Chemistree Technology Inc.

Consolidated Financial Statements

For the years ended June 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Chemistree Technology Inc.

We have audited the accompanying consolidated financial statements of Chemistree Technology Inc., which comprise the consolidated statement of financial position as at June 30, 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Chemistree Technology Inc. as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Chemistree Technology Inc.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Chemistree Technology Inc. for the year ended 2017 were audited by another auditor who expressed an unmodified opinion on those statements on October 27, 2017.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

September 17, 2018

Chemistree Technology Inc.
(in Canadian Dollars)

Consolidated Statements of Financial Position

As at June 30,	2018	2017
ASSETS		
Current		
Cash and cash equivalents	**$ 2,662,002**	$ 135,795
Accounts receivable	**7,374**	-
Taxes receivable	**7,411**	6,919
Prepaids and deposits	**42,219**	-
	2,719,006	142,714
Non-current assets		
Equipment (Note 4)	**1,323,245**	-
	$ 4,042,251	$ 142,714
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 316,337**	$ 38,084
Due to related parties (Note 6)	**9,408**	2,445
Interest payable (Note 5)	**14,707**	-
Loan payable (Note 5)	**-**	76,036
	340,452	116,565
Notes payable (Note 5)	**421,959**	-
	762,411	116,565
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**13,896,322**	10,107,349
Equity reserves (Notes 7)	**964,611**	761,418
Deficit	**(11,581,093)**	(10,842,618)
	3,279,840	26,149
	$ 4,042,251	$ 142,714

Nature and continuance of operations (Note 1)
Commitment (Note 15)
Events after the reporting period (Note 16)

Approved by the board on September 12, 2018:

Signed: ***"Karl Kottmeier"***
Director

Signed: ***"Douglas Ford"***
Director

Chemistree Technology Inc.
(in Canadian Dollars)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30,		2018		2017
Expenses				
Business development	$	**156,327**	$	140,885
Consulting		**-**		48,000
Foreign exchange gain		**(17,973)**		(733)
General and administrative		**100,886**		37,562
Insurance		**16,134**		9,450
Interest expense (Note 5)		**14,707**		-
Interest income		**(56)**		(58)
Management fees (Note 6)		**240,000**		166,667
Professional fees		**133,882**		22,878
Share-based payments (Note 7)		**58,500**		68,053
Transfer agent and regulatory fees		**33,121**		27,922
Travel		**23,520**		4,222
		(759,048)		(524,848)
Other income (Note 4, 14)		**20,573**		430
Loss and comprehensive loss	$	**(738,475)**	$	(524,418)
Basic and diluted loss per share	$	**(0.04)**	$	(0.06)
Weighted average number of shares outstanding - basic and diluted		**19,515,142**		9,038,816

Chemistree Technology Inc.
(in Canadian Dollars)

Consolidated Statements of Cash Flows

For the years ended June 30,		2018		2017
OPERATING ACTIVITIES				
Loss for the year	$	**(738,475)**	$	(524,418)
Items not affecting cash:				
Share-based payments		**58,500**		68,053
Changes in non-cash working capital items:				
Accounts receivable		**(7,374)**		-
Taxes receivable		**(492)**		17,652
Prepaids and deposits		**(42,219)**		4,236
Accounts payable and accrued liabilities, and due to related parties		**21,856**		(34,359)
Interest payable		**14,707**		-
Cash used in operating activities		**(693,497)**		(468,836)
INVESTING ACTIVITIES				
Equipment purchase		**(1,059,885)**		-
Cash used in investing activities		**(1,059,885)**		-
FINANCING ACTIVITIES				
Common shares issued for cash		**4,107,520**		500,000
Share issue costs		**(173,854)**		(5,789)
Proceeds from notes payable		**345,923**		-
Proceeds from loan		**-**		76,036
Cash provided by financing activities		**4,279,589**		570,247
Change in cash and cash equivalents during the year		**2,526,207**		101,411
Cash and cash equivalents, beginning of year		**135,795**		34,384
Cash and cash equivalents, end of year	$	**2,662,002**	$	135,795
Cash paid for:				
Interest	$	**-**	$	-
Income taxes	$	**-**	$	-

Cash and cash equivalents comprises:		2018		2017
Cash	$	**2,657,002**	$	-
Cash equivalents		**5,000**		-
	$	**2,662,002**	$	-

Supplemental disclosure with respect to cash flows (Note 10)

Chemistree Technology Inc.
(in Canadian Dollars)

Consolidated Statements of Changes in Shareholders' Equity
For the years ended June 30,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, June 30, 2016	5,148,405	$ 9,613,138	$ 693,365	$ (10,318,200)	$ (11,697)
Private placement	10,000,000	500,000	-	-	500,000
Share issue costs	-	(5,789)	-	-	(5,789)
Share-based payments	-	-	68,053	-	68,053
Loss for the year	-	-	-	(524,418)	(524,418)
Balance, June 30, 2017	15,148,405	10,107,349	761,418	(10,842,618)	26,149
Balance, June 30, 2017	**15,148,405**	**10,107,349**	**761,418**	**(10,842,618)**	**26,149**
Private placement	13,504,571	4,107,520	-	-	4,107,520
Share issue costs – cash	-	(173,854)	-	-	(173,854)
Share issue costs – warrants	-	(144,693)	144,693	-	-
Share-based payments - options	-	-	58,500	-	58,500
Loss for the year	-	-	-	(738,475)	(738,475)
Balance, June 30, 2018	**28,652,976**	**$ 13,896,322**	**$ 964,611**	**$ (11,581,093)**	**$ 3,279,840**

1. NATURE AND CONTINUANCE OF OPERATIONS

Chemistree Technology Inc. (the "Company) was incorporated in the Province of British Columbia on March 14, 2008, under the Business Corporations Act of British Columbia. The name change to Chemistree Technology Inc. became effective August 3, 2017. The Company's registered and records office is located at Suite 810 - 609 Granville Street, Vancouver, British Columbia.

The Company is a Canadian investment company with investments in the United States cannabis sector through its wholly-owned subsidiaries Chemistree Washington Ltd., and CHM Desert LLC (Note 16), and American CHM Investments Inc. (Note 16). On July 20, 2018, it was announced that the Company had become an investment issuer on the Canadian Securities Exchange. Prior to becoming an investment issuer, the Company was involved in the business of developing a social media marketing platform. Revenues earned during the years ended June 30, 2018 and 2017, from such activity is included in other income.

On June 29, 2018, the Company completed the acquisition of Washington State-based equipment assets used in cannabis cultivation, production and distribution (Note 4). Following the completion of these assets the Company expects to indirectly derive revenue from the adult-use cannabis industry in the United States in jurisdictions where local law permits such activities. Although a number of states in the United States have legalized medical and/or recreational use of cannabis, it remains illegal under United States federal laws. Accordingly, there are a number of risks associated with the Company's operations and investments, even where the Company is not directly involved in the cultivation or sale of either recreational or medical cannabis. There is a risk that United States federal authorities may enforce federal law prohibiting the cultivation and sale of cannabis or laws relating to the proceeds thereof. Accordingly, the Company, and its investments in the cannabis sector, may be subjected to heighted scrutiny by applicable regulatory authorities, the Canadian Securities Exchange, or other governmental bodies.

The ability of the Company to continue to operate as a going concern is dependent on its ability to generate profitable operations and positive cash flows. To date, the Company has generated limited revenues from operations and will require additional funds to meet ongoing obligations and investment objectives. As a result, further losses are anticipated. As at June 30, 2018, the Company had working capital of $2,378,554 and an accumulated a deficit of $11,581,093. These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's future capital requirements will depend on many factors, including the operating and capital costs of locating, researching, developing, and acquiring investments that comply with its investment strategy. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations. The Company will depend almost exclusively on outside capital. Such outside capital may include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet ongoing obligations and operating objectives or, if the capital is available, that it will be on terms acceptable to the Company. These conditions and uncertainties may cast significant doubt as to the Company's ability to continue as a going concern. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, would increase the Company's liabilities and future cash commitments.

Effective January 27, 2017, the Company consolidated its common shares on a 3-old for 1-new basis, whereby every three old common shares were exchanged for one new common share without par value. All references to common shares, stock options, warrants and weighted average number of shares outstanding in these consolidated financial statements reflect this share consolidation unless otherwise noted (Note 7).

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and the following subsidiary:

Chemistree Washington Ltd.	100%	Investment holding company

Chemistree Washington Ltd., was incorporated by the Company on October 17, 2017, to facilitate the Company's investment objectives in the United States cannabis sector. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation. Subsequent to June 30, 2018, the Company incorporated additional subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents
The Company considers all highly liquid instruments, generally with a maturity of three months or less at the time of issuance, to be cash equivalents.

Critical accounting estimates and judgments
The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Judgments:

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

Estimates:

Share-based payments

The Company measures the cost of equity-settled transactions with employees and those providing similar services by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility, and dividend yield.

Impairment and useful lives of equipment

The Company assesses equipment for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually. The assessment of any impairment is dependent upon estimates of recoverable amounts that take into account factors such as location and condition of the asset, economic and market conditions, the useful lives of assets, and their related salvage values. The estimated useful lives of equipment are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management must use its past experience with the same or similar assets, review engineering estimates and industry practices for similar pieces of equipment.

Deferred income taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Basic and diluted loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets:

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in shareholders' equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities:

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest rate method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. Accounts receivable, and taxes receivable are classified as loans and receivables. The Company's accounts payable and accrued liabilities, due to related parties, interest payable, loan payable, and notes payable are classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the cost of equipment, less its estimated residual value, using the diminishing balance method over its expected period of use by the Company. The Company's equipment will be depreciated at a rate of 20%. Estimated useful lives are reviewed by management and adjusted if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period they are incurred.

Share Capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of equity reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital as share issue costs. Warrants issued to agents in connection with a financing are recorded at fair value and charged to share capital as a share issue cost an offsetting entry to equity reserves within shareholders' equity.

Foreign exchange

The functional and reporting currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes
Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Impairment of non-financial assets
At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, individual assets are allocated to cash-generating units. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments
The fair value of stock options granted is recognized as share-based payment expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received

Provisions
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of equipment. The net present value of cost estimates is capitalized to the related assets along with a corresponding increase in the provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of provisions could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

New Accounting Standards
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.
- IFRS 16: Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard.

(in Canadian dollars)

4. EQUIPMENT

	Equipment $
COST	
Balance, June 30, 2017 and 2016	-
Additions	1,323,245
Balance, June 30, 2018	1,323,245
DEPRECIATION	
Balance, June 30, 2017 and 2016	-
Depreciation(1)	-
Balance, June 30, 2018	-
NET BOOK VALUE	
Balance, June 30, 2018	1,323,245
Balance, June 30, 2017	-

(1) No depreciation was taken during the year ended June 30, 2018, as the equipment was acquired on June 29, 2018.

<u>Acquisition of Washington Assets</u>

Pursuant to a definitive asset purchase agreement (the “Washington Acquisition”) between Chemistree Washington Ltd. (“Chemistree Washington”) and Elite Holdings Inc. (“Elite”), the Company acquired certain cannabis cultivation equipment (the “Washington Assets”) from Elite. Consideration for the Washington Assets was US$1,000,000 payable in cash. US$800,000 was paid upon closing of the Washington Acquisition on June 29, 2018. There are four remaining instalments of US$50,000 each payable on September 30, 2018, December 31, 2018, March 31, 2019, and June 30, 2019.

In addition to acquiring the Washington Assets, the Company entered into a Commercial Lease agreement subsequent to June 30, 2018, effective July 1, 2018, with the landlord of the facility in which the Washington Assets are situated. The Commercial Lease agreement is for an initial term expiring on June 30, 2022, with an option to extend to June 30, 2026. Rent is payable to the landlord in the amount of $6,360 per month for each of July and August 2018, and $8,360 per month from September 2018, and each month thereafter (Note 15).

Pursuant to a letter of intent dated April 24, 2018, between Chemistree Washington and Elite, Chemistree Washington will enter into agreements with a Strategic Partner, an arm’s length party to, and unaffiliated with, Chemistree, whereby the Strategic Partner will sublease the facility, and license the Washington Assets, from Chemistree Washington, in order for the Strategic Partner to operate the “Sugarleaf” brand of retail cannabis products in Washington state. Entering into agreements with the Strategic Partner are subject to receipt of approval from the Washington State Liquor and Cannabis Board (“WSLCB”), and for the sale of the Washington State “Tier 3” Production and Processing License No. 423406 (the “Sugarleaf Licence”) from Sugarleaf Farm LLC (“Sugarleaf”), to the Strategic Partner.

<u>Other Income</u>

During the year ended June 30, 2018, the Company purchased equipment with the intention of immediate resale. The cost of this equipment was $32,998, and it was sold to a third party for proceeds of $46,479. The aggregate of these amounts is included within other income.

(in Canadian dollars)

5. NOTES PAYABLE AND LOAN PAYABLE

Notes payable

Effective July 17, 2017, the Company issued unsecured Promissory Notes (the "Notes") to arm's length parties, and a related party, for borrowings from those parties. The Notes mature on July 17, 2027, and bear interest at the Canadian prime rate plus 0.5% per annum, payable annually.

	2018 $	2017 $
Opening balance	-	-
Additions	345,923	-
Transfer from loan payable	76,036	-
Ending balance	421,959	-

As at June 30, 2018, accrued and unpaid interest on these Notes amounts to $14,707 (2017: $nil), which is presented as interest payable.

Loan payable

As at June 30, 2018, loans payable amounts to $nil (2017: $76,036 (USD $58,750)). The loan payable was owed to an arm's length party and was replaced with a promissory note during the year ended June 30, 2018. The loan payable was unsecured and bore interest at the Canadian prime rate plus 0.5% per annum, and was due on demand.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions occurred in the normal course of business and have been recorded at the exchange amount; which is the fair value agreed to between the parties. Amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Officers.

During the years ended June 30, 2018 and 2017, the Company entered into transactions with key management personnel and related parties as follows:

Related party	Nature of transactions
Pacific Equity Management Corp. ("PEMC")	Management fees for services provided by CEO, CFO, VP Corporate Development, VP Finance, Accountant, Secretary, Administrator and all support staff; includes rent and shared office expenses. Rent and shared office expenses commenced under a separate agreement on July 1, 2017.
Contact Financial Corp. ("CFC")	Rent and shared office expenses terminated June 30, 2017.
Karl Kottmeier ("Kottmeier")	Expenditures incurred by a Director to be reimbursed.
1044825 BC Ltd. ("1BL")	Consulting fees for services provided by former CTO.
Justin Chorbajian ("Chorbajian")	Note payable issued for funds advanced by a Director.

(in Canadian dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

The aggregate value of transactions involving key management personnel were as follows:

	2018	2017
Management fees[1]	$ 240,000	$ 166,667

[1] Management fees were paid to PEMC, a company controlled by two officers of the Company for CEO and CFO services and other management services. Pursuant to a Management Services Agreement, the Company is required to pay $20,000 per month (2017: $20,000 per month), and the agreement can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2018	2017
Rent (general and administrative)[2]	$ 30,000	$ 35,000
Consulting[3]	$ -	$ 48,000

[2] During the year ended June 30, 2018, rent was paid to PEMC for office rent and other office services. The Company is required to pay $2,500 per month to PEMC (2017: $nil per month). The agreement with PEMC can be terminated by either party with six months' notice. During the year ended June 30, 2017, rent was paid to CFC, a company in which an officer of the Company has a significant interest. The agreement with CFC was terminated effective June 30, 2017.

[3] Consulting fees were paid to 1BL, a company controlled by the former CTO for consulting services.

Due to related parties include the following amounts:

	2018	2017
	$	$
PEMC	695	695
CFC	1,750	1,750
Kottmeier	6,963	-
	9,408	2,445

Included in the notes payable (Note 5), is $78,431 principal (2017: $nil), and $2,864 in accrued interest owed to Chorbajian.

7. SHARE CAPITAL AND EQUITY RESERVES

a) Authorized: Unlimited common shares without par value

Effective January 27, 2017, the Company consolidated its common share capital on a 3-old for 1-new basis, whereby each three old shares are equal to one new share without par value. All references to common shares, stock options, warrants and weighted average number of shares outstanding in these consolidated financial statements reflect the share consolidation unless otherwise noted.

b) Issued common shares

Year ended June 30, 2018:

During the year period ended June 30, 2018, the Company closed non-brokered private placements aggregating gross proceeds of $4,107,520, through the issuance of 13,504,571 common shares and 7,752,235 warrants, which included 438,464 warrants issued to finders for compensatory purposes. The Company incurred share issuance costs of $173,854 in cash, and $144,693 representing the fair value of finders' warrants, respectively, in connection with the placements.

Year ended June 30, 2017:

The Company closed a non-brokered private placement through the issuance of 10,000,000 common shares at $0.05 per share, for proceeds of $500,000. The Company incurred share issuance costs of $5,789 in connection with this placement.

(in Canadian dollars)

7. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

c) Warrants:

	Warrants	Weighted Average Exercise Price $
Balance, June 30, 2017, and 2016	-	-
Issued – attached to private placement units	7,313,771	0.50
Issued – finder's fees	438,464	0.50
Balance, June 30, 2018	**7,752,235**	**0.50**

As at June 30, 2018, the following warrants were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Remaining Contractual Life (in years)
7,752,235	$0.50	June 25 2020[(1)]	1.99

[(1)] The warrants are subject to an acceleration provision, whereby, if the closing market price of the common shares of the Company on the Canadian Securities Exchange is greater than $0.60 per common share for a period of 10 consecutive trading days, then the Company may deliver a notice to the holders of warrants notifying the holders that the warrants must be exercised within 30 calendar days from the date of the acceleration notice, otherwise the warrants after 30 days of such notice.

The fair value of the warrants issued as finders' fees was estimated on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	**1.98%**	-
Expected life	**2 years**	-
Expected volatility	**228.27%**	-
Expected dividend yield	**Nil**	-
Weighted average fair value per option	**$0.30**	-

d) Options:

The Company has a Stock Option Plan (the "Plan") that allows it to give to eligible persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals stock options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the market price prevailing on the date the stock option is granted less applicable discount, if any, permitted by the policies of the Canadian Securities Exchange and approved by the Board. The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time.

(in Canadian dollars)

7. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

	Options	Weighted Average Exercise Price $
Balance, June 30, 2016	312,666	0.69
Expired	(46,000)	(2.55)
Cancelled	(216,666)	(0.36)
Granted	900,000	0.10
Balance, June 30, 2017	950,000	0.13
Granted	150,000	0.41
Balance, June 30, 2018	**1,100,000**	**0.15**
Exercisable, June 30, 2018	**1,100,000**	**0.15**

As at June 30, 2018, the following stock options were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Remaining Contractual Life (in years)
50,000	$0.36	April 8, 2021	2.78
900,000	$0.10	June 7, 2022	3.94
150,000	$0.41	June 22, 2023	4.98

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of the outstanding stock options is 4.03 years (2017 – 4.88 years).

The options granted to directors and officers during the period vested on the grant date. The fair value of each stock option was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	**1.98%**	0.93%
Expected life	**5 years**	5 years
Expected volatility	**169.56%**	176.34%
Expected dividend yield	**Nil**	Nil
Weighted average fair value per option	**$0.39**	$0.08

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital is comprised of the Company's shareholders' equity. There were no changes made to the Company's capital management approach during the years presented.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

9. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENT AND RISK

a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and loan payable.

b) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values, as follows:

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

The fair value of cash and cash equivalents are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The carrying values of accounts receivable, taxes receivable accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and loan payable all approximate their fair values.

9. FINANCIAL INSTRUMENTS, FAIR VALUE MEASUREMENT AND RISK (cont'd)

c) Financial Risks

(i) Credit Risk
Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk is $2,676,787, consisting of cash and cash equivalents, accounts receivable, and taxes receivable. The Company limits its exposure to credit loss for cash and cash equivalents by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the Government of Canada. In management's opinion, the Company's credit risk related to these instruments, is low.

(ii) Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at June 30, 2018, the Company had working capital of $2,378,554. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2018, the Company has sufficient working capital to discharge its existing financial obligations, refer to Note 1 for detail regarding going concern.

(iii) Interest Rate Risk
The Company is subject to interest rate risk as its cash and cash equivalents, and notes payable bear interest at variable rates. The impact of a 1% change in interest rates would have an insignificant impact on the Company's profit or loss.

(iv) Foreign Currency Risk
Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Amounts subject to currency risk are primarily cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in United States dollars. A 10% change in foreign exchange rates is expected to have an insignificant impact on the Company's profit or loss.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended June 30, 2018, the Company:

- Reclassified the loan payable to notes payable in the amount of $76,036;
- Included equipment of $263,360 within accounts payable and accrued liabilities.

During the year ended June 30, 2017, there were no significant non-cash investing and financing activities.

11. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the business investing in the United States cannabis sector. As at June 30, 2018, all the Company's non-current assets were located in the United States, and other income was earned from activity in the United States. As at June 30, 2017, the Company's assets and other income were located/generated in Canada.

(in Canadian dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2018	2017
Loss before income taxes	$	**(738,475)**	(524,419)
Computed income taxes (recovery)	$	**(192,000)**	(136,349)
Change in statutory rate		**(74,000)**	-
Share issue costs		**(45,000)**	-
Net adjustments for deductible and non-deductible items		**18,000**	16,343
Change in unrecognized deferred tax assets		**293,000**	120,006
	$	**-**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	**Expiry Date Range**	**2017**	**Expiry Date Range**
Temporary Differences				
Exploration and evaluation assets	$ 2,809,000	No expiry date	$ 2,809,000	No expiry date
Share issue costs	$ 145,000	No expiry date	$ 11,000	No expiry date
Non-capital losses available for future periods	$ 4,666,000	2029 to 2038	$ 3,958,000	2029 to 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. MINERAL PROPERTIES

Pursuant to a historical Option Agreement, the Company formerly held a 100% interest in the Turner Lake Gold property (the "Turner Lake Project") acquired from Trade Winds Ventures Inc. ("Trade Winds"). Effective May 4, 2015, the Company entered into a letter agreement with Pacific Cascade Minerals Inc. ("PCV"), whereby PCV could acquire a 60% in the Turner Lake Project. During the year ended June 30, 2017, the agreement with PCV was terminated due to PCV's inability to make the required payments to the Company.

During the year ended June 30, 2016, the Company impaired all remaining capitalized exploration expenditures which were charged to profit or loss, and subsequently abandoned all mineral claims.

14. SOCIAL MEDIA MARKETING

During the year ended June 30, 2016, the Company engaged the services of an external consultant to review projects in the technology space. The Company developed a social media marketing concept internally under the name "Whattozee." Whattozee synthesizes two online businesses on one platform: event planning and social media marketing. During the year ended June 30, 2017, the Company launched an invitation-only test version of Whattozee.

During the year ended June 30, 2018, the Company earned revenues from this activity of $7,092 (2017: $430), presented within other income.

15. COMMITMENT

Subsequent to June 30, 2018 (effective July 1, 2018), the Company entered into a Commercial Lease agreement with the landlord of the facility where the Washington Assets are situated. The Commercial Lease agreement is for an initial term expiring on June 30, 2022, with an option to extend to June 30, 2026.

The Company's commitment for basic rent amounts payable are as follows:

- 2019: $96,320
- 2020: $100,320
- 2021: $100,320
- 2022: $100,320
- 2023: $100,320

16. EVENTS AFTER THE REPORTING PERIOD

a) Effective July 10, 2018, the Company entered into consulting agreements with Contact Financial Corp. and Adelaide Capital Markets Inc. to provide investor relations and communication services. In addition to the contracted compensation, and subject to Exchange approval, Chemistree agreed to grant Contact Financial and Adelaide Capital Markets options to acquire 150,000 and 100,000 common shares, respectively, in the capital of the Company at a price of $0.41 per share that vest quarterly over twelve months and have a five-year term.

b) Effective July 11, 2018, Chemistree Technology Inc. closed the final tranche of the non-brokered private placement as announced May 11, 2018, and as amended June 22, 2018, and July 10, 2018, for gross proceeds of $1,949,365.

   The July 11, 2018, final tranche comprised 5,569,613 units, issued at $0.35 per unit. Each unit consisted of one common share and one common share purchase warrant; each warrant entitles the holder to acquire one additional common share for $0.50 for a period of 24 months after closing of the private placement. The warrants are subject to an acceleration provision, whereby, if the closing market price of the common shares of the company on the Canadian Securities Exchange is greater than $0.60 per common share for a period of 10 consecutive trading days, then the Company may deliver a notice to the holders of warrants notifying the holders that the warrants must be exercised within 30 calendar days from the date of the acceleration notice, otherwise the warrants will expire within 30 days after the date of the acceleration notice.

   The Company also issued 257,748 finder warrants in connection with the final tranche, and the warrants will have the same terms as the common share purchase warrants included in the placement units. Securities issued under the placement are subject to a four-month hold period, which will expire four months from the date of closing.

c) On August 7, 2018, through its wholly-owned California subsidiary, CHM Desert LLC, the Company purchased 9.55 acres of fee-simple, vacant land in the city of Desert Hot Springs, Riverside county, California. Consideration for the purchase was USD $1,233,800.