302,000	1,100,000
Settlement of convertible debentures interest with common shares (Note 14, 16(b)).	90,894	72,774
Share issuance cost from finders' warrants	-	836
Cash interest paid	-	-
Cash income tax paid	-	-

21. 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.

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21. SEGMENTED INFORMATION (continued)

A summary of the Company's net loss for the period by operating segment for the three months ended April 30, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	3,825,486	247,656	-	4,073,142
Gross margin	(1,717,979)	120,825	-	(1,597,154)
Operating expenses:				
Depreciation and amortization	-	16,885	52,793	69,678
General and administration	160,831	114,765	135,456	411,052
License fees, taxes, and insurance	395,436	14,920	1,183	411,539
Interest, accretion, and other	377,039	23,342	472,598	872,979
	933,306	169,912	662,030	1,765,248
Net loss for the period	(2,651,285)	(49,087)	(662,030)	(3,362,402)

A summary of the Company's net income (loss) for the period by operating segment for the nine months ended April 30, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	12,351,286	984,082	-	13,335,368
Gross margin	(1,531,115)	509,580	-	(1,021,535)
Operating expenses:				
Depreciation and amortization	27,650	104,615	158,850	291,115
General and administration	417,070	331,413	378,178	1,126,661
License fees, taxes, and insurance	1,614,094	45,860	137,112	1,797,066
Interest, accretion, and other	(791,521)	(573,085)	1,501,139	136,533
	1,267,293	(91,197)	2,175,279	3,351,375
Net income (loss) before taxes	(2,798,408)	600,777	(2,175,279)	(4,372,910)
Current income tax expense	(515,534)	-	-	(515,534)
Net income (loss) for the period	(3,313,942)	600,777	(2,175,279)	(4,888,444)

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21. SEGMENTED INFORMATION (continued)

A summary of the Company's net income (loss) for the period by operating segment for the three months ended April 30, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	3,815,686	440,594	-	4,256,280
Gross margin	1,815,826	194,867	-	2,010,693
Operating expenses:				
Depreciation and amortization	-	4,733	93,013	97,746
General and administration	62,150	227,496	157,375	447,021
Goodwill impairment	-	11,472,845	-	11,472,845
License fees, taxes, and insurance	877,004	10,096	193,736	1,080,836
Interest, accretion, and other	110,001	45,360	413,907	569,268
	1,049,155	11,760,530	858,031	13,667,716
Net income (loss) before taxes	766,671	(11,565,663)	(858,031)	(11,657,023)
Current income tax recovery	(718,368)	-	-	(718,368)
Net income (loss) for the period	48,303	(11,565,663)	(858,031)	(12,375,391)

A summary of the Company's net loss for the period by operating segment for the nine months ended April 30, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	8,482,478	1,447,948	-	9,930,426
Gross margin	3,739,629	844,452	-	4,584,081
Operating expenses:				-
Depreciation and amortization	-	143,300	147,782	291,082
General and administration	242,461	404,602	497,311	1,144,374
Goodwill impairment	-	11,472,845	-	11,472,845
License fees, taxes, and insurance	1,865,710	29,697	722,473	2,617,880
Interest, accretion, and other	1,065,596	178,874	1,239,092	2,483,562
	3,173,767	12,229,318	2,606,658	18,009,743
Net income (loss) before taxes	565,862	(11,384,866)	(2,606,658)	(13,425,662)
Current income tax expense	(718,368)	-	-	(718,368)
Net loss for the period	(152,506)	(11,384,866)	(2,606,658)	(14,144,030)

A summary of the Company's carrying amount of assets and liabilities by operating segment as at April 30, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Property and equipment	11,634,063	16,636	169,143	11,819,842
Goodwill	4,739,712	-	-	4,739,712
Total assets	23,997,485	479,582	1,760,525	26,237,592
Total liabilities	17,265,212	190,044	4,934,682	22,389,938

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21. SEGMENTED INFORMATION (continued)

A summary of the Company's carrying amount of assets and liabilities by operating segment as at July 31, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Property and equipment	11,752,408	105,225	313,307	12,170,940
Goodwill	4,491,721	-	-	4,491,721
Total assets	24,904,798	1,030,043	3,074,836	29,009,677
Total liabilities	16,163,319	228,748	5,094,885	21,486,952

22. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

a) Fair value of financial assets and liabilities

IFRS 13 *Fair Value Measurement* 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 or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company measures biological assets at fair value which is categorized as Level 3.

The Company measures warrant liability at fair value which is categorized as Level 2.

The carrying values of cash, receivables, accounts payable and accrued liabilities, and convertible debentures approximate their respective fair values due to the short-term nature of these instruments. The Company's financial instruments are classified as and measured at amortized cost.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and receivables. The Company minimizes its credit risk related to cash by placing cash with major financial institutions. The Company regularly reviews the collectability of its receivables. The Company considers the credit risk related to both cash and receivables to be minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's liquidity risk relates primarily to accounts payable and accrued liabilities, lease liability as well as convertible debenture. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company endeavors to ensure that there is sufficient capital to meet short term business requirement. 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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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

22. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

A summary of the Company's financial liabilities as at April 30, 2023 is as follows:

	Within 1 year	2 - 5 years	Greater than 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,560,661	-	-	2,560,661
Lease liability	158,192	869,740	12,597,704	13,625,636
Convertible debentures	4,457,873	-	-	4,457,873
	7,176,726	869,740	12,597,704	20,644,170

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.

c) Foreign exchange risk

The Company's operational activities are conducted in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar relative to the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities that are denominated in U.S. dollars. 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.

A summary of the Company's financial assets and liabilities held in foreign currencies, expressed in Canadian dollars, is as follows:

	April 30, 2023	July 31, 2022
	\$	\$
Cash	1,678,370	61,911
Receivables	2,197,227	1,343,273
Accounts payable and accrued liabilities	(2,560,661)	(2,344,178)
Lease liability	(13,625,635)	(13,106,796)
Net financial liabilities	(12,310,699)	(14,045,790)

The effect on net loss and comprehensive loss for the nine months ended April 30, 2023 of a 1% change in Canadian dollar against the U.S. dollar on the above mentioned net financial liabilities of the Company is estimated to have an increase or decrease in foreign exchange gain or loss of \$123,107.

d) 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 convertible debentures are carried at a fixed interest rate throughout their term.

23. CAPITAL RISK MANAGEMENT

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.

24. SUBSEQUENT EVENT

Subsequent to April 30, 2023, convertible debentures of \$100,000 were converted into 2,676,666 common shares.