HIGHHAMPTON

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

MAY 31, 2018 AND MAY 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

High Hampton Holdings Corp.
Consolidated Statements of Financial Position
Unaudited
(Expressed in Canadian Dollars)

	Note	May 31, 2018	August 31, 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		19,638,198	4,978,685
Amounts receivable		284,754	83,116
Prepaid expenses		1,267,447	174,931
Total current assets		21,190,399	5,236,732
Non-current assets			
Land	6	5,453,341	4,774,256
Advances		215,800	-
Total Assets		26,859,540	10,010,988
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payables and accrued liabilities		252,696	489,274
Loan payable		5,527	18,367
Due to related parties	9	92,526	86,415
Total current liabilities		350,749	594,056
Non-current liabilities			
Secured convertible debentures	7	-	1,246,501
Total Liabilities		350,749	1,840,557
Shareholders' equity			
Capital stock	8	32,913,488	10,144,778
Subscription receivable	8	(168,580)	-
Shares Issuable	6,8	690,800	116,800
Contributed surplus	8	5,793,277	4,930,664
Deficit		(12,720,194)	(7,138,611)
Total shareholders' equity		26,508,791	8,170,431
Total Liabilities and Shareholder's Equity		26,859,540	10,010,988

Subsequent Events (Note 10)

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on July 25, 2018.

APPROVED ON BEHALF OF THE BOARD:

/s/ Christian Scovenna
Christian Scovenna, Director

/s/ David Argudo
David Argudo, Director

High Hampton Holdings Corp.
Consolidated Interim Statements of Comprehensive Loss
Unaudited
(Expressed in Canadian Dollars)

	Note	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine months Ended May 31, 2018	Nine months Ended May 31, 2017
		$	$	**$**	$
EXPENSES					
Advertising and promotion		522,699		1,222,581	-
Communications and travel		68,135	6,240	174,033	8,688
Office and general		182,046	3,450	289,462	12,730
Professional and consulting fees	9	428,661	88,261	1,319,730	294,266
Management Fees		586,377	7,536	681,105	19,536
Share-based compensation		1,045,500		1,787,035	-
Loss before other items		(2,833,418)	(105,487)	(5,473,946)	(335,220)
OTHER INCOME (EXPENSES)					
Interest Income		21,273	-	21,273	-
Accretion and interest expense	7	-	(215)	(132,186)	(526)
Foreign exchange loss		4,321	-	3,276	-
Gain on settlement of debt		-	-		75,000
Net and comprehensive loss for the period		**(2,807,823)**	**(105,702)**	**(5,581,583)**	**(260,746)**
Loss per share - basic and diluted		**(0.04)**	**0.02**	**(0.14)**	**0.03**
Weighted average number of shares outstanding		**62,530,506**	**5,295,871**	**39,938,562**	**9,270,728**

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

High Hampton Holdings Corp.
Consolidated Interim Statements of Changes in Shareholders' Equity
Unaudited
(Expressed in Canadian Dollars)

	Capital Stock						
	Number of Common Shares	**Amount**	**Subscriptions Receivable**	**Common Shares Issuable**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$	$	$
Balance at August 31, 2016	606,684	1,644,190	-	-	4,468,592	(6,336,655)	(223,873)
Issue of shares	8,186,000	1,944,040	-	-	-	-	1,944,040
Shares issued on debt settlement	540,000	135,000	-	-	-	-	135,000
Loss for the period	-	-	-	-	-	(260,746)	(260,746)
Balance at May 31, 2017	**9,332,684**	**3,723,230**	**-**	**-**	**4,468,592**	**(6,597,401)**	**1,594,421**
Balance at August 31, 2017	26,798,685	10,261,578	-	116,800	4,930,664	(7,138,611)	8,170,431
Private placement	31,703,565	19,022,139	(168,580)	-	-	-	18,853,559
Share issuance costs	-	(1,273,666)	-	-	-	-	(1,273,666)
Brokers' warrants	-	(677,998)	-	-	677,998	-	-
Shares issued for services	383,876	145,873	-	-	-	-	145,873
Exercise of warrants and options	6,888,988	3,663,173	-	-	(544,965)	-	3,118,208
Vested restricted share units	1,150,000	471,500	-	574,000	(1,045,500)	-	-
Conversion of debenture	2,166,665	1,300,889	-	-	(11,955)	-	1,288,934
Share-based compensation	-	-	-	-	1,787,035	-	1,787,035
Loss for the period	-	-	-	-	-	(5,581,582)	(5,581,583)
Balance at May 31, 2018	**69,091,779**	**32,913,488**	**(168,580)**	**690,800**	**5,793,277**	**(12,720,194)**	**26,508,791**

High Hampton Holdings Corp.
Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in Canadian Dollars)

	Nine Months Ended May 31, 2018	2017
	$	$
Operating activities		
Net loss for the period	(5,581,583)	(260,746)
Items not affecting cash:		
Issuance of shares – debt settlement	-	135,000
Share-based compensation	1,787,035	-
Shares issued for services	145,873	-
Accretion expense	132,186	-
Gain on settlement of debt	-	(75,000)
Net Change in Non-Cash Working Capital:		
Amounts receivable	(201,638)	(8,970)
Prepaid expenses	(1,182,269)	(11,414)
Accounts payables and other accrued liabilities	(230,468)	(58,356)
Net cash flows used in operating activities	(5,130,864)	(279,486)
Investing activities		
Advances	(215,800)	-
Land development costs	(679,084)	-
Net cash flows used in investing activities	(894,884)	-
Financing activities		
Shares issued for cash, net of costs	20,698,101	1,944,040
Loans receivable	-	(1,453,618)
Loans payable	(12,840)	(75,000)
Net cash provided by financing activities	20,685,261	415,422
Change in cash and cash equivalents Increase (decrease) in cash	14,659,513	135,936
Cash and cash equivalents, beginning of year	4,978,685	5,480
Cash and cash equivalents, end of period	19,638,198	141,416
Cash and cash equivalents consists of:		
Cash held in bank accounts	4,259,305	141,416
Guaranteed Investment Certificates	15,026,552	
Cash held in trust	352,341	-
	19,638,198	**141,416**
Supplemental cash flow information:		
Interest paid in cash	-	-
Income taxes paid in cash	-	-

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

(Expressed in Canadian Dollars, unless otherwise noted)

1. Nature of Business

High Hampton Holdings Corp. was incorporated in British Columbia under the name Infinity Minerals Corp. on November 12, 2010. The name of the Company was changed to Herbal Clone Bank Canada Inc. on August 29, 2014 and subsequently to High Hampton Holdings Corp. on June 18, 2015. The corporate office and principal place of business address is Suite 804 - 750 W Pender Street, Vancouver, British Columbia, Canada, V6C 2T7. The Company is a reporting issuer in British Columbia, Ontario and Alberta, and its common shares are traded on the Canadian Securities Exchange under the symbol “HC”, on the Frankfurt Exchange under symbol “FSE: 0HCN” and the USA: OTC under the symbol “HPHF”.

The Company is focused on the development of its land located in Coachella, California, in addition to seeking out other potential strategic alliances, joint venture, acquisition or merger opportunities with existing licensed producers or entities offering products or services in the cannabis sector.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. Basis of Presentation and Statement of Compliance

These condensed consolidated interim consolidated interim financial statements are prepared in accordance with IFRS, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2017, which have been prepared in accordance with IFRS and include information necessary or useful to understanding the Company's business and financial statement presentation.

The condensed consolidated interim financial statements have been prepared using the same accounting policies, methods of computation and presentation as were applied in the annual financial statements for the year ended August 31, 2017. These condensed consolidated interim financial statements were approved by the Board of Directors on July 25, 2018.

3. Significant Accounting Policies

a) Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All material intercompany transactions and balances have been eliminated on consolidation.

Subsidiaries

The legal subsidiaries of the Company as of May 31, 2018 are as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest
Advanced Greenhouse Technologies Ltd.	Canada	100%
American Greenhouse Technologies Inc.	USA	100%
Coachellagro Corp.	USA	100%
The Herbal Clone Bank Inc.	Canada	100%

3. Significant Accounting Policies (Continued)

b) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss (“FVTPL”) when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has designated its cash and cash equivalents as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated its advances as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost using the effective interest rate 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 the statements of operations and comprehensive loss. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange gains and losses.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3. Significant Accounting Policies (Continued)

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

The Company has classified its accounts payable, loan payable, due to related parties and secured convertible debentures as other financial liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

c) Accounting standards and amendments issued but not yet applied

The following standards have not been adopted by the Company.

New accounting standards effective September 1, 2018:

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard must be applied for financial years commencing on or after January 1, 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 2015. After that date, the new rules must be adopted in their entirety. The Company does not intend to adopt IFRS 9 before its mandatory date.

3. Significant Accounting Policies (Continued)

c) Accounting standards and amendments issued but not yet applied (continued)

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a single five–step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The adoption of these standards is not expected to have any material impact on the Company's consolidated financial statements.

New accounting standards effective September 1, 2019:

IFRS 2 – Shared-Based Payments

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

IFRS 16 – Leases

IFRS 16 was issued in January 2016. It will result in substantially all leases being recognized on the balance sheet, as the distinction between operating and finance lease in removed. Under the new standard, an asset (the right to use a leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low-value leases.

The accounting for lessors will not significantly change.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined. The standard is mandatory for financial years commencing on or after January 1, 2019. At the stage, the Company does not intend to adopt the standard before its effective date.

4. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of the Company's land in Coachella, California and additional acquisition opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of its shareholders' equity.

The Company is not exposed to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended May 31, 2018.

5. *Financial Risk Management*

Fair value hierarchy

The following summarizes the fair value hierarchy under which the Company's financial instruments are valued.

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

Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying value of accounts payable, due to related parties and loan payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Risk Management

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash in bank accounts with reputable financial institutions with strong credit ratings which are closely monitored by management and in trust accounts with the Company’s legal representatives.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2018, the Company had sufficient cash and cash equivalents on hand to meet its current liabilities. The Company's accounts payable, loan payable and due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that might arise from changes in market factors such as interest rates and foreign exchange rates.

5. *Financial Risk Management (continued)*

a) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as its cash equivalents bear fixed interest rates.

b) Foreign Currency Risk:

The Company holds cash and cash equivalents in bank and investment accounts denominated in United States dollars. Therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar.

6. Acquisition of Coachellagro Corp.

On August 29, 2017 the Company acquired all of the issued and outstanding shares of Coachellagro Corp. ("Coachellagro"). In consideration, the Company issued an aggregate of 6,000,000 common shares of the Company to the shareholders of Coachellagro with an estimated fair value of $1,920,000. In connection with the acquisition, the Company had advanced loans totalling $2,711,540 to Coachellagro prior to its acquisition to fund the purchase of 10.82 acres of land in the city of Coachella, California (the "Coachellagro Property"). Under the agreement, the Company is also committed to issuing 365,000 common shares as finders' fees. The Coachellagro Property is located in the Coachella Cultivation Zone. Coachellagro is required to obtain a Conditional Use Permit in order to begin any cultivation activity on the Coachellagro Property.

For accounting purposes, the acquisition of Coachellagro was treated as an asset acquisition as the Company determined that Coachellagro did not meet the definition of a business. The following table summarizes the consideration transferred, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

	$
Loans advanced to Coachellagro prior to the acquisition	2,711,540
Common shares issued	1,920,000
Finders' shares issuable (recorded as shares issuable)	116,800
Total consideration	4,748,340
Assets acquired:	4,774,256
Less liabilities assumed:	
Accounts payable	(25,916)
Net assets acquired	4,748,340

Coachella land	May 31, 2018	August 31, 2017
	$	$
Opening balance	4,774,256	-
Additions	679,084	4,774,256
Closing Balance	5,453,340	4,774,256

7. Secured Convertible Debentures

On August 2, 2017 the Company closed a private placement of secured convertible debentures (the "Debentures") in the aggregate amount of $1,300,000 (the "Offering"). In addition, the Company also issued 1,083,332 share purchase warrants to holders of the Debentures to purchase common shares of the Company at an exercise price of $0.85 per share for a period of three years. The Debentures bore interest at 7.5% per annum and matured two years following the date of issuance (the "Maturity Date"). The Debentures were convertible at the holders' option into common shares of the Company at any time prior to the Maturity Date, subject to acceleration provisions, at a conversion price of $0.60 per common share. Under the terms of the Debentures, if any common shares of the Company were sold for a price less than $0.50 per common share prior to the conversion or repayment of the Debentures, the conversion price of the Debentures would be adjusted to equal the price of the common shares sold. The Debentures were guaranteed by Coachellagro Corp. pursuant to a guarantee agreement, and secured by a general security agreement of the Company issued in favour of the holders of Debentures and a deed of trust lien on the Coachellagro Property from Coachellagro Corp.

For accounting purposes, the Debentures were separated into their liability and equity components using the residual method. The fair value of the liability component on the date of issuance was determined based on an estimated interest rate of 8% for debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Debentures and the fair value of the liability component. After initial recognition, the liability component was carried on an amortized cost basis and accreted over the term to maturity at an effective interest rate of approximately 11%.

In January 2018, the Debentures were converted into 2,166,665 common shares. Accordingly, the carrying values of the liability and equity components of the Debentures on the date of conversion of $1,288,934 and $11,955, respectively, were reclassified to capital stock.

8. Capital Stock

a) Authorized – Unlimited common shares without par value.

b) Issued – 69,091,779 common shares

(i) On August 29, 2017 the Company the Company consolidated its outstanding common shares on a one-new-for-five-old basis. These consolidated financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

(ii) In December 2017, the Company issued 383,876 common shares with a fair market value of $145,873 to Infrastructure Engineers as a retainer for future engineering services to be rendered on the Coachella Property.

(iii) In January 2018, the Company issued 2,166,665 common shares as a result of the conversion of the secured debenture (See Note 7).

(iv) In March, 2018, the Company closed a private placement of 31,703,565 units of the Company (the “Units”) at a price of $0.60 per unit for gross proceeds of $19 million of which $168,580 remains receivable at May 31, 2018. Each unit consists of one common share of the Company one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.90 for a period of 24 months following the closing of the Offering. In connection with the Offering, the Company paid to eligible finders $1,213,286 in cash and issued 1,863,814 non-transferable finder’s warrants (the “Finder’s Warrants”) with an estimated value of $677,998. Each Finder’s Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.90 for a period of 24 months following the closing of the Offering. The Company also incurred other share issuance costs of $60,380.

(v) The Company issued 6,613,988 common shares for gross proceeds of $2,980,708 pursuant to the exercise of warrants.

(vi) The Company issued 275,000 common shares for gross proceeds of $137,500 pursuant to the exercise of stock options.

(vii) The Company issued 1,150,000 common shares pursuant to its restricted share units plan (See Note 8e).

c) Shares held in escrow

As at May 31, 2018 there were 5,580,000 shares held in escrow which form part of the 6,000,000 shares issued by the Company in relation to the acquisition of Coachellagro Corp. (see Note 6).

(Expressed in Canadian Dollars, unless otherwise noted)

8. Capital Stock (Continued)

d) Stock options

The Company has a 10% rolling stock option plan for its directors, 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 of grant. The Company's stock option plan provides for immediate vesting or vesting at the discretion of the Board of Directors at the time of the option grant. A summary of the Company's stock option activity is as follows:

	Number of stock options	Weighted average exercise price
		$
Outstanding at August 31, 2017	-	-
Granted	2,500,000	0.50
Exercised	(275,000)	0.50
Balance, May 31, 2018	2,225,000	0.50

The following table details the stock options outstanding as at May 31, 2018:

Stock options	Price	Expiry Date
	$	
2,225,000	0.50	September 15, 2019

The weighted average remaining life of stock options outstanding at May 31, 2018 is 1.29 years.

During the nine months ended May 31, 2018, the Company recorded share based compensation of $741,535 related to the issuance and vesting of stock options (May 31, 2017 - $Nil).

The fair value assigned to the stock options granted and vested during the nine months ended May 31, 2018 was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	151.54%
Risk free interest rate	1.59%
Expected life	2 years
Forfeiture rate	0%

(Expressed in Canadian Dollars, unless otherwise noted)

8. Capital Stock (Continued)

e) Performance Share Units (PSUs) and Restricted Share Units (RSUs)

The Company's Board of Directors approved the implementation of a restricted share unit plan (the "RSU Plan"), fixed stock option plan (the "Fixed Plan"). Under the RSU Plan, eligible persons may (at the discretion of the Board) be allocated a number of RSUs as the Board deems appropriate, with vesting provisions also to be determined by the Board, subject to a maximum vesting term of three (3) years from the end of the calendar year in which RSUs were granted. Upon vesting, eligible participants shall be entitled to a cash payment equal to the number of RSUs granted, multiplied by the fair market value of the Company's common shares on the redemption date. The Company shall also have the option (at the discretion of the Board) to settle amounts owing to eligible persons via the issuance of common shares of the Company.

The Fixed Plan will replace the Company's "rolling" stock option plan. The Fixed Plan allows the board of directors to grant up to an aggregate of 2,679,868 stock options of the Company to encourage equity participation among senior officers, employees, consultants and directors through the acquisition of Common shares of the Company. Any stock options granted pursuant to the Fixed Plan after the date hereof and prior to shareholder approval will also be subject to, and will not be exercisable until disinterested shareholder approval has been obtained. If such approval is not obtained, the stock options granted under the Fixed Plan will terminate.

On December 1, 2017, 2,550,000 Restricted Share Units ("RSUs") were granted to a senior officers, directors and consultants of the Company. The share price on December 1, 2017 was $0.41. The RSUs were fully vested upon grant and as a result, the Company recorded share-based compensation expense of $1,045,500. Of the total RSUs granted, the Company has issued 1,150,000 common shares and a total of 1,400,000 common shares remain issuable as at May 31, 2018.

f) Warrants

The changes in share purchase warrants outstanding during the nine months ended May 31, 2018 are as follows:

	Number of warrants	**Weighted average exercise price**
		$
Outstanding at August 31, 2017	12,206,152	0.55
Granted	33,567,379	0.90
Exercised	(6,613,988)	0.40
Balance, May 31, 2018	39,159,543	0.87

The following table details the warrants outstanding as at May 31, 2018:

Warrants	**Price**	**Expiry Date**
	$	
858,480	0.25	January 03, 2019
246,435	0.50	May 31, 2019
3,970,000	0.75	August 29, 2019
517,249	0.85	August 02, 2019
33,567,379	0.90	March 13, 2020

(Expressed in Canadian Dollars, unless otherwise noted)

8. Capital Stock (Continued)

f) Warrants (continued)

The weighted average remaining life of the warrants outstanding as at May 31, 2018 is 1.71 years.

Included in the warrants granted were 1,863,814 warrants granted to brokers in connection with the private placement described in Note 8b. The fair value of these warrants was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	73.06%
Risk free interest rate	1.59%
Expected life	2 years
Forfeiture rate	0%

The fair value of the warrants granted to the brokers was estimated to be $677,998.

9. Related party transactions and balances

During the nine months ended May 31, 2018 and 2017, the Company incurred the following expenses as compensation to directors, officers and companies that are controlled by directors of the Company:

Key management personnel compensation

	May 31, 2018	May 31, 2017
	$	$
Management fees	730,076	32,659
Professional and consulting fees	104,050	22,655
Share-based compensation	1,070,500	-
	1,904,626	55,314

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer.

As at May 31, 2018, the Company has a balance payable of $92,526 (August 31, 2017 - $86,415) to related parties, which is due on demand, unsecured and is non-interest bearing.

10. Subsequent Events

a) On June 21, 2018 the Company acquired all the membership interests of 420 Realty, LLC (the "Acquisition"). All membership interests of 420 were purchased for a total of USD $6,550,000 (the “Purchase Price”). The Purchase Price was satisfied by a cash payment of USD $500,000 and the issuance of 8,047,099 common shares of the Company (the “Payment Shares”) at a deemed price of CAD $1.00 per Payment Share. The Company acquired 3,428,066 Payment Shares. All Payment Shares issued in connection with the Acquisition are subject to a voluntary escrow period expiring December 21, 2018, except for the Payment Shares issued to the Company’s CEO which are subject to a voluntary escrow period expiring on December 21, 2018 and June 21, 2019.

10. Subsequent Events (*continued*)

b) On July 10, 2018, the Company acquired all the membership interests of 8 Points Mgmt LLC and Bravo Distro LLC (the "Acquisition"). As consideration, the company issued 4,200,000 common shares of the Company (the "Payment Shares") at a deemed price of CAD $0.93 per Payment Share. All Payment Shares issued in connection with the Acquisition are subject to a statutory hold period of 4 months expiring November 10th, 2018, and are held in escrow with 50% of the Payment Shares released 12 months from the closing date of the Acquisition, subject to meeting certain conditions, and the remaining 50% Payment Shares released 24 months from the closing of the Acquisition, subject to meeting certain conditions.

c) On July 16, 2018, the Company announced that it has engaged with Aurora Larssen Projects Inc. (“ALPS”), a wholly owned subsidiary of Aurora Cannabis, for the design of its cannabis cultivation facility at CoachellaGro, near Palm Springs, California. The Company is now entering an active construction phase at CoachellaGro, and ALPS will advise the Company on aspects of design, engineering and the construction of its facilities.