MOJAVE JANE

MOJAVE JANE BRANDS INC. (FORMERLY HIGH HAMPTON HOLDINGS CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

Mojave Jane Brands Inc. (Formerly High Hampton Holdings Corp.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, unless otherwise indicated)

	Note	(Unaudited) May 31, 2019	August 31, 2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,758,091	15,078,822
Accounts and other receivables		526,937	415,900
Inventory		598,761	156,683
Prepaid expenses and deposits	7	1,044,627	972,748
Total current assets		3,928,416	16,624,153
Non-current assets			
Goodwill	8	5,611,530	3,510,190
Intangible assets	8,9	15,518,896	14,469,096
Property, plant and equipment	10	5,732,429	7,104,308
Loan receivable	11	658,450	-
Total Non-Current Assets		27,521,305	25,083,594
Total Assets		**31,449,721**	**41,707,747**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payables and accrued liabilities		518,004	1,672,677
Deferred rent liability		62,119	59,951
Loan payable		44,689	66,465
Due to related parties	13	40,733	395,798
Contingent consideration provision	8	627,478	-
Total current liabilities		1,293,023	2,194,891
Non-current liabilities			
Long term loan payable		65,286	-
Deferred income tax liability		2,666,866	1,828,048
Total Liabilities		4,025,175	4,022,939
Shareholders' equity			
Capital stock		51,326,301	47,467,971
Subscriptions receivable		-	(50,000)
Common shares issuable		690,800	690,800
Stock options and warrants reserve		6,705,370	5,891,620
Accumulated other comprehensive gain (loss)		1,273,772	(13,355)
Deficit		(32,571,697)	(16,302,228)
Total shareholders' equity		27,424,546	37,684,808
Total Liabilities and Shareholder's Equity		**31,449,721**	**41,707,747**

Nature of Business and Going Concern (Note 1)
Commitments (Note 15)
Subsequent Event (Note 17)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on July 29, 2019.

APPROVED ON BEHALF OF THE BOARD:

/s/ Gary Latham
Gary Latham, Director

/s/ Robert Allen
Robert Allen, Director

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

Mojave Jane Brands Corp. (Formerly High Hampton Holdings Corp.)

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)

(Expressed in Canadian Dollars, unless otherwise indicated)

	Note	Three Months Ended May 31, 2019	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2019	Nine Months Ended May 31, 2018
		$	$	$	$
REVENUE					
Sales		507	-	90,908	-
Cost of goods sold		116,506	-	384,096	-
Gross loss		(115,999)	-	(293,188)	-
EXPENSES					
Professional and consulting fees	14	954,406	428,661	2,586,263	1,319,730
Advertising and promotion		139,896	522,699	693,876	1,222,581
Share-based compensation	12	813,750	1,045,500	813,750	1,787,035
Management fees	13	44,634	586,377	323,922	681,105
Office and general	14	1,111,026	182,046	3,636,385	289,462
Communications and travel		74,076	68,135	286,151	174,033
Research and development		(12,499)	-	51,657	-
Amortization	9, 10	678,112	-	1,823,583	-
Total expenses		3,803,401	2,833,418	10,215,587	5,473,946
Loss before other income (expenses)		(3,919,400)	(2,833,418)	(10,508,775)	(5,473,946)
OTHER INCOME (EXPENSES)					
Accretion expense		-	-	-	(132,186)
Interest income		53,060	21,273	80,175	21,273
Other income		(12,562)	-	-	-
Other expense		(100,883)	-	(326,768)	-
Impairment of intangible assets acquired from Bravo Distribution LLC	9	(1,160,538)	-	(1,160,538)	-
Impairment of property, plant and equipment	10	(4,409,708)	-	(4,409,708)	-
Bad debt recovery		7,350	-	-	-
Foreign exchange gain (loss)		(15,558)	4,321	(33,486)	3,276
Net loss before income tax		(9,558,239)	(2,807,823)	(16,359,100)	(5,581,583)
Deferred income tax recovery		56,718	-	115,478	-
Net loss		(9,501,521)	(2,807,823)	(16,243,622)	(5,581,583)
OTHER COMPREHENSIVE GAIN (LOSS)					
Foreign exchange gain (loss) on translation of subsidiaries		857,046	-	1,273,772	-
Comprehensive loss		**(8,644,475)**	**(2,807,823)**	**(14,969,850)**	**(5,581,583)**
Loss per share - basic and diluted		**(0.07)**	**(0.04)**	**(0.15)**	**(0.14)**
Weighted average number of shares outstanding		**104,622,760**	**62,530,506**	**101,779,693**	**39,938,562**

Mojave Jane Brands Corp. (Formerly High Hampton Holdings Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(Expressed in Canadian Dollars, unless otherwise indicated)

	Capital Stock							
	Number of Common Shares	**Amount**	**Subscriptions Receivable**	**Common Shares Issuable**	**Stock Options and Warrants Reserve**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
		$	$	$	$	$	$	$
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
Net loss	-	-	-	-	-	-	(5,581,583)	(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**
Balance at August 31, 2018	94,893,464	47,467,971	(50,000)	690,800	5,891,620	(13,355)	(16,302,228)	37,684,808
Subscriptions received	-	-	50,000	-	-	-	-	50,000
Shares issued for acquisitions	8,974,352	3,805,830	-	-	-	-	-	3,805,830
Exercise of warrants, options and RSU's	910,500	52,500	-	-	-	-	-	52,500
Share-based compensation	-	-	-	-	813,750	-	-	813,750
Change in foreign exchange rate	-	-	-	-	-	-	(25,847)	(25,847)
Other Comprehensive Income	-	-	-	-	-	1,287,127	-	1,287,127
Net loss	-	-	-	-	-	-	(16,243,622)	(16,243,622)
Balance at May 31, 2019	**104,778,316**	**51,326,301**	**-**	**690,800**	**6,705,370**	**1,273,772**	**(32,571,697)**	**27,424,546**

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

Mojave Jane Brands Corp. (Formerly High Hampton Holdings Corp.)
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Nine months ended May 31, 2019	Nine months ended May 31, 2018
		$
Operating activities		
Net loss for the period	(16,243,622)	(5,581,583)
Items not affecting cash:		
Amortization of property, plant and equipment	220,971	-
Amortization of intangible assets	1,602,612	
Deferred income tax recovery	(115,478)	-
Shares issued for services	-	145,873
Share-based compensation	813,750	1,787,035
Accretion expense	-	132,186
Gain on settlement of debt	-	-
Unrealized foreign exchange loss (gain)	(25,847)	-
Impairment of intangible assets acquired from Bravo Distribution LLC	1,160,538	-
Impairment of property, plant and equipment	4,409,709	-
Net change in non-cash working capital:		
Amounts and other receivables	(111,037)	(201,638)
Prepaid expenses and deposits	(55,359)	(1,182,269)
Inventory	(442,080)	-
Accounts payables and other accrued liabilities	(764,227)	(230,468)
Deferred rent liability	2,168	-
Due to related parties	(355,065)	-
Net cash flows used in operating activities	(9,902,967)	(5,130,864)
Investing activities		
Pre-acquisition advances	(66,053)	(215,800)
Loan advancement	(658,450)	-
Purchase of equipment	(1,201,310)	-
Land development costs	(1,637,961)	(679,084)
Net cash flows used in investing activities	(3,563,774)	(894,884)
Financing activities		
Shares issued for cash, net of issuance costs	102,500	20,698,101
Loans payable	43,510	(12,840)
Net cash provided by financing activities	146,010	20,685,261
Decrease in cash and cash equivalents	(13,320,731)	14,659,513
Cash and cash equivalents, beginning of period	15,078,822	4,978,685
Cash and cash equivalents, end of period	1,758,091	19,638,198
Supplementary cash flow information		
Interest paid	-	-
Income taxes paid	-	-

Cash and cash equivalents (Note 6)

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

1. Nature of Business and Going Concern

Mojave Jane Brands Inc., formerly High Hampton Holdings Corp. (the "Company") was incorporated in British Columbia on November 12, 2010. The corporate office and principal place of business address is Suite 804 - 750 West 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 facility in Cudahy, California held by 420 Realty LLC which was acquired during the year ended August 31, 2018 with a planned business to manufacture, deliver and distribute various flower strains and cannabis concentrates. During the year ended August 31, 2018, the Company acquired HS Airways/California Gold Bar Inc. ("CaliGold") and 8 Points Management LLC/Bravo Distribution LLC. CaliGold is involved in the manufacturing of multi-strain chocolate bars which are dispensed across California. The Company intends on expanding CaliGold's market position, brand development, revenue growth and diversifying its' product line. Bravo Distribution LLC and 8 Points Management LLC are in the development stage with plans to serve the cannabis industry with sales, marketing, transportation and supply chain management services. The Company intends to build a strong cannabis distribution network in California. During the nine months ended May 31, 2019, the Company acquired Mojave Jane, LLC ("Mojave Jane"), a licensed manufacturer of premium cannabis extracts and concentrates. The Company intends to expand Mojave Jane's manufacturing capacity, marketing and sales. The Company plans to continue to seek out other potential strategic alliances, joint venture, acquisition or merger opportunities with existing licensed producers or entities offering products or services in the cannabis industry.

These condensed interim consolidated financial statements have been prepared based on 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. At May 31, 2019, the Company had not yet achieved profitable operations, and has an accumulated deficit of $32,571,697 since its inception and may need to raise additional financing to meet its operating requirements over the next twelve months. Several alternatives including, but not limited to completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties cast significant doubt on the entity's ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments 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.

2. Basis of Presentation and Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The condensed interim consolidated financial statements have been prepared on a going concern basis, under historical cost convention. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2018, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies applied are consistent with those of the previous financial year, except for recent accounting pronouncements as described in Note 3 c) below. These condensed interim consolidated financial statements were approved by the Board of Directors on July 29, 2019.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies

a) Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The financial statements of the subsidiaries are included in the condensed interim 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, 2019 are as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Functional Currency
420 Realty LLC	USA	100%	US Dollar
8 Points Management LLC	USA	100%	US Dollar
Bravo Distribution LLC	USA	100%	US Dollar
Advanced Greenhouse Technologies Ltd (i)	Canada	100%	Canadian Dollar
Advanced Greenhouse Technologies Inc (i)	USA	100%	US Dollar
California Gold Bar Inc	USA	100%	US Dollar
CoachellaGro Corp	USA	100%	US Dollar
The Herbal Clone Bank Inc (i)	Canada	100%	Canadian Dollar
HS Airways	USA	100%	US Dollar
Mojave Jane, LLC	USA	100%	US Dollar

(i) The subsidiary is inactive and had no transactions during the nine months ended May 31, 2019 and 2018.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions are eliminated upon consolidation.

b) Critical Accounting Estimates and Judgements

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates and judgments. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas requiring a significant degree of estimation and judgment by the Company's management relate to but are not limited to:

- whether an indication of impairment loss or a reversal of an impairment loss exists for property, plant and equipment and finite lived intangible assets;
- determining the fair values of identifiable assets acquired, liabilities assumed, contingent consideration for business combinations and asset acquisitions;
- judgments used in determining if an acquisition constitutes a business combination or asset acquisition;

3. Significant Accounting Policies (continued)

- discount rates and cash flows used to calculate the recoverable amounts for cash generating units for the purposes of determining whether an impairment of goodwill and indefinite lived intangible assets exists;
- amortization methods and periods used for property, plant and equipment and finite lived intangible assets;
- the collectability of accounts or loans receivable;
- the fair value measurements for financial instruments;
- the recognition and valuation of qualifying expenditures for refundable and non-refundable tax credits and the timing of receipt of refundable tax credits;
- the recoverability and measurement of deferred tax assets and liabilities;
- the fair value estimation of share-based payments and awards;
- whether the Company has enough financing to operate as a going concern; and
- determining the classification of contingent consideration as a financial liability or equity.

Actual results may differ from those estimates and judgments.

c) New or Amended Standards Effective September 1, 2018

The following new and amended accounting standards were adopted during the nine months ended May 31, 2019. The adoption of these amendments did not have a significant impact on the Company's condensed interim consolidated financial statements.

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.

Because of the adoption of IFRS 9, there was no impact on the condensed interim consolidated financial statements of the Company other than the following classifications:

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Financial Instrument	IFRS 9 Classification (New)	IAS 39 Classification (Old)
Cash and cash equivalents	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Amortized cost	Loans and receivables
Loan receivable	Amortized cost	Loans and receivables
Accounts payable	Amortized cost	Other financial liabilities
Loan payable	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Other financial liabilities
Contingent consideration provision	Amortized cost	Other financial liabilities

IFRS 15 – Revenue from Contracts with Customers

The IASB replaced IAS 18 Revenue, in its entirety with IFRS 15 Revenue from Contracts with Customers. The Company adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption, if any, is recognized in retained earnings as of September 1, 2018 and comparatives are not restated.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time, the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenue from the sale of cannabis-based products are generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to shipment and is recognized into revenue upon the satisfaction of the performance obligation. The adoption of IFRIS 15 did not have a significant impact on the Company's condensed interim consolidated financial statements.

d) Accounting Standards and Amendments Issued but not yet Applied

<u>New accounting standards effective September 1, 2019:</u>

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.

3. Significant Accounting Policies (continued)

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 is 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 extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined. The Company does not intend to adopt these standards before their effective dates.

4. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company. To support the development of the Company's facility in Cudahy, California and the growth and development of its subsidiaries 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, 2019.

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 recorded at fair value on a recurring basis using a level 1 fair value measurement. The carrying value of loan receivable, accounts payable, due to related parties and loan payable approximate their fair value because of the short-term nature of current market rates for 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

5. Financial Risk Management (continued)

Risk Management (continued)

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 counter-party'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 enough liquidity to meet liabilities when due. As at May 31, 2019, the Company had enough cash and cash equivalents on hand to meet its current liabilities. However, the Company may need to raise additional financing over the next twelve months to meet its operating requirements (see note 1). 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.

i. 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.

ii. Foreign Currency Risk:

The Company holds cash and cash equivalents in bank and investment accounts denominated in United States dollars. The Company's subsidiaries are domiciled in the United States and have a US dollar functional currency. Therefore, the Company is subject to risk in fluctuations in the exchange rate of the United States dollar.

6. Cash and Cash Equivalents

	May 31, 2019	August 31, 2018
	$	$
Bank deposits	1,553,872	5,066,086
Guaranteed investment certificates	162,931	9,660,396
Cash held in trust accounts	41,288	352,340
	1,758,091	**15,078,822**

(Expressed in Canadian Dollars)

7. Prepaid Expenses and Deposits

	May 31, 2019	August 31, 2018
	$	$
Professional and consulting fees	125,047	218,046
Insurance	11,893	63,667
Land development	640,623	573,843
Security deposit and rent	154,042	91,056
Operational expenses	113,022	-
Other	-	26,136
	1,044,627	**972,748**

8. Acquisitions

Mojave Jane, LLC

On November 12, 2018, the Company acquired all the issued and outstanding shares of Mojave Jane, LLC ("Mojave Jane"). In consideration, the Company issued an aggregate of 8,974,352 common shares of the Company ("the Share Exchange") with the shares being subject to escrow until certain milestone conditions are met, triggering a staggered share release.

For accounting purposes, the acquisition of Mojave Jane was treated as a business combination. The following table summarizes the total consideration, the book value of the identifiable assets acquired, and liabilities assumed as of the date of the acquisition of Mojave Jane:

	$
Contingent share consideration	3,805,830
Contingent consideration provision	627,478
Cash advances	66,053
Total consideration	**4,499,361**
Assets acquired:	
Prepaid expenses	16,520
Property, plant and equipment	419,528
Intangible assets	3,171,591
Goodwill	1,847,128
Less liabilities assumed:	
Accounts payable and accrued liabilities	(40,719)
Deferred income tax liability	(914,687)
Net assets acquired	**4,499,361**

The contingent consideration provision relates to royalty payments due to former shareholders of Mojave Jane. The royalty has been calculated as 5.5% of Mojave Jane's forecasted net income and is payable over the subsequent five years from the date of acquisition on November 12, 2018 and has been discounted for the time value of money. The contingent consideration has been discounted to May 31, 2019 for presentation in the condensed interim consolidated statement of financial positon as at May 31, 2019.

As part of the Company's acquisition of Mojave Jane, the Company acquired intangible assets consisting of Trademarks and brand, customer relationships, management agreements and licenses. Refer to Note 9 for a list of the intangible assets acquired.

(Expressed in Canadian Dollars)

9. Intangible Assets

	Customer Relationships	Favorable Leases	Management Contracts	Non-compete	Trademarks	Licenses	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2018	4,401,098	6,652,163	1,650,222	84,864	1,940,129	**-**	**14,728,476**
Obtained through acquisition:							
Mojave Jane	215,418	-	203,383	-	50,220	2,702,570	**3,171,591**
Impairment	-	-	(1,650,222)	(39,291)	-	-	**(1,689,513)**
Balance May 31, 2019	4,616,516	6,652,163	203,383	45,573	1,990,349	2,702,570	**16,210,554**
Accumulated Amortization							
Balance August 31, 2018	(48,215)	(91,354)	(119,811)	-	-	**-**	**(259,380)**
Amortization	(426,076)	(360,104)	(520,607)	-	-	(292,000)	**(1,598,787)**
Impairment	-	-	528,975	-	-	-	**528,975**
Change in foreign exchange rate	258,921	112,911	60,705	4,652	119,697	80,648	**637,534**
Balance, May 31, 2019	(215,370)	(338,547)	(50,738)	4,652	119,697	(211,352)	**(691,658)**
Net Book Value							
August 31, 2018	4,352,883	6,560,809	1,530,411	84,864	1,940,129	-	14,469,096
May 31, 2019	4,401,146	6,313,616	152,645	50,225	2,110,046	2,491,218	15,518,896

Impairment of Intangible Assets

During the three months ended May 31, 2019, the Company determined that indicators of impairment existed with respect to certain intangible assets previously recognized on acquisition of Bravo Distribution LLC on July 9, 2018. An impairment test was subsequently performed by the Company, resulting in an impairment charge of $1,160,538 (2018 - $Nil) on its intangible assets where the carrying value exceeded the estimated recoverable amount.

(Expressed in Canadian Dollars)

10. Property, Plant and Equipment

	Automobiles	Computer equipment	Furniture and Fixtures	Equipment	Land	Leasehold Improvements	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2018	47,883	13,005	3,735	123,100	6,660,900	256,046	**7,104,669**
Reclassification	-	28,892	-	(28,892)	-	-	**-**
	47,883	41,897	3,735	94,208	6,660,900	256,046	**7,104,669**
Additions	65,674	-	2,394	1,087,234	372,571	900,308	**2,428,181**
Disposals	-	-	-	(12,140)		-	**(12,140)**
Impairment	-	-	-	-	(4,409,708)		**(4,409,708)**
Obtained through acquisition:							
Mojave Jane	-	-	-	419,528	-	-	**419,528**
Change in foreign exchange rate	1,734	471	200	100,129	385,995	2,757	**491,286**
Balance, May 31, 2019	115,291	42,368	6,329	1,688,959	3,009,758	1,159,111	**6,021,816**
Accumulated Amortization							
Balance, August 31, 2018	-	(361)	-	-	-	-	**(361)**
Amortization	(26,603)	(9,901)	(2,453)	(238,225)	-	(11,861)	**(289,043)**
Change in foreign exchange rate	-	17	-	-	-	-	**17**
Balance, May 31, 2019	(26,603)	(10,245)	(2,453)	(238,225)	-	(11,861)	**(289,387)**
Net Book Value							
August 31, 2018	47,883	41,536	3,735	94,208	6,660,900	256,046	**7,104,308**
May 31, 2019	88,688	32,123	3,876	1,450,734	3,009,758	1,147,250	**5,732,429**

Impairment of Fixed Assets

During the three months ended May 31, 2019, the Company determined that indicators of impairment existed with respect to the land previously recognized on acquisition of CoachellaGro in January 2017. An impairment test was subsequently performed by the Company, resulting in an impairment charge of $4,409,709 (2018 - $Nil) on its fixed assets where the carrying value exceeded the estimated recoverable amount.

(Expressed in Canadian Dollars)

11. Loan Receivable

On February 28, 2019, the Company announced that it has signed a binding Letter of Intent (the "LOI") for a strategic minority investment in the 2083 Group, Inc. ("2083 Group"), an innovator in California's growing cannabis marketplace best known for their Speed Weed delivery platform and services, an anchor brand in the cannabis space. Under the terms of the LOI, the Company and 2083 Group have agreed to the following: The Company agreed to advance a secured loan (the "Loan") to 2083 Group in the principal amount of $658,448 at February 28, 2019. The Loan shall bear interest at an annual rate of 7% and shall be due and payable within 12 months from the date of advance unless mutually extended by the parties. Subsequent to the quarter end the Company and 2083 Group entered into a Definitive Agreement, the Loan has been converted into 10.2% of the issued and outstanding common stock of 2083 Group.

12. Capital Stock

a) Authorized – Unlimited common shares without par value.

b) Issued – 104,778,316 common shares

(i) On November 12, 2018, the Company issued 8,974,352 common shares pursuant to its acquisition of Mojave Jane (see Note 8).

c) Shares held in escrow

As at May 31, 2019 there were 34,714,812 common shares held in escrow, of which 5,580,000 form part of the 6,000,000 shares issued by the Company in relation to the acquisition of CoachellaGro, 8,047,099 shares issued as part of the acquisition of 420 Realty, 4,200,000 shares issued by the Company in relation to the acquisition of Bravo Distro (see Note 19 (a)), 7,913,361 shares which form part of the 13,090,905 shares issued by the Company in relation to the acquisition of HS Airways Holding and CaliGold and 8,974,352 shares issued by the Company in relation to the acquisition of Mojave Jane (see Note 8).

d) Stock options

The Company's Board of Directors approved the implementation of an aggregate maximum of 10% of the issued and outstanding common shares may be issued for granting of options to directors, senior officers, full time employees of the Company, affiliates or subsidiaries, or any consultants to the Company. The terms of the awards under the Plan are determined by the Board of Directors.

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

	Number of stock options	**Weighted average exercise price**
		$
Balance, August 31, 2018	2,225,000	0.50
Granted	2,500,000	0.34
Exercised	-	-
Balance, May 31, 2019	4,725,000	0.42

(Expressed in Canadian Dollars)

12. Capital Stock (continued)

d) Stock options (continued)

The following table details the stock options outstanding and exercisable as at May 31, 2019:

Stock options	Price	Expiry Date
	$	
2,225,000	0.50	September 15, 2019
2,500,000	0.34	May 8, 2024
4,725,000		

The weighted average remaining life of stock options outstanding at May 31, 2019 is 2.75 years.

During the three and nine months ended May 31, 2019, the Company recorded share-based compensation of $813,750 (three and nine months ended May 31, 2018 - $741,535) related to the issuance and vesting of stock options.

The fair value assigned to the stock options granted and vested during the nine months ended May 31, 2019 was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	195.10%
Risk free interest rate	1.62%
Expected life	5 years
Forfeiture rate	0%

e) Performance Share Units and Restricted Share Units

The Company's Board of Directors approved the implementation of a restricted share unit plan (the "RSU Plan"). Under the RSU Plan, eligible persons may (at the discretion of the Board) be allocated several 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.

(Expressed in Canadian Dollars)

12. Capital Stock (continued)

e) Performance Share Units and Restricted Share Units (continued)

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 during the three and nine months ended May 31, 2018. Of the total RSUs granted, the Company has issued 1,850,000 common shares and a total of 700,000 common shares remain issuable as at May 31, 2019.

f) Warrants

The changes in share purchase warrants outstanding during the nine months ended May 31, 2019, are as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, August 31, 2018	38,620,962	0.87
Exercised	(210,500)	0.25
Expired	(736,000)	0.32
Balance, May 31, 2019	37,674,462	0.88

The following table details the warrants outstanding as at May 31, 2019:

Warrants	Price	Expiry Date
	$	
3,945,000	0.75	August 29, 2019
162,083	0.85	August 20, 2019
33,567,379	0.90	March 13, 2020
37,674,462		

The weighted average remaining life of the warrants outstanding as at May 31, 2019 is 0.88 years.

13. Related party transactions and balances

During the three and nine months ended May 31, 2019 and 2018, 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

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018	**May 31, 2019**	May 31, 2018
	$	$	**$**	$
Salaries	**177,843**	-	**985,800**	-
Management and director fees	**50,634**	635,348	**323,922**	730,076
Professional fees	**-**	(29,175)	**-**	104,050
Share based compensation	**813,750**	328,965	**813,750**	1,070,500
	1,042,227	935,138	**2,123,472**	1,904,626

(Expressed in Canadian Dollars)

13. Related party transactions and balances (continued)

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

As at May 31, 2019, the Company has balances payable totaling $Nil to former officers and to a Company controlled by a former Officer (August 31, 2018 - $373,944) which are due on demand, unsecured and is non-interest bearing.

As at May 31, 2019, the Company has a balance payable of $40,733 to certain directors (August 31, 2018 - $21,854) which is due on demand, unsecured and is non-interest bearing.

14. Supplementary Expense Information

Office and General:

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018	**May 31, 2019**	May 31, 2018
	$	$	**$**	$
Salaries and wages	**794,738**	-	**2,279,651**	-
Insurance	**48,576**	-	**109,440**	1,809
Administration and other expenses	**(98,572)**	123,148	**367,453**	158,810
Rent	**324,687**	33,360	**819,861**	69,869
Regulatory and shareholder filing fees	**41,597**	25,538	**59,980**	58,974
	1,111,026	182,046	**3,636,385**	289,462

Professional and Consulting Fees:

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018	**May 31, 2019**	May 31, 2018
	$	$	**$**	$
Consulting fees	**521,553**	378,218	**1,753,417**	1,064,102
Legal fees	**229,009**	36,378	**523,386**	181,351
Audit and accounting fees	**203,844**	14,065	**309,460**	74,277
	954,406	428,661	**2,586,263**	1,319,730

15. Commitments

i. The Company's subsidiary Bravo Distro maintains a lease at a building located at 2545 Boatman Avenue, City of West Sacramento, California 95691. The lease expires on June 31, 2028 and can be extended by one year with an option term.

ii. The Company's subsidiary 420 Realty LLC maintains a lease at a building located at 4311-4315 Santa Ana St., Cudahy, California 90201. The lease expires on July 31, 2027 and can be extended by five years with an option term.

iii. The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 241 N. 10th Street, Suite 6, Sacramento, CA, 95811. The lease expires on January 31, 2022.

(Expressed in Canadian Dollars)

15. Commitments (continued)

The lease commitments for the above noted leases are as follows:

	$
Less than one year	601,342
Two to five years	3,283,751
Greater than five years	1,957,224
	5,842,317

16. Segment Reporting

Operating segments

Nine months ended May 31, 2019	Cannabis production	Cannabis distribution	Cannabis infused products	Corporate	**Total**
	$	$	$	$	**$**
Revenue	-	-	80,160	-	**80,160**
Cost of goods sold	-	-	280,848	-	**280,848**
Net income (loss)	(325,224)	(3,787,160)	(3,111,086)	(9,020,152)	**(16,243,622)**
Nine months ended May 31, 2018					
Revenue	-	-	-	-	**-**
Gross profit	-	-	-	-	**-**
Net income (loss)	-	-	-	(5,581,583)	**(5,581,583)**

Operating segments

Three months ended May 31, 2019	Cannabis production	Cannabis distribution	Cannabis infused products	Corporate	**Total**
	$	$	$	$	**$**
Revenue	-	-	507	-	**507**
Cost of goods sold	-	-	116,506	-	**116,506**
Net income (loss)	(109,599)	(1,602,995)	(1,231,981)	(6,556,946)	**(9,501,521)**
Three months ended May 31, 2018					
Revenue	-	-	-	-	**-**
Gross profit	-	-	-	-	**-**
Net income (loss)	-	-	-	(2,807,823)	**(2,807,823)**

17. Subsequent Events

(a) On July 9, 2018, the Company acquired all issued and outstanding shares of 8 Points Management LLC and Bravo Distro LLC (together, “Bravo Distro”) (the “Acquisition”). In consideration, the Company issued a total of 4,200,000 common shares of the Company (the “Payment Shares”). All Payment Shares issued in connection with the Acquisition are held in escrow with 50% of the Payment Shares to be released 12 months from the closing of the Acquisition, subject to meeting certain conditions, and the remaining 50% Payment Shares to be released 24 months from the closing of the Acquisition, subject to meeting certain conditions.

After May 31, 2019, the Company determined that the terms for the release of the Payment Shares held in escrow were determined to have not been met, and as a result the Company will commence actions to return these Payment Shares to treasury.

(b) On July 9, 2019, the Company announced that it has signed a binding letter of intent (“LOI”) to acquire 100% of CB Asset Management (“CBAM”), a fully-licensed cannabis operator based in Coachella with a 20-year lease on a six-acre property in the Coachella valley. The acquisition will be completed through a combination of debt, equity and cash and via a “vend-in” through Greensource, LLC (“Greensource”). Greensource holds the rights to acquire CBAM, and the LOI establishes that, at closing, Mojave Jane will own those rights and will conclude the acquisition of CBAM which will then be fully integrated with Mojave Jane.

(c) On July 16, 2019, the Company announced that it has acquired 20.7% of the issued and outstanding shares of the 2083 Group (the “2083 Shares”), with an opportunity to acquire up to 40% of the issued and outstanding 2083 Shares upon 2083 Group meeting certain predetermined performance milestones key to expanding its consumer reach. Under the terms of the Share Exchange and Subscription Agreement, the Company has advanced a secured loan (the “Loan”) to the 2083 Group in the principal amount of USD$500,000. The Loan bore interest at an annual rate of 7% and was due and payable within 12 months from the date of advance. Upon entering into the Agreement, the Loan has been converted into 10.2% of the issued and outstanding 2083 Shares; the Company acquired an additional 10.5% of the issued and outstanding 2083 Shares for an aggregate purchase price of USD$520,000; the Company has an option to acquire additional 2083 Shares to increase its interest in the 2083 Group from 20.7% to 40% upon 2083 Group meeting certain predetermined performance milestones key to expanding its consumer reach, for an additional aggregate purchase price of USD$1,580,000.